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Report

drawn up on behalf of the Committee on Energy and Research

on aspects and requirements of coal supplies for the European Communities

Rapporteur: Mr G. RINSCHE

English Edition

PE 72.283/fin

On 20 May 1980 Ms CLWYD and others tabled a motion for a resolution pursuant to Rule 14 of the Rules of Procedure on the imminent threat of closure of British coal mines (Doc. 1-176/80).

The European Parliament rejected the request for urgent procedure and referred the motion for a resolution to the Committee on Energy and Research as the committee responsible, and to the Committee on Budgets and the Committee on Social Affairs and Employment for their opinions.

On 3 June 1980 the Committee on Energy and Research appointed Mr RINSCHE rapporteur and held an initial exchange of views.

The committee considered the draft report at its meeting of 20 May, 25 June and 20 October 1981 and at the latter meeting adopted it unanimously with one abstention.

Present: Mrs Walz, chairman; Mr Gallagher and Mr Normanton, vice-chairmen; Mr Rinoche, rapporteur; Mrs von Alemann (deputizing for Mr Galland), Mr Caborn (deputizing for Mr Percheron), Mr Croux, Mrs Ewing (deputizing for Mr Meo), Mr Fuchs, Mr Griffiths (deputizing for Mr Rogalla), Mr Lalor (deputizing for Mr Cousté), Mr Linkohr, Mr Moreland, Mr Müller-Hermann, Mr Pintat, Mr Rogers (deputizing for Mr Adam), Mr Sassano, Mr Schmid, Mr Seligman and Mr Veronesi.

The opinions of the Committee on Budgets and the Committee on Social Affairs and Employment are attached.

C O N T E N T S

A

The Committee on Energy and Research hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on aspects and requirements of coal supplies for the European Communities.

The European Parliament,

- having regard to the motion for a resolution tabled by Ms CLYWD and others on the imminent threat of closure of British coal mines (Doc. 1-176/80),

- having regard to its earlier resolutions in the field of energy policy, in particular in relation to:

- the proposal from the Commission of the European Communities on the 'medium-term guidelines for coal 1975-1985'[1]

- the future guidelines for the Community's coal policy in the framework of the overall concept of a Community energy policy[2]

- the proposal from the Commission of the European Communities to the Council for a Regulation on Community financial measures to promote the use of coal for electricity generation[3]

- the proposal from the Commission of the European Communities to the Council for a Regulation concerning Community aid for financing cyclical stocks of hard coal, coke and patent fuel[4]

- the Draft from the Commission of the European Communities for a Decision concerning coal and coke for the iron and steel industry of the Community[5]

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[1] OJ C 179, 6 August 1975, p. 15
[2] OJ C 159, 12 July 1976, p. 33
[3] OJ C 133, 6 June 1977, p. 18
[4] OJ C 241, 10 October 1977, p. 14
[5] OJ C 127, 21 May 1979, p. 39

- the Communication from the Commission of the European Communities to the Council on the energy objectives of the Community for 1990 and the convergence of policies of the Member States[1]

- having regard to the reports of the Committee on Energy and Research and the opinions of the Committee on Budgets and the Committee on Social Affairs and Employment (Doc. 1-662/81),

1. Affirms that coal remains the most important domestic source of energy in the Community;

2. Welcomes the growing role of coal in future energy supplies as reaffirmed at the European Councils in Strasbourg (1979) and Luxembourg (in 1980);

3. Considers that there is considerable potential for making greater use of coal as a substitute for oil and that this represents an opportunity to reduce the dependence of the European Community as part of a programme to diversify sources of energy;

4. Considers in view of the massive price increases on the world market that the time is ripe for a fresh attempt to define a European coal policy and welcomes the fact that the Commission shares this view;

5. Calls on the Commission, when elaborating a comprehensive coal policy, to reconcile the interests of the Member States with and without coal reserves;

6. Considers that this can be achieved by integrating elements of energy, regional, transport and social policy to provide aid for development and exploitation for the coal-mining regions thus enabling them to compete with imports from third countries and guaranteeing them minimum sales while also providing assistance to the areas without coal to enable them to make the major infrastructural adjustments necessary to permit the transport and use of coal;

7. Considers it essential to develop a stable relationship between domestic coal production and imported coal in order to provide the domestic producers and consumers concerned with reliable statistics on future developments;

8. Advocates in this context the stabilization and further expansion of domestic mining capacity in order to achieve the goal set by all Community institutions since 1973 of 270 million tonnes per year taking into account economic conditions;

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[1] OJ C 59, 10 March 1980, p. 41

9. Welcomes the fact that coal production is once again on the increase for the first time since 1979 and currently stands at approximately 250 million tonnes per year;

10. Takes the view that domestic production needs to be augmented by an import strategy which should not only include a further development of existing approaches but also the conclusion of contracts with foreign exporters on as long term a basis as possible and also the acquisition of shareholdings in and ownership of coalfields and production plant in third countries;

11. Is aware that peak demand will have to be met by recourse to the world market;

12. Insists, however, that domestic production and imports from third countries must be coordinated in particular in such a way as to prevent domestically produced coal from being subject to inordinate pressure from imports in periods of slack economic activity;

13. Assumes, in the light of the major increases in world market prices, that the need for subsidies to domestic coal producers will decrease in the medium term;

14. Regards the creation of a market for domestic coal at prices which cover costs as a vital goal of economic policy, particularly to strengthen the European coal producers' capacity to withstand risks and to invest;

15. Considers it equally legitimate and essential to examine the extent to which disparities in the level of subsidies and clear differences in the attitude of the national governments to aid for coal-mining are economically and politically justifiable;

16. Takes the view in this context that it would have disastrous consequences for energy policy as a whole if pits were to be closed simply on the basis of short-term financial considerations where there were no cogent necessity due to reserves being exhausted, major geological problems or on other overriding grounds;

17. Takes the view in particular that proposals for large-scale pit closures are irreconcilable with the goals of the Community's energy policy;

18. Considers it essential:
(a) to provide further incentives and encouragement to increase the use of coal and to encourage a more rapid replacement of oil and gas by coal in electricity generation in particular and in industry in general;
(b) to intensify support for research and development and in particular the further development and earliest possible use of new technology in the fields of coal utilization and processing, such as fluidized bed combustion, above and below ground;

(c) to offer Community coal producers guaranteed markets for their planned levels of production, namely by measures to increase the proportion of coal-fired power stations and industrial plant and appropriate Community policies in relation to coal imports and support for prices;

19. Expects under these circumstances the mining companies
- to undertake systematic exploration;
- to maintain and expand mining potential, allowing adequate time for trial operations and to deal with any environmental problems;
- to establish the optimum size of operation;
- to rationalize their operations and investigate other possibilities of cutting costs;
- to improve working conditions;
- to develop new processes in mining technology;
- to implement a manpower policy geared to the long term which seeks to ensure that the profession of miner remains attractive or becomes so once again by improving training and introducing better working conditions;

20. Points out that the recommendations of the ECSC Treaty provide the Commission with an important instrument for the implementation of its coal policy.

21. Recommends the Commission to develop further the aid programme for coking coal and to incorporate in the new comprehensive coal policy its earlier proposals for financing cyclical stockpiles and promoting the use of coal in power stations with fixed term programmes to solve the medium-term problems;

22. Further recommends the Commission to consider financing feasibility studies for projects relating to energy-intensive sectors of industry;

23. Expects the Commission to expand

(a) the investment in coal facilities in the Community by means of EIB and NCI loans financed at preferential rates by the Community's budget;

(b) the scope of investment and restructuring loans, through preferential interest rates, and possibly grants from the Community budget;

24. Also expects the Commission to adopt the same financial measures as set out in paragraph 23(a) and (b) for the construction of new infrastructures and such conversion projects as are necessary to increase consumption in those countries which do not have their own coal reserves;

25. Calls on the Commission to submit concrete programmes which all enable coal policy to become a focal area of European energy policy and will receive substantial support through the Community budget;

26. Instructs its President to forward this motion for a resolution together with the explanatory statement to the Council and the Commission of the European Communities and the parliaments and governments of the Member States.

B

EXPLANATORY STATEMENT

I. DEVELOPMENTS SINCE THE SECOND WORLD WAR

1. Coal was the only source of primary energy available in any quantity after the Second World War. It therefore rapidly became a focal point of economic interests. The importance of coal was reflected in the creation of the European Coal and Steel Community (ECSC) on 18 April 1951. The aim of this first European Community was to create a liberal market structure for the steel and coal sectors with a limited measure of intervention (Article 5). Article 4 of the ECSC Treaty provides the clearest illustration of this concept, namely:

> 'The following are recognized as incompatible with the common market for coal and steel and shall accordingly be abolished and prohibited within the Community, as provided for in this Treaty:
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> .....
>
> .....
>
> (c) subsidies or aids granted by States or special charges imposed by States, in any form whatsoever;
>
> .....

2. Articles 54 to 56 of the Treaty modify this implicit economic concept to a certain extent by providing for certain investment, research and social measures on the part of the Commission. Article 59 of the ECSC Treaty introduces a further provision which is important in this context, namely the possibility of allocating the coal resources of the Community if a serious shortage has been established. This article has, however, never been invoked in practice. In 1958/59, the High Authority proposed that Article 58 of the ECSC Treaty, which makes similar provisions for the event of a decline in demand, should be applied but this was rejected by the Council of Ministers.

3. In the 50s, coal provided the basis for economic reconstruction in Europe. But from 1958 on, the situation changed dramatically. Oil began to exert tremendous competitive pressure, which led to the relatively expensive coal being rapidly replaced by oil. The ECSC Treaty, which had been designed to deal with scarcities, had no adequate instruments at its disposal to cope with such a development. Apart from a few specialist uses and the coking coal sector, passive acceptance of market domination by cheap oil would have quickly led to a total end to the coal industry in the European Community. Confronted by the need to respond to the social problems which

were developing and to retain a strategic minimum reserve capacity of domestic coal, the individual national governments began to develop various systems of subsidies. As subsidies were however basically illegal under Article 4 of the ECSC Treaty[1], while at the same time the treaty did not make adequate provision for the economic situation which had emerged, legal bases were finally created in the Community to permit national subsidies to the coal sector (applicable since 1965; currently valid: Commission Decision of 25.07.1973 concerning coal and coke for the iron and steel industry in the Community, No. 287/73 ECSC, OJ L 259/36 of 15.9.1973, amended and extended most recently by Decision No. 3058/79/ECSC, OJ L 344/1, 31.12.1979, summarized in OJ C 36/2, 13.2.1980 and Commission Decision No. 528/76/ECSC, 25.2.1976 regarding the Community system of measures taken by the Member States to assist the coal-mining industry, OJ L 63/1, 11.3.1976). Both decisions are based among other things on the first and second paragraphs of Article 95 of the ECSC Treaty.

4. Despite these measures a large number of pits had to be closed. Coal production within the Community declined considerably:

Total coal production

1,000 t (t=t)

Year	The Nine	Germany	France	Belgium	United Kingdom
1960	436,878	148,000	55,961	22,465	196,703
1973	270,229	103,654	25,682	8,842	130,144
1978	238,100	90,103	19,690	6,590	121,685

Source: Eurostat

5. The risks associated with a strategic dependence on oil but also on other sources of energy such as gas, were quite evident. It was however politically impossible to implement further measures to attain greater coalmining capacity in view of the market imbalance between coal and oil which still exists. It is to the credit of the Commission of the European Communities that since 1973 it has constantly advocated the retention of coalmining capacity within the Community of 270 mill.tonnes

[1] See ECR. Case 30/59 - miner's bonus, 1961 Reports, p. 3 et seq

per year[1]. Nonetheless, production fell below this figure, namely from 270 mill. t (t=t) in 1973 to 238 mill. t in 1978. The Commission of the European Communities attempted to encourage the retention of capacity by presenting what was known as a coal package. This consisted of

- a proposal on Community financial measures to promote the use of coal for electricity generation (OJ C 22, 29.1.1977, p.4)

- a proposal to finance cyclical stocks of hard coal, coke and patent fuel (OJ C 87, 7.4.1977, p.6) and

- a proposal for a Community aid system for intra-Community trade in power station coal (OJ C 243, 13.10.1978, p.3).

6. None of the measures proposed was approved by the Council. Only the abovementioned system of subsidies for coking coal and coke for the iron and steel industries in the Community provided a small Community subsidy to the coking coal sector, and this still exists.

7. The rejection of the coal package by the Council despite repeated efforts on the part of the Commission and the support which it received from the European Parliament, illustrates the fundamental dilemma of European coal policy and possibly of energy policy as a whole:

Apart from minor reserves, e.g., in Ireland, only four members of the Community are coalmining countries: United Kingdom, Belgium, France and West Germany. Although, apart from France, these sought to supplement their national subsidy programme by Community measures to support coal, they were constantly blocked by a veto from the Member States without coal reserves. This latter group had no economic interest in encouraging domestic coal production via the budget of the European Communities as long as the price of oil was continually becoming more and more competitive.

8. The price ratio to oil, however, began to change. Although the first oil price crisis in 1973/1974 was not sufficient to make domestically mined coal competitive, it should have sounded a warning. But the warning was only heard in the Commission and the European Parliament. It was still impossible to gain acceptance for abovementioned coal package, essentially because of a further economic argument:

Domestically mined coal faced another competitor, namely world market coal, which seemed set to occupy the position of oil should this become too expensive.

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[1] The Council too advocated the retention of coal production at the then current level under satisfactory economic conditions in its resolution of 17 December 1974 on the goals of Community energy policy 1985; OJ C 153, 9.7.1975, p.2.

9. Since the second oil price crisis of 1978/1979 and the constant increase in oil prices since then, the price situation has changed fundamentally. Domestic coal can now compete with oil. But it cannot compete with the coal on offer on the world market. Only some 20% of total coal production in the Community is currently fully competitive, in fact to such an extent that it is capable of making up the deficit vis-à-vis the world market prices of a further approximately 20%.

II. EUROPEAN COAL IN 1980

10. The situation in 1980 shows the results of the above trend and serves at the same time as the basis for all forecasts of future developments. It therefore merits relatively comprehensive statistics:

Coal production

1,000 t (t=t)

Year	The Nine	Germany	France	Belgium	United Kingdom
1980	247,225	94,492	18,136	6,324	128,208
Change 1979 - 1980	+ 3.5%	+ 1.2%	- 2.6%	+ 3.3%	+ 6.2%

Source: Eurostat and Commission

The rise in coal production is very largely a result of the increase achieved in the United Kingdom (see 4 above).

12. In 1980 coke production fell to 66.6 mill. t, which represents a fall of 0.9% on the previous year. This development is due to a drastic reduction in British production, mainly owing to the strike by steel workers and the low coke production in Belgium (less coking under contract for the USA) and finally, the steadily worsening situation in the steel sector in the last few months of 1980.

13. Pithead stocks increased by approximately 10.7 mill. t to 37.2 mill. t within the space of a year as a result of the general economic recession and simultaneous increase in imports. Particularly in Britain, most of the additional production was stockpiled.

Stocks at the end of 1980

Million t (t=t)

The Nine	Germany[1]	France	Belgium	United Kingdom
37.20	13.30	5.79	0.16	17.90

[1] Including national coal reserves (7.26 mill. t (t=t))

Source: Eurostat 3-1981

Coke stocks at coke ovens and blast furnaces rose to 10.7 mill. t with the United Kingdom alone accounting for a rise of approximately 0.8 mill. t.

14. Consumption of coal and coke in the Community remained at virtually the same level in 1980 as in the previous year, namely 314 mill.t. Deliveries of domestically mined coal remained at around their 1979 level, while imports from third countries rose by 14.5 m to approximately 74.5 mill.t. (which is the equivalent of almost 25% of Community coal production). Total sales of Community coal production fell by 19 mill.t.because exports to third countries declined sharply.

15. The increase in coal consumption was produced by the electricity generating industry where demand rose by approximately 8 mill. t to some 184 mill. t.

Demand for power station coal in 1980 compared to 1979

Figures in mill. t

The Ten	Germany	France	Belgium	United Kingdom	Italy	Denmark	Netherlands
+ 7.8	+ 2.0	- 0.6	+ 0.5	+ 0.7	+ 1.3	+ 2.5	+ 1.3

The increased demand for coal from Community power stations was largely covered by coal from third countries.

16. Demand for coke from the Community steel industry fell by approximately 5 mill. t to some 61 mill t. Although it had proved possible to reduce the use of fuel oil even further to the benefit of coke, this downward trend resulted firstly from the strike by steelworkers in the United Kingdom and was then increasingly a reflection of the poor economic situation in the steel industry.

17. In 1980 sales of coal to other consumers fell by just under 8 mill. t to approximately 48 mill. t. The main reason for this was the mild weather and the slackening of industrial activity.

18. Coal imports from third countries rose sharply: by approximately 14.5 mill. t to approximately 74.5 mill. t (excluding coke).

Imports from third countries

Million t (t=t)

Year	The Ten	Germany	France	Italy	Netherlands	Belgium
1979	59.9	6.9	19.5	11.2	3.8	5.9
1980	74.5	7.3	22.6	14.3	5.0	7.3
1981 Estimated	77.0	9.5	22.3	13.6	5.3	8.1

Year	Luxembourg	United Kingdom	Ireland	Denmark	Greece
1979	0.2	4.0	1.1	6.7	(0.6)
1980	0.2	7.2	1.0	9.1	(0.5)
1981 Estimated	0.2	6.5	1.1	10.1	0.3

Source: Commission or Eurostat

19. Four supplier countries accounted for approximately 94% of coal imports from third countries.

Imports in mill. t.

Year	USA	South Africa	Poland	Australia
1979	14.8	15.9	15.4	8.0
1980	28.3	19.7	13.6	7.8

Source: Eurostat

20. The volume of world coal trade expanded in 1979 by 16% (+ 36 mill. t.) to approximately 266 mill. t. This increase continued in 1980 at a slower rate of growth to 280 mill. t. According to US producers, it was not possible to cover an additional demand of some 10 mill. t.

21. The price for power station coal on the world market in 1980 was very buoyant as a result of the trend in volume. It has drawn ever closer to the price for coking coal which so far has only risen by a relatively small amount.

Coking coal prices (World market)

cif ARA price[1]	Coking coal $/t
January 1978	62.10
January 1979	63.95
January 1980	68.50
October 1980	69.95
January 1981	75.70[2]

[1] Excluding spot and one-off consignments; excluding demurrage

[2] Including demurrage

Prices for power station coal

cif price[1]		Power station coal $/t SKE
1st quarter 1978		38.22
1st quarter 1979		40.47
1st quarter 1980		52.03
3rd quarter 1980		59.78
4th quarter 1980	approx	65.00

[1] Including demurrage

Price increases

Coking coal		Power station coal	
Jan. 79/Jan. 78	+ 3%	I. 79/I. 78	+ 6%
Jan. 80/Jan. 78	+ 10%	I. 80/I. 78	+ 36%
Jan. 81/Jan. 78	+ 22%	IV. 80/I. 78	+ 70%

The world market prices for coal have risen particularly dramatically in the first few months of this year, to approximately $75/t and more for steam coal and to over $80/t for coking coal.

22. Price of Community coal:

The published list prices for Community coal vary considerably. There is no need to present these in detail here as they are of limited significance: Community coal is largely sold at prices comparable with world market prices.

23. The position of the coal sector in 1980 may be summarized as follows:

- as coal production in 1980 increased in a period in which demand was slack and imports from third countries rising strongly, particularly in the United Kingdom, the stocks which had declined markedly in the previous period rose once again;

- sales of coal to the electricity generating industry continued to rise; the main beneficiary of this was imported coal but also domestically mined coal in the United Kingdom and West Germany;

- demand for coking coal and coke in the iron and steel industry fell; but this reduction in demand because of a decline in crude steel production was partly compensated for by the general replacement in blast furnaces of fuel oil by coke.

III. FORECASTS OF FUTURE DEVELOPMENTS

24. Any forecast of possible future trends in Community coal will depend mainly on two factors: demand patterns (a) and the trend in prices for both world market coal and domestically mined coal (b).

(a) Demand patterns

25. Consumption of coal amounted to 314 mill.t. in the European Community in 1980; the Commission estimated demand for 1990 at approximately 390 (350 to 420) mill. t., and for the year 2000 forecast a total consumption of approximately 580 (495 to 635) mill. t.[1]

26. These increases in demand are based on the following assumptions:

Energy consumption in the Community will continue to grow. Coal's share will rise, particularly in the field of electricity generation. This will involve building new power stations and replacing old power stations and the conversion of oil-fired power stations to coal. In the past two years the enormous price rises in the oil sector have already led to more and more conversion measures of this kind being undertaken. Subsidized national or Community loans might be made available in cases where the necessary investments for conversion appear threatened by high

[1] See COM(80) 117 final. The Commission estimates are based on figures from the Member States at the end of 1979.

market interest rates. France for example provides national loans of up to 25% of the investment costs in the industrial sector. The United Kingdom is currently negotiating with representatives of the ECSC on their offer to provide a £50 m. loan for two years. Because of the extraordinarily high interest rates in the United Kingdom this would be at rates 4% lower than the ordinary Eurodollar market rates.

The construction of additional new power stations and replacement of old power stations also has the extremely beneficial side effect of maintaining or even creating new employment[1].

The use of oil in electricity production as a whole in 1990 is currently estimated as follows:

The Nine	The Ten	Germany	France	Greece	United Kingdom
14%	14/15%	4%	4%	8%	13/14%

Belgium	Denmark	Netherland	Italy	Ireland
14%	20%	38/33%	40/45%	50%

Source: COM(81) 65 final.

In the context of overall energy policy it is hard to justify the high proportions in some Member States.

27. The construction of new coal-fired power stations using sophisticated technology also has desirable environmental repercussions. Coal-fired power stations using fluidized bed combustion allow sulphur to be removed and thereby avoid the need for conventional flue gas desulphurization units. Improvements in filter technology have achieved more effective removal of particles. Carbon dioxide emission remains a problem. As the entry into service of new coal-fired power stations, particularly in conjunction with district heating systems (CHP) is likely to lead to the decommissioning of old power stations and a large number of domestic boilers both of which cause considerable pollution, this too must be regarded as a form of environmental progress.

[1] See Wolfgang KLAUDER, Zu den Arbeitsmarktauswirkungen unterschiedlicher Energiestrukturen, MittAB 1/80; according to this, the operation of a coal-fired power station using domestically mined coal creates the highest level of employment of all types of power station.

28. A further promising market for coal will result from the conversion from oil to coal by other branches of industry. The main unresolved issue here is how quickly this will take place. Subsidized loans in the form referred to above, could expedite this development. The cement industry, for example, has pushed ahead with conversion throughout the Community.

29. The movement away from fuel oil could lead to a short-term improvement in the market for coking coal in the iron and steel industry. As, however, the long-term prospects for the steel industry are less than rosy, it is impossible to make any clear forecasts as to what may happen in the future.

30. In the domestic fuel sector, demand is likely to continue to decline partly as a result of an expansion in the coal-fired district heating network.

31. Coal gasification and liquefaction may turn out to be a further interesting potential market. Experimental results to date are so encouraging that attempts are now under way all over the world using demonstration plants of different sizes to establish the economic and practical feasibility of this technology. Although it is impossible to deal with all aspects of this in detail, it is worth noting that the production of liquid and gaseous basic materials for the chemical and transport sector is likely to become an ever more pressing need in future given steadily increasing oil and gas prices. Further developments in gasification technology are also needed to improve the efficiency of coal-fired power stations beyond their present level of 40%.

32. Until now generating enough heat to process coal has consumed the major part of the coal used. If it were possible to derive the necessary heat from a high temperature reactor, at least the economic prospects for coal gasification would become considerably more promising. A quantity of coal equivalent to the heat derived from the reactor would thus be saved. This would however, have to be offset against the cost of providing the equipment to supply the heat and the far more complicated gasification technology. The advantage derived would be far greater for coal gasification than for coal liquefaction.

33. It would be unrealistic to expect the HTR technology to be operational or gasification on a large scale to be feasible before 1995. Nevertheless it is important even now to accord priority to developing these technologies in particular in view of the need to find alternatives to oil and gas and to cover the increase in energy consumption.

34. The above considerations show that the forecast increases in Community demand are entirely plausible at least in terms of a general trend.

35. By comparison, in 1980 the Community produced 247 mill. t. of coal. For 1990, the Commission anticipates a Community average of between 246 and 256 mill. t. i.e. roughly the same level of production.

36. The figures provided by the Member States yield the following projections of production in the Community (in mill. t, t = t)[1]:

	1980	1990	Difference[1]
Belgium	6.3	7.0	+ 0.7
Germany	94.5	97.3	+ 2.8
France	18.1	12.5[1]	- 5.6
United Kingdom	128.2	127.3 - 137.6	- 0.9 - + 9.4
Italy	00	1.7	+ 1.7
Ireland	0.1	0.1	± 0
Total	247.2	245.9 - 256.5	

[1] Provisional

The obvious conclusion from these figures on domestic production, compared with the forecasts of overall consumption in 1990 and the year 2000, would be that once domestic production had been sold, the deficit would have to be made up on the world market. This conclusion is, however, only justified if one ignores the competitive position produced by the relative prices of Community coal and world market coal. Apart from the above-mentioned roughly 20% of European production, world market coal is far cheaper than domestically mined coal. The question therefore arises whether one can expect the world market to continue in future to be able to supply a satisfactory amount of imports to the European Community and how the price of this coal is likely to develop.

(b) Price trends on the world market and in the Community

37. In 1980, for the first time for many years, a supply-side limit was set to the volume of world coal trade. According to US producers, with an effective volume of approximately 280 mill. t., an additional demand of some 10 mill. t. could not be covered.

[1] See OJ C 67/16, 26.3.1981

38. In the current year, 1981, up to 290 mill. t are likely to be offered for export. This assumes an optimum development of supply conditions in the major exporting countries. As, however, demand is likely to increase further there will again be a shortfall in supply.

Forecasts of future trends can only be made in the light of the situation in the major producer countries:

39. The world market is supplied mainly by the following countries: USA, Australia, Canada, South Africa and Poland. In the distant future, countries such as Colombia, China, India and some African states may emerge as suppliers. The coal reserves in these countries are so immense that the world demand for coal could be covered for centuries even allowing for the maximum rates of growth (optimistic estimates range up to at least 300 years). But the individual producer countries are having major problems in adapting quickly to the rapid increase in demand. The major problems consist of carrying out the necessary restructuring of the infrastructure and the associated problems of environmental protection.

40. In 1980, the USA exported a total of 80 mill. t and plans a slight increase for 1981. Thus the American volume of exports will have virtually doubled between 1977 and 1981. According to the National Coal Association (NCA), American coal producers would have been able to find a market for an additional 10 mill. t in 1980. For the time being transport and loading capacities have probably reached their limit. Even in 1980, waiting time for freighters in the coal ports on the Eastern seaboard reached levels of two to three months and were tending to become even longer. Demurrage costs of US$15,000 per day mean that the cost of waiting are virtually just as high as other freight costs and are estimated at between US$13 to 20 per t depending on the port.

41. The situation is unlikely to improve in the immediate future:

Firstly, on 7 October 1980, the Government of the United States enacted a bill providing that until 30 June 1987 all coastal shipping (between the North American ports) carrying coal for domestic consumption is to have priority for loading in the ports over all other ships carrying coal for export overseas.

Secondly, the change of government in the United States means that there is considerable doubt as to whether the extensions to the transport and loading capacity which had been planned for the next few years and which would involve considerable extra cost will take place. Subsidies to railways have already been reduced and there are reasons to fear that no state aid will be forthcoming for the major sums needed to expand

harbours (deepening the fairway). At all events for a limited period of some three to five years no improvements are likely.

42. Similar problems exist in Australia. Loading capacity in South Africa is also currently being utilized to the full. There is the additional problem in South Africa of a certain amount of political uncertainty. Poland was unable to meet its contractual obligations for deliveries in 1980 and on its own admission will be unable to do so for the next few years.

43. To summarize the supply-side situation it is reasonable to conclude that the problems which are emerging will not be fully resolved at least in the short term of up to five years. It is quite impossible for Europeans to gauge the effect of difficulties arising from environmental problems and sociopolitical phenomena such as the continuing strike movement in Poland, industrial disputes as seen in recent years in the USA (1978 and 1981) or Australia (1980) or the existing social conditions in coal mining in South Africa.

44. A lasting change in the nature of the world's coal market from a buyers' to a sellers' market would represent a further factor affecting prices: in 1980 for the first time for many years, there was no surplus supply in evidence on the world coal market. Quite the contrary: the level of world trade was clearly limited by the level of supply.

45. In 1978 and 1979 the United States was a minor supplier to the world market for power station coal. The United States accordingly supplied only small amounts (approximately 1 mill. t per annum) of power station coal to Europe. In the course of 1980, the sharp rise in demand for power station coal enabled Australia, South Africa and Poland to sell all their stocks available for export. Nonetheless the effective demand was not fully covered. As a result the United States was able to increase its exports dramatically and despite its uncompetitive prices at the beginning of 1980 became for the first time a major supplier of power station coal to the Community. The country which had previously been a minor supplier to the world coal market had become the market leader.

This meant that Australia, South Africa and Poland were able to increase their fob prices substantially and thus adjust to the price level of the United States. The prices for American coal are now in some cases lower than those of their competitors (particularly Poland). The question therefore arises why the price for US power station coal has not continued to rise.

46. The reason why US coal has temporarily held down the average price on the world market was that the additional demand for US power station coal had not made itself fully felt on the fob price in the country itself. This in turn was due mainly to surplus capacity at the production level. Any forecast of future price developments on the world coal market are therefore particularly dependent on the situation and price trends on the US coal market.

47. The figure of 100 mill. t surplus capacity which has been quoted for many years refers to the 1977 level. The surplus capacity at this time was the result of mistaken estimates of coal demand in the United States. The mining industry had counted on a rapid increase in demand as a reaction to the first oil price crisis in 1973/74 and expanded its production capacity accordingly. When demand then only grew at a moderate rate, this posed major problems for the mining companies. Pits were closed down and the development of new mines postponed. Demand only rose substantially after the second oil price crisis in 1978/79.

48. The present surplus capacity is by and large unlikely to be standby capacity which can be mobilized immediately. It is far more likely that this will take some time. The administrative obstacles to coal production and coal transport mean that it is even more probable that the utilization of new capacity will require extraordinarily long lead times.

49. Consumption of coal by the electricity generating industry in the USA is likely to continue to rise. Thus the market for power station coal in the United States could rapidly come under pressure. One confidential report, for example, anticipates an average price increase of $10/t coal ex-pithead in the USA at the beginning of 1981. This would mean a price increase in the case of power station coal of up to 50%.

50. An increase in the price of coking coal on the domestic market would depend on whether the US steel industry once again regains its former production level or whether coking coal is used in other areas of consumption.

51. The recent deregulation of oil prices could provide additional stimulus to domestic US demand for coal. Such surplus supply as is still available would then be reduced even further.

52. Overall it seems likely that the prices on the US coal market are likely to rise. This would affect prices on the world market.

53. One element in the uncertainty surrounding prices are possible shifts in exchange rates. For example in the last few months the rise in the exchange rate for the dollar has pushed up world market prices for coal in terms of the European currencies and thus enhanced the competitiveness of domestic coal. This does not however apply to the United Kingdom because Sterling has also been strong throughout this period.

54. The price situation on the world market may be summarized as follows:

Surplus supplies have disappeared from the world market. The main reasons for this were:

- a market increase in demand for steam coal,
- restriction of the growth in supply mainly as a result of production and export cuts in Australia and Poland and bottlenecks in US harbour capacity.

One consequence of this has been that the price of power station coal has risen markedly and drawn even closer to the price of coking coal.

The price of coking coal has so far however remained virtually unaffected by the upward trend in power station coal prices because of the crisis in the steel sector.

Further pressure on the market is likely to build up because even conservative estimates of demand can only be met with an optimum development in the supply situation.

On the basis of the information currently available it is perfectly possible that the world coal market could change from a buyers' market to a sellers' market within a short space of time. The major determining factor of prices on the world coal markets is likely to be the development on the US coal market.

And quite independently of this, further factors producing upward pressure on the prices of power station coal can already be discerned. This could lead to a situation in which the electricity generating industry turns more and more to coking coal to produce electricity because of the constantly deteriorating price ratio of power station coal in terms of thermal equivalence. Under these circumstances the price for coking coal would rise independently of the situation in the steel industry.

55. All this does not however necessarily mean that in the foreseeable future prices on the world coal market are likely to draw level with the production prices of Community coal which themselves vary considerably. Although the rates of increase for prices on the world coal market are far higher in percentage terms than on the European market, the absolute

figures may nonetheless lag behind the development in Europe because of the far lower base figures. And the prices for domestic coal production are bound to rise in the next few years because of rising costs.

56. In the final analysis it is impossible to do more than speculate as to whether world market prices will continue to remain below domestic prices, catch up with them or even overtake them. In the light of the aspects referred to above, we have assumed that they will draw more or less level. Any minor price differences which might remain could be countered by reference to the advantages of European coal such as security of supply, guaranteed quality and purchasing procedures free from national interests which can interfere at any time with commercial contracts.

(c) Consequences for policy in the Member States and the European Community

57. A range of other factors also determine the consequences for policy of the assumptions above.

Therefore the following sections present a brief survey of the probable reserves and types of coalfield etc. in the four major mining countries in the Community (source: World Coal Study II and a variety of material for Belgium). A brief statement on the manner of presentation is necessary:

58. Types of coal

When referring to individual coal fields below, some indication is given of the quality of the coal produced, using a seven point scale: Group I corresponds to anthracite (best quality) group II is non-coking coal, Groups III/IV/VII are broadly speaking steam coals (power stations and industrial furnaces) and Groups V/VI are coking coals. Piece size is not indicated. The mix of grades making up a field's output does vary, so these figures are indicative only.

59. FRANCE

French coal is usually found in jagged and difficult geological formations which make extraction problematic. In addition, these formations are deep - between 700 and 1250 m, compared with 300 - 400 m for those in the United Kingdom. Production may continue to fall (1).

[1] Assurances have been given in the most recent official statements from the area concerned, Nord/Pas de Calais, however that the pit closures will take place more gradually than originally planned. See too the uncertainty surrounding forecasts of production for 1980 in Section 36 above.

Exploitable reserves amount to 1370 million tons, of which 450 million tons are regarded as exploitable under certain technical and economic conditions. Only 30 million tons of these are located in the Nord/Pas de Calais region.

There are three main mining areas. Production in 1980 was as follows (provisional): (in 1000 t)

Nord/Pas de Calais	4.470	Groups II + V. Sometimes I and III.
Lorraine	9.809	Group VI
Centre/Midi	3.857	Mainly Groups IV and V. Sometimes I, II + VI.

Production is nationalised under Charbonnages de France.

60. FEDERAL REPUBLIC OF GERMANY

The Federal Republic produces hard coal by deep mining. Approximately 230 billion tons of hard coal are thought to exist, of which 24 billion tons are considered to be economically and technically recoverable These reserves are mainly in the Ruhr area which accounts for c. 80 % of present production.

There are four main coalfields. In addition to the Ruhr, there are coalfields at Aachen, in Niedersachsen and in the Saar. Production in 1980 was as follows (provisional): (in 1.000 t)

Ruhr	76.117	Some Groups I, II, III; mainly Groups V + VI.
Aachen	5.399	Even spread between Groups I, II, III, IV and V.
Niedersachsen	2.276	Group I
Saar	10.128	Only Groups VI and VII.

The deep mining industry is in the hands of six mainly privately-owned enterprises. About three-quarters of production is by Ruhrkohle AG.

61. UNITED KINGDOM

Production of hard coal in 1980 amounted to 128 million tons, making the National Coal Board the largest coal mining organisation in the Western world. Of total, approximately 90 % was produced from deep mines.

It is thought that c. 190 billion tons of coal exist, of which 45 billion tons are recoverable with present techniques; this would ensure 300 years' supply at present rates of depletion. About 4.5 billion tons of recoverable reserves exist at present mines, and 2.5 billion tons at new mines already planned. The NCB expects to add new annual production capacity (some of which will replace exhausted mines) of 4 million tons p.a. each year.

Production is fairly evenly scattered between six major coalfields, as follows (Opencast mining is excluded from these figures, which refer to 1980) (provisional): (in 1.000 t)

Scotland	8.115	Mainly Groups V, VI and VII.
Northern	14.654	Groups V, VI and VII.
Yorkshire	31.001	Groups VI and VII only.
North Western	11.344	Groups VI and VII only.
Midlands/Kent	38.296	Groups VI and VII only.
South Wales	7.814	Even spread between Groups I, II, III, IV, V.

The higher grade coal from South Wales is produced in difficult geological conditions. Working is easiest in the Yorkshire and Midlands fields.

62. BELGIUM

Coal is Belgium's only indigenous source of energy, and provides around 12% of total primary energy needs. Reserves are significant but extraction is costly. Imports cover about one-third of needs and lignite about 20%.

There are two main coalfields, and 1980 production was as follows (provisional): (in 1,000 t)

Kempen	5.948	Groups V and VI only
Sud	377	Group I, although usually spread between Groups I, II, III and IV.

63. A further factor which needs to be taken into account is the question as to what extent the importing countries, following what h itherto has only been a partial movement away from oil, will have the necessary foreign currency to buy coal from third countries. And finally it is also unclear what the social consequences would be of closing further pits. The overall impact of such measures depends very considerably on the economic situation as a whole, and the closure of coking coal pits depends very much on the development in the steel industry. Precisely because of this aspect, the coking coal market has experienced enormous problems in recent years and there is still no end in sight. As production capacity can only be adjusted on a very long-term basis (starting up a new pit takes approximately ten years) the national coal companies have always had to rely on the forecasts they receive from the steel industry. These forecasts then rapidly proved inaccurate. The present steel crisis, therefore, is causing tremendous difficulties in terms of structural adjustments in coking coal plant designed for considerably higher levels of production, such as in South Wales. Although the interdependence of the various sectors of the economy such as steel production, coking coal, and

transport capacity is well-known in theory, the macro-economic costs of changes to the basic structure cannot be predicted with any reliability: the abovementioned example of South Wales shows the following: the closure of steel works or their conversion to coal from third countries leads to a sharp decline in demand for coking coal from Welsh pits and simultaneously to a severely reduced demand for transport from these pits. This in turn may lead to pit closures and a reduction in transport capacity and thus to additional unemployment which from the regional point of view at least can assume major proportions. Further costs are created by the need to create new jobs or at least pay unemployment benefit and these have an incalculable effect on other sectors of the economy.

64. Eleven pits with a production capacity of 2.1 mill. t were closed in the Community in 1980 (for comparison: in 1979 10 pits with a capacity of 2.5 mill. t were closed). In 1981 it is planned to close 5 pits with a capacity of 1.7 mill. t, excluding the United Kingdom for which no precise figures are currently available.

65. The Government of the United Kingdom had intended to phase out existing subsidies completely over the next few years which would have led to the closure of a considerable number of British pits (according to press reports 23 pits with a capacity of 4.2 mill. t in 2 years) assuming a continued low level of steel production and lower world market prices at least in the short term. This decision, which was reported in the press but denied by the NCB, has, however, been rescinded. New plans are currently being drawn up. Subsidies will continue to be necessary.

66. Subsidies exist in all the Community mining countries, albeit in very different national forms. The systems are so different that any comparison needs to be interpreted with a great deal of caution. There is not only a difference between direct subsidies as paid either to producers, transporters or customers and indirect subsidies but account also needs to be taken of legislative measures such as guaranteed purchases by the electricity generating industry, import restrictions and the entire welfare system of any given Member State in terms of its social security provisions and health insurance.

67. Although it is extremely difficult to compare subsidy arrangements, it is relatively simple to establish that the level of subsidies varies considerably. They are at their lowest in the United Kingdom.

The Commission recently calculated official subsidies per tonne in 1979 at:

	EUA/tce[1]
West Germany*	12
Belgium	53
France	29
United Kingdom	3

*Excluding measures under the Third Law on the Use of Coal to Generate Electricity.
If these measures were included this would yield a figure for subsidies of approximately 20 EUA/tce.

68. As it appears essential to maintain Community production at its present level, subsidies will remain necessary at least in the near future in order to prevent it becoming less competitive as a result of the present lower prices for world market coal.

69. Distortions of competition could be used as an argument for approximating the levels of subsidy in the Community to ensure the same basic conditions. But this problem is more apparent than real: as there is no significant trade in coal between the Member States, with the exception of coking coal, and national products are sold almost exclusively on national markets, there is no genuine competition. This concept should be kept in mind in future, however, as prices gradually draw closer to the level of prices on the world market. The abovementioned rules governing Community subsidies mean that these can only ba granted to cover losses and not to permit profits. Thus the relatively low level of subsidies in Britain simply reflects the fact that greater competitiveness with world market coal has been achieved.

70. Your rapporteur draws the following conclusions from the above:

71. Stabilization and expansion of domestic mining capacity in the Community

The Community should continue to accord a high priority to ensuring that the proportion of future coal demand which it can cover from its own resources without being dependent on the fluctuating volume and prices of imported coal is effectively safeguarded by stabilizing and extending its domestic mining capacity.

72. This means that the mining companies must:

[1] OJ C 345, 31.12.1980, p. 20.

- carry out the necessary explorations on an adequate scale at the right time and with success;

- make the necessary investments to replace old mines and open up new seams and develop additional production capacity in adjoining coal fields or in new mines, taking due account of adequate lead times for these investments. Account must be taken in the lead times of the environmental problems involved in opening new mines (tips, headgear, stockpiles of mined coal, possible future subsidence, etc.);

- exploit the potential for rationalization to the full;

- implement a manpower policy conceived for the long-term;

- continue and intensify research and development in the areas of mining technology, coal utilization and coal processing.

73. Energy policy should

- encourage investments by mining companies;

- provide incentives and promote the development of coal-consuming capacity and lead to a more rapid substitution of oil and gas by coal;

- seek to ensure that the coal produced is sold at prices which cover costs and also examine to what extent subsidies can be justified in economic and political terms;

- coordinate domestic production and imports from third countries to prevent undue pressure on domestic coal from imports in periods of slack economic activity;

- develop without delay an import strategy based both on the conclusion of contracts on as long-term a basis as possible with foreign exporters and the acquisition of coalfields and production plant in third countries. Although it is extremely important to conclude long-term contracts to safeguard supplies, account should also be taken of the fact that demand peaks produced by short-term fluctuations can by their very nature only be covered on a short-term basis by making use of the greater flexibility of the world market;

- intensify support for research and development and in particular the refinement and exploitation as soon as possible of modern technology for coal utilization (e.g. fluidized bed combustion) and coal processing (gasification and liquefaction).

74. The Community contribution

The coking coal arrangements which have been in force since 1967 in a variety of forms represent an important example of how the Community can make a sensible and successful contribution to energy policy. These play a major part in ensuring that the major proportion of coking coal used by the Community's iron and steel industry comes from domestic sources.

The Commission uses the ECSC perequation levy to provide subsidies to encourage research and development in mining.

In addition it grants loans for investment and restructuring. It also provides certain subsidies for demonstration projects on coal gasification and coal liquefaction from the general Community budget.

75. All these measures, however, can only be regarded as a useful first step since the objective of ensuring domestic supplies of energy has still not been achieved. The Community must therefore undertake new measures to achieve its coal policy objectives. Since an approach should include:

- extension in good time of the Community coking coal regulation currently due to expire at the end of 1981 and with due account of the demands from the European Parliament contained in the IBRÜGGER report (Doc. 69/79);
- clear recommendations to the governments of the mining countries to use the instruments at their disposal to provide aid for investments as part of their national energy policy and to take further measures to stabilize and further increase coal production to the extent to which this is technically feasible;

  Your rapporteur cannot comment on the question of the closure of individual pits. He would, however, appeal to national governments and the mining companies responsible to reconsider any plans which may currently exist to close pits (for example in the French Nord/Pas de Calais region or the various British coalfields in Scotland, the North-East, Yorkshire and South Wales) and pay very close attention to the exploitable reserves of coal remaining and to include consideration of general macroeconomic constraints in any evaluation of geological problems;
- further clear recommendations to all governments to provide effective incentives and encouragement for the replacement of oil and gas by coal and the creation of new coal consumption capacity;
- far greater use of Community resources from the Community budget for subsidizing loans to enable mining companies to carry out their extensive long-term investment and restructuring programmes;

- greater encouragement of research and development in mining;

- further improvements in vocational training in mining in order to retain or restore the attractiveness of mining as a profession; this includes the use of technology to improve working conditions;

- further measures to develop coal gasification and coal liquefaction to the point at which they become fully operational with the aim of establishing a Community programme for the large-scale exploitation of this technology;

- arriving at an agreement between the Member States on a sufficiently effective coordination of imports from third countries and adjustment to domestic production in the Community.

76. Your rapporteur is fully aware that any new initiative on coal from the Community would be doomed from the outset if it did not take account of the needs of those Member States where no coal is produced. As part of the energy policy goals for 1990 (OJ C 149, 18.6.1980,,p.1) these Member States too affirmed the priority of coal.

77. In so doing they presumably had in mind the cheapest coal available at any time, i.e. currently world market coal. The use of large quantities of coal requires the abovementioned infrastructure investments not only in the coal-mining countries but also similar programmes in the member countries switching from oil to coal. This expenditure on infrastructure could be linked with the new coal package of the European Community as part of Community regional, transport or social policy. The extension of harbour and transport capacity which has already begun in some places and the construction of plant for coal combustion or processing require major sums for investment which the coal-supporting countries might be willing to agree to being provided as part of, for example, regional policy in return for concessions on the part of the non-coalproducing countries in the more restricted field of a new coal package.

78. Your rapporteur believes that the coal policy of the European Community needs a fundamental new initiative. Coal must not only maintain but also develop its role as a central element in European energy supplies. Unless this is achieved any future energy policy would be doomed to failure.

OPINION OF THE COMMITTEE ON BUDGETS

Letter from the chairman of the committee to Mrs WALZ, chairman of the Committee on Energy and Research

Strasbourg, 7 July 1981

Subject: Motion for a resolution tabled by Mrs CLWYD and others on the imminent threat of closure of British coal mines (Doc. 1-176/80)

Dear Madam Chairman,

At its meeting of 6 July 1981 the Committee on Budgets considered the abovementioned motion for a resolution. It draws attention to the fact that the situation has changed in the meantime and accordingly considers the motion for a resolution no longer relevant. It goes without saying that, in the event of closure, social measures could have been envisaged.

With regard to the own-initiative report drawn up by your committee, the Committee on Budgets recalls its opinions on the proposal from the Commission for regulations on Community financial measures to promote the use of coal in power stations, on the financing of cyclical stocks of hard coal, coke and patent fuel and for a decision concerning coal and coke for the iron and steel industry of the Community.

The Committee on Budgets considers an overall policy for the domestic production and use of coal as well as an import policy, to be essential if funds are to be used economically in cases of intervention. In this context it advocates that unprofitable production units should not be maintained and that social measures should be provided for the workers affected.

Yours sincerely,

(sgd) Erwin Lange

Present: Mr LANGE, chairman; Mr NOTENBOOM, vice-chairman; Mr BAILLOT, Mr BARBI, Mrs BOSERUP, Mr DANKERT, Mr FORTH, Mr GEORGIADIS, Mrs HOFF, Mr NEWTON DUNN, Mrs PRUVOT (deputizing for Mrs SCRIVENER), Mr SIMONNET, Mr TUCKMAN and Mrs VAYSSADE (deputizing for Mr JALTON).

OPINION OF THE COMMITTEE ON SOCIAL AFFAIRS AND EMPLOYMENT

Draftsman: Mrs CLWYD

On 16 July 1980 the Committee on Social Affairs and Employment appointed Mrs CLWYD draftsman.

It considered the draft opinion at its meetings of 14 April 1981, 13/14 May 1981 and adopted it by 18 votes to 2 with 1 abstention on 14 May 1981.

Present: Mr van der Gun, chairman; Mr Dido, vice-chairman; Mr Frischmann, vice-chairman; Mrs Clwyd, draftsman; Mrs von Alemann (deputizing for Mr Calvez); Mrs Baduel Glorioso; Mr Boyes; Miss Brookes, Mrs Cassanmagnago Cerretti, Mr Ghergo (deputizing for Mr Estgen), Mr Henckens (deputizing for Mr McCartin, Mr Kellett-Bowman, Mrs Nielsen, Mr Prag, Mrs Salish, Mr Spencer, Mrs Squarcialupi (deputizing for Mr Ceravolo), Mr J.D. Taylor, Mr Vernimmen (deputizing for Mr van Minnen), Mr Rogers (deputizing for Mr Abens) and Mr Verhaegen.

I GENERAL COMMENTS

1. Community guidelines on energy policy, endorsed by the Commission and by the Council, have been in force for over five years. These guidelines embrace the stabilization and later expansion of Community coal production but in most Member States there has in fact been a reduction in coal production capacity since the guidelines were adopted. Nevertheless, with Community support, substantial sums of money have been invested in expanding the future capacity and improving the efficiency of coal production in Member States since 1974.

2. The UK is the largest Community coal producer and the UK coal industry has witnessed the largest increase in investment during recent years. This investment has now begun to yield results in terms of output and productivity. In 1980, total output in UK coal mining rose by 6.3% while output per manshift rose by 3.1%, thereby reducing the Community's dependence on oil. At the same time the UK coal industry provided employment for 230,000 mineworkers.

3. But the success of the investment programme in the UK is being jeopardized by temporary market weakness which is being exacerbated by a fourfold increase in coal imports since 1978. The effects of this are most pronounced in the coking coal market due to the reduction in steel production capacity. As UK produced coking coal does not cross national frontiers to be consumed, the industry does not qualify for transport aids. Coking coal output is therefore being stocked and the producing collieries threatened with closure.

4. Coking coal production in the UK is concentrated in areas of high unemployment, ie South Wales, the North East and Scotland. In the South Wales coalfield alone,where unemployment levels already range from 13 to 18 per cent, and where 25 per cent of UK coal reserves are located, up to twelve collieries employing more than 7,000 workers could be at risk. The situation in the UK is closely paralleled by that facing other Community coal producers, although in the absence of Community restrictions on third country coal imports, other Member States protect their coal production capacity against such imports by national measures.

5. In February 1981 the UK coal industry announced plans to reduce capacity by 10 m tonnes mainly in regions where unemployment is three times the Community average. Discussions are now taking place between the industry and the UK Government on measures of financial support needed to avoid these closures. In other Community countries substantial job losses have already taken place as a consequence of colliery closures, even during the period when the Energy Council has been committed to expanding coal capacity. 5,500 mining jobs have been lost in Belgium as a result of ending coal production in the Sud coalfield during the past six years. In the same period there have been eight closures in the Pas de Calais coalfield in France, with a consequent loss of 6 m tonnes of coal capacity; a colliery faced with closure in the Lorraine coalfield has been occupied by its workers for 8 months; and there have been 15 mine closures in West Germany. For these reasons the problem is one requiring Community action.

6. Such action could take the form of:

- increased Community grants to maintain coal production capacity and prevent increased unemployment in depressed coal producing regions throughout the Community;

- Community representations to the UK Government to prevent the reduction in national financial aid to coal production, which is now taking place;

- amendment of the regulations governing transport subsidies for coking coal and coke to remove the stipulation that such transport must cross national frontiers in order to qualify for aid, regardless of the distance carried;

- the implementation of Community restrictions on third country coal and coke imports to supplement the national import controls which already exist in some Member States.

II CONCLUSIONS

The Committee on Social Affairs and Employment asks the Committee on Energy and Research to take account of the following observations:

1. Invites the Commission to assess carefully the availability and the exploitable reserves of coal in the Community as a whole with due regard to the competitiveness of coal in terms of other sources of energy in order to be able to estimate the appropriate level for investments to benefit domestic coal production compared with the investments needed to supply sources of energy other than coal;

2. Agrees to the principle that coal imports from third countries should not be judged solely according to economic criteria but also from the point of view of safeguarding employment in the Community ;

3. Affirms that as part of Community energy policy, the coal sector should receive a fair allocation of aid to permit production to continue and safeguard employment not only in Great Britain but also in other countries where longer-term crises are developing;

4. Points out that the decision of the British Government referred to in the motion for a resolution is embodied in the 1980 Coal Industry Act and will lead to elimination of all operating grants to the UK coal industry by 1983;

5. Asks that the Commission should be requested to consider the anomalies surrounding transport aids for transporting coal within the EEC countries;

6. Stresses that in view of the urgency of the issues to which the motion for a resolution relates, it should be dealt with as a matter of priority by Parliament and the Commission.

MOTION FOR A RESOLUTION (DOCUMENT 1-176/80)

tabled by Mrs Clwyd, Mr Gallagher, Mr Key, Mr Seal, Mr Collins, Mr Megahy, Mr Albers, Mrs Viehoff, Mr Schmid, Mr van Minnen, Mr Griffiths, Mr Rogers, Mrs Buchan, Mr Caborn, Mr Boyes, Miss Quin, Mrs Weber, Mr Adam, Mrs Seibel-Emmerling, Mr Muntingh and Mr Kavanagh

with request for urgent debate pursuant to Rule 14 of the Rules of Procedure on the imminent threat of closure of British coal mines

The European Parliament,

- having regard to its previous resolutions calling for the expansion of Community coal production,

- convinced that, in the continuing energy crisis, there is an unanswerable case for increasing investment in the coal industry as part of an overall Community energy policy,

- concerned that the growing importation of coal from third countries into the Community, and in particular of coking coal, could soon result in extensive pit closures leading to redundancies among mineworkers and the absurd situation of reducing coal production capacity,

1. Considers that it is clearly necessary for the Community to increase its investment in indigenous coal production at this time;

2. Condemns imports of non-Community coal to the UK where this could lead to the closure of Community coal mines and the loss of skilled employment;

3. Calls on the Commission immediately to intensify its financial assistance to the British coal industry through the provision of substantial grants and loans under the terms of the ECSC and EEC Treaties, so as to improve the industry's efficiency and competitivity;

4. Considers that, in the short term, this would be a useful and practical step in the direction of reducing the burden of the unfair British financial contribution to the Community budget;

5. Requests the Commission to make representations to the British Government urging it to reconsider its decision not to increase subsidies to British coking coal as this decision will continue to result in growing imports of coking coal at the expense of indigenous coal, which goes against the EEC's established policy of increasing domestic production;

6. Requests the Commission to consider the anomalies surrounding transport aids for transporting coking coal within the EEC countries;

7. Instructs its President to forward this resolution to the Council and Commission.

JUSTIFICATION

Urgent procedure is justified by the imment threat of closure facing many coal mines in the UK, as a result of increased imports of coking coal, which will reduce domestic production of coal and cause further unemployment.