PROBLEMS

Integrating Energy: the Problems of Developing an Energy Policy in the European Communities, 1945-1980

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I

In West European economic history the themes of energy shortages and cooperative international efforts to promote reconstruction and growth during the years following World War II loom large. While the integration process remained a dominant theme the energy question faded as a focal issue in the late 1950s as fuel shortages receded, only to reappear again as an area of great concern with the oil shocks of the 1970s. This paper retraces the attempts by the European Communities to develop a common energy policy (CEP). The prevalent view in the literature is to dismiss these endeavours as an almost irrelevant influence upon West European politics and economies [1]. While the disappointing results of efforts to formulate a CEP are not denied, proposals for a Community energy policy have historical interest as a reflection of the way perceptions in Western Europe of the "energy problem" evolved over time. This paper examines the closely related themes of energy and integration in post-war European history from this perspective. The fact that perceptions of the nature of the "energy problem" did unfurl in an often inconsistent and confused manner clearly made the formulation of a coherent CEP, likely to win wholehearted support from member states, a difficult task. Nevertheless, occasionally what happened in the energy economy did bear some relationship to stated CEP objectives. Did the CEP have an impact upon events after all? This question will also be touched on in the course of examining the development of the CEP through three phases of West European energy

[1] See Weyman-Jones, *Energy in Europe,* p.3, where attempts to formulate a Community energy policy are described as a commentary on 'energy-economics' and the theme of energy in Europe as a 'statistical and institutional artefact'.

history: the post-war era of energy shortage, 1945 to 1957, the cheap energy period, 1957 to 1972, and the years of energy crisis, 1972 to 1980[2].

II

The economic recovery of Western Europe after World War II was dominated by problems of shortages, above all of energy and dollars. In the early 1950s solid fuels still provided the region with well over eighty per cent of energy requirements. Given this degree of coal dependancy the war-time devastation of Europe's coal industry guaranteed that reconstruction and attempts to achieve greater economic cooperation became thoroughly intertwined with energy issues. In order to achieve a 'fair and equitable' allocation of limited supplies the European Coal Organization was set up in January 1946 by America and a number of European countries. During its lifetime it distributed over 100 million tons of coal, 65 m.t. coming from America, 32 m.t. from Germany and 2.5 m.t. from the United Kingdom[3]. Subsequently its work was taken over by the Economic Commission for Europe, and by the O.E.E.C. which adopted ambitious objectives for promoting economic growth and integration in Europe. Following the establishment of a West European power pool in 1951, some progress was made in the development and operation of integrated systems for transfrontier exchanges of power[4]. Hopes, however, that the O.E.E.C. might develop into a European Economic Parliament proved in vain. Rather, as Milward argues, West European governments pursued the goal of integration in the course of developing solutions to more immediate and more clearly defined issues[5]. As Odell put it, 'The importance of the energy sector in the early post-war moves towards European integration was given institutional recognition by the creation of the European Coal and Steel Community'[6]. The Treaty of Paris establishing the E.C.S.C. in 1952 combined visionary with pragmatic objectives. Political union was an ultimate end, with a European war being rendered impossible, reasoned the Community's architects, through an interlocking of the heavy industries of France and Germany. The six founding countries also pooled their coal and steel resources because five of them craved access to relatively low-cost Ruhr raw materials, while in return Germany's heavy industries would secure access to enlarged markets. A major objective, stipulated in the Treaty, was the establishment of a common market in coal,

[2] The role of energy in West European economic development has been explored by the authors in Hassan and Duncan, 'Role of energy supplies'.
[3] Jensen, *Energy in Europe 1945-1980,* pp.4-10.
[4] Hintermayer, 'Economic problems', pp.8-13.
[5] Milward, *Reconstruction,* passim.
[6] Odell, 'EEC energy market', p.63.

almost tantamount to the creation of an integrated West European energy market given the region's still heavy reliance upon this indigenous fuel. Anticipating the liberal economic philosophy of the Common Market it was believed that the establishment of a common market in coal and steel products would encourage a more efficient utilization of resources. The Community was set the tasks of ensuring that coal and steel products would be available on a non-discriminatory basis, of removing price controls, and of taking action against cartels. Such actions, Article 2 of the Treaty asserted, would contribute to economic expansion, the growth of employment and higher living standards. Thus the Community was concerned not only with problems of coal and steel production but also with formulating a 'common policy' for expansion[7]. By 1958 the E.C.S.C. had made substantial progress in implementing specific reforms — cross-frontier discriminations had been abolished and a common market for coal and steel products had been created. The Community's record of apparent achievement inspired the concurrent surge forward of the European movement and a determination to extend the limits of European economic integration, which culminated in the creation of the Common Market and Euratom in 1957.

Was the E.C.S.C.'s influential political role in the 1950s paralleled by success in achieving its economic objectives of reducing the energy gap and establishing a more competitive structure in the coal industry? Table 1, which traces the movement of import dependency, shows that the energy gap got worse in this period, and Table 2 suggests why. Europe's indigenous energy production between 1950 and 1960 expanded insufficiently to satisfy growing demand, which had to be met by importing more fuel, as reflected in the shifts in the relative positions of solid and liquid fuels in primary energy consumption (see Table 2).

The E.C.S.C. sought to establish a more competitive, integrated coal sector. Trade data suggest only a modest increase in economic interdependence. As early as 1953 the High Authority hopefully attributed a small rise in the Six's coal trade to the creation of the common market[8]. A later study found that although Belgian coal exports benefited from the removal of trade barriers, overall the expansion in intra-Community coal trade in the 1950s was moderate[9].

[7] High Authority, *Report,* (1954), p.32.
[8] *Ibid.*
[9] Diebold, *Schuman Plan,* pp.576-86.

Table 1
EUROPEAN COMMUNITY[a]: ENERGY IMPORTS, 1950-1984

Year	Net Imports (m.t.c.e.)[c]	Import Dependency[b] (%)	Year	Net Imports (m.t.c.e.)	Import Dependency (%)
1950	37,598	7.9	1975	694,782	61.3
1955	118,693	19.8	1980	694,718	56.2
1960	212,879	31.6	1981	547,803	46.6
1965	432,804	51.2	1982	530,786	46.3
1970	705,528	65.8	1983	549,569	42.6
1972	765,518	67.1	1984[d]	587,714	42.7
1974	793,661	67.3	1985[d]	570,857	39.9

a. The nine.
b. import dependency = (X-M, minus bunkers) divided by gross inland consumption.
c. m.t.c.e. = million tons coal equivalent.
d. estimated.
Sources: U.N., *Energy Yearbooks*, various; 'Energy Markets in the European Community'.

Table 2
EUROPEAN COMMUNITY[a]: STRUCTURE OF PRIMARY ENERGY CONSUMPTION 1950-1980
(percentage shares of total)

Year	Solid Fuels	Liquid Fuels	Natural Gas	Primary Electricity
1950	87.8	10.6	0.2	1.3
1955	81.3	16.2	1.0	1.5
1960	68.1	27.8	2.0	2.0
1965	51.4	43.6	2.9	2.1
1970	34.4	54.7	8.9	2.0
1975	25.5	52.6	19.5	2.5
1980	26.0	49.6	21.1	3.2

a. The nine member states.
Sources: U.N., *Energy Yearbooks*, various.

Internal trade in coal as a percentage of exports increased slightly between 1952 and 1961, being very much higher than in the British Commonwealth area and USA/Canada, where it declined [10]. The Authority sought to create a less oligopolistic structure in the coal and steel industries, thereby promoting competition and a more efficient pattern of production. It took action against price constraint and attacked cartels in France, Belgium and Germany, eventually obtaining changes which satisfied itself and member governments. While the High Authority in no way claimed it had established a purely competitive market in coal, it did argue that it had contributed to a better allocation of resources. This was due to the concentration of production in larger and more efficient undertakings, partly attributable to the elimination of marginal pits and coalfields hitherto protected by cartels [11].

Changes in fuel price differentials may indicate the progress of market integration in Western Europe's energy economy. There are, of course, many factors which may influence price variance, and it is difficult to isolate the effects of E.C.S.C. policies from other forces operating to increase integration in the Community's fuel economy. Nevertheless a low price variance is a principal characteristic of an integrated market. In 1960 the degree of coal price variance in Western Europe was low (compared to energy products for which the High Authority had no responsibility) and declining [12]. One could speak with greater confidence if one had findings relating to price trends over the previous period, but it seems not unlikely that the low coal price variance in 1960 was partly the residual effect of the action taken by the E.C.S.C. in the 1950s to decontrol prices and establish a more competitive market structure in the coal industry. In summary, while the Community could do little to mitigate the energy gap, it appears to have achieved some success in pursuit of its other major economic objective.

III

The years from 1957 to 1972 represented one of the most unsatisfactory periods in the history of West European energy policy. The theme which dominates was the failure of the relevant Community institutions — the High Authority up to 1967 and the European Commission thereafter — to convince ministers of national governments of the need to agree on effective common policies.

Initially, the coming to an end of the era of shortage, and the contemporary interest in obtaining access to inexpensive and secure sources of energy, reflected in the then fascination with "atom power" and the establishment of

[10] Haute Autorité, *C.E.C.A.*, p.606.
[11] *Ibid*, pp.379-80.
[12] Duncan and Hassan, 'Price convergence', pp.73-9.

Euratom, appeared to offer favourable conditions for pursuing attempts to develop a CEP. As an exercise in partial integration the E.C.S.C. had encountered a series of problems which could not be solved within the terms of the original Coal and Steel Treaty. As the High Authority reasoned, due to competition between energy sources, 'coal policy ... must form an integral part of energy policy in general'. So proposals for a Community energy policy widened in scope in the late 1950s, going beyond a concern with the establishment of competitive conditions in the coal trade, and developing into an attempt to secure the harmonization of energy policies overall among the six member states.

The governments of the Six, in 1957 brought together more closely in the forums of the Common Market and Euratom, had by now become persuaded by such arguments. A process of consultation was established which was intended to culminate in the submission of proposals on a CEP, and to lead to the elimination of the 'extraordinary disparity of price systems, structures and taxes on energy existing between the Six' [13]. The imminent failure of member states to agree to High Authority proposals for a Community approach to the coal glut crisis of 1958-9 rudely shattered any impression of progress which may have been created. The principle of supranationalism had been dealt a severe blow. Nevertheless the High Authority tirelessly continued to press on governments the need for a CEP. It is true that lack of reference to a CEP in the Rome Treaties hindered its formulation. However the need to establish an integrated energy market derived inevitably from the 1957 treaties: without it strict neutrality of competition between member states and progress towards a more integrated Community economy would not be fully realised. Eventually ministers reached agreement on the Protocol of Energy Problems of 21 April 1964. It was regarded at the time as a historic breakthrough representing the 'first real advance towards a common market for energy' [14].

The aims of the envisaged policy included fair competition between energy sources, and a widely diversified flow of oil supplies 'at prices as low and as stable as possible'. The most concrete development arising out of the agreement was the laying down of Community procedures for the harmonisation of intended national measures in the energy sectors. The readiness of the West German, French, Belgian and Dutch governments in 1964-5 to cooperate with the High Authority in the implementation of an extensive range of measures in support of coal-mining gave hope, for a while, that 'definite progress as regards a Community policy for coal' was being made [15]. Lucas's analysis of the system of Community aids as a device to give already agreed national measures 'the air of a common policy' is, however, persuasive [16]. This is particularly the case as

[13] High Authority, *Report*, (1958), pp.41-6.
[14] *Idem*, (1965), pp.16-20.
[15] *Ibid*, p.11.
[16] Lucas, *Energy and Communities*, p.37. As a cogent political history of the CEP, Lucas'

the measures which penalised the productive and helped the marginal enterprise clearly were in conflict with the Commission's views on the need for competition. Despite the merger of the three Executives, which it was hoped, would assist the development of a CEP, by 1967-8, even the pretence of a common policy could not be indulged in. National actions — uneconomic aids, varying rates of taxation and nationalistic policies to ensure supplies — were, alleged the Commission, leading to 'a gradual disintegration of the Community energy economy' [17]. Fearing that progress towards economic union would be jeopardised by the lack of a CEP, in 1968 it presented its *First Guidelines for a Common Energy Policy* to the Council of Ministers. It is generally agreed, however, that the *Guidelines* had virtually no practical consequences, and that between 1968 and 1972 negligible progress in formulating a CEP was made.

Was it their lack of practicality and coherence which led to Community proposals failing to influence events in this era? The long-term objective was clear: the establishment of a competitive, integrated Community energy market. During the 1960s the laissez-faire attitude to competition between energy sources was manifested in a growing willingness to allow indigenous coal production to contract, and a desire to exploit the benefits arising from the increased availability of cheap oil, which it was often assumed by contemporaries, underpinned the rapid expansion of the period [18]. The view of the E.C.S.C. consultative committee in 1963 was that a main aim of energy policy 'should be to permit increased oil imports' [19]. Indeed the Community did approve appreciable financial assistance to France, Belgium and the Netherlands in helping them manage the run-down of their coal industries in the 1960s.

The liberal economic philosophy of the Communities was most emphatically expressed in the 1968 *Guidelines*: while energy prices should be kept as 'stable and as low as possible' in order to stimulate the growth of exports and productivity, it was competition which was regarded as the guiding principle of a CEP. 'Competition forces enterprises to exert all their competitive strength, compels them to become technically progressive, stimulates the natural processes of substitution, and brings with it a differentiation in supply' [20]. Similar themes were widely regarded in the 1960s as desirable principles of international energy policy [21]. The contradiction in many statements that not only cheapness but also security of supply should be sought was never

chapter one is unlikely to be superceded.

[17] *Bulletin of the European Communities,* (1968, no.6), p.8. (Hereafter *Bull. EC,* (1968, no.6).

[18] For example, Institut Economique, 'Rôle du prix'.

[19] 'Debate on Community', p.10.

[20] Commission, *Guidelines,* p.7.

[21] Caraffa, 'Principes', pp.2-7.

confronted by the Commission, as Prodi and Clô later pointed out[22]. Von Gesau argued, furthermore, that the cheap energy policies of the 1960s involved no element of deliberate choice, but were merely a rationalisation and acceptance of inexorable trends in energy markets[23]. It should be noted, however, that member states followed the oil route with varying degrees of enthusiasm. At one extreme Italy embraced it as a major facet of regional and economic policy. Measures taken elsewhere to maintain coal sales reflected a quite different perception of national energy needs. It was precisely this diversity which made agreement upon an effective CEP so difficult to achieve during these years.

On the positive side the period witnessed rapid economic growth unhindered by any energy-supply constraint: the 'energy gap' disappeared and real prices fell. But, as shown in Table 1, import dependency soared. With hindsight it could be said that 'low oil prices probably encouraged...the development of energy intensive tecnniques and of low efficiency'[24]. CEP proposals did not address such problems. While CEP failings largely reflected general confusion in the energy policy field, a few perceptive observers like Spinelli did question the analytical validity of the Commission's particular neo-liberal position: it took insufficient account of the oligopolistic structures existing in the energy-supply industries and of the asymmetric impact upon member states, which the pursuit of the Commission's policies would have had. As the numerous conditions presupposed by the neo-liberal theory of specialisation simply did not exist in the West European energy economy, Spinelli concluded that the market could not be the instrument of coordination in the Six[25]. Certainly in the form they were presented they were politically unrealistic, given nationalistic imperatives. By 1970 some realised that the pattern of energy use and economic growth which Europe was embarked upon was a recipe for disaster, which would leave the Continent at the mercy of oil suppliers[26]. Up till then the notion that energy policy should seek to directly influence the efficiency and structure of energy use had hardly arisen. Emphasis, in the Community, had been placed upon the need to harmonise national policies, and to establish a competitive, integrated energy sector. Even with respect to these aims, however, all available evidence (for example on price variance and national patterns of energy use) suggests the period as a whole witnessed a retreat away from rather than progress towards the goal of market integration in the Community's energy economy.

Reflecting upon the period 1957-1972 overall it is apparent that in strong contrast to the immediate post-war era energy was not perceived as being

[22] Prodi and Clô, 'Oil crisis', p.105.
[23] Von Geusau, 'Search of policy', p.187.
[24] Château and Lapillone, *Energy demand,* p.146.
[25] Spinelli, *L'énergie dans L'europe,* passim.
[26] Sauvy, 'Recette', pp.16-17; Peyret, 'Tabou', pp.19-23.

a really significant issue for a number of reasons. Firstly, it was a period of economic success — the closing phase of the 'golden age'. Although various problems, such as regional imbalance and accelerating inflation, increasingly worried officials and statesmen in later years, they were not yet seen as enmeshed within the 'energy crisis'. Secondly, and related to this, growth was not threatened by energy difficulties. Falling real fuel prices and the increased abundance of imported oil fostered the complacent view that cheap energy could be relied upon to fuel the high rate of growth of West European output and living standards for many years to come. Thirdly, member states of the Communities experienced and responded to the transition to a multi-fuel economy differently, mainly on account of differences in national energy-resource structures. Countries with significant coal industries had very different interests from non-coal producers. Any commonality of approach, therefore, which may have facilitated the E.C.S.C.'s work in the 1950s disappeared. In sum, Community partners had different energy interests and in any case energy was not perceived as a vital issue.

IV

The 1970s were a time of severe maladjustment in the international energy scene. The energy problem was regarded by the environmentally-concerned as one facet of a failed world economic order, and the Club of Rome's[27] gloomy doomsday prognostications concerning the world's fate if current energy-use patterns persisted was taken more seriously in that decade than would later be the case.

After the second oil shock of 1979 with a further raising of real energy prices, the process of adjusting to higher fuel costs was sustained and western economies began to make significant strides in improving energy efficiency. Undoubtedly the gains were the outcome of a market-led process — consumers reacting to higher energy prices — rather than the result of formal government initiatives. This led the way in the European Community and further afield to a confident rediscovery of the value of the market as a resource-allocator. The revived neo-liberal orthodoxy insisted on minimal government manipulation of prices; where international energy markets exist, it was argued, market prices should prevail, where they do not long-run costs should determine price levels. The view that the economic pricing of fuels disciplines consumers and investors to make resource-efficient decisions on matters affecting energy use made sense while energy prices reached historically high levels during the earlier part of the 1980s.

This approach is entirely consistent with the proposals being made for the removal of internal barriers in the European Community energy market as part

[27] Meadows *et al, Limits.*

of the exercise of creating a Single European Market. This paper, however, does not seek to bring the history of the CEP up-to-date; to do so would require a revision every three months. Our interest does not extend beyond the 1970s, a rather aberrant period in European Community energy history, when the liberalist faith in the efficacy of the market as an efficient resource-allocator was badly shaken.

The energy-intensive growth of the 1960s had been associated with a liberalisation of markets and Western Europe's rising import dependency. This had left the region in a vulnerable and exposed position during the oil crises of the 1970s. The experience led to new ideas regarding the most appropriate way of organising the energy economy to swiftly emerge. It was argued that, 'a conventional system is unable to achieve a realistic price for irreplaceable resources such as fossil fuels'[28]. For Krenz reliance upon the market had led to a reckless exploitation of finite resources to the severe detriment of future generations of energy consumers[29]. Some now believed that energy was *the* limiting input in the economy, 'determining the nature, speed and ultimately the extent of economic growth'[30]. These views are now often regarded as dated and misplaced. But the environmentalist critique of the market system did in the 1970s stimulate the emergence of virtually new disciplines (such as energy analysis), and methodologies and tools (such as the energy co-efficient, being the ratio between the growth in energy consumption and the growth in gross domestic product) for employment in the study of energy. The more interventionist energy-policy stance adopted by governments in the 1970s was also underpinned to some degree by such analytical responses to the energy crisis. Thus the comparatively subtle policy objective of uncoupling the link between energy consumption and economic growth was adopted by the European Community in 1974, with the target of reducing the energy co-efficient for the Community as a whole to 0.7 or less by 1990 being made explicit in 1980. Most West European governments in the late 1970s were in principle adopting conservation policies, signifying the abandonment of the assumption that energy-intensive growth based on unregulated burning of fossil fuels could continue unchecked.

How far the development of the CEP was influenced by the new anxieties and imperatives of the 1970s will now be considered more fully. By the early 1970s the European Commission recognised the emergence of a sellers' market in oil and changing attitudes among oil-exporting countries, reflected in the Teheran and Tripoli agreements of 1970. The need to adjust to the new situation was acknowledged in a Commission memorandum of 1972.[31] Although the submission contained inconsistencies typical of many previous

[28] Georgescu-Roegen, 'Myths', pp.347-50.
[29] Krenz, 'Interrelated perspective', p.125.
[30] Editorial, 'Energy analysis', p.266.
[31] Commission, *Necessary progress.*

policy statements, there were some proposals which, if acted upon, would surely have improved the Community's ability to act in a crisis. The need to improve foreign policy relationships with energy-exporting countries was stressed, and there was a proposal to increase compulsory Community oil stocks to 120 days. It was not so much the inappropriateness of its energy policy proposals which threw the Community into disarray in 1973-74, as the inability of member states to act upon them.

The oil price rises imposed by OPEC in 1973 and selective supply cuts executed by Arab suppliers over the following months placed insurmountable strains upon the Community's will to act as a unity. The isolation of Holland and the scramble into bilateral deals with suppliers followed. Subsequent realisation of the extent of policy weaknesses did lead to recognition of the need for international cooperation in the energy field, and to some change in sentiment towards the desirability of a CEP. Seeking to build upon this the Commission presented and in 1974 secured ministerial agreement upon *Towards a New Energy Policy Strategy for the Community.*[32] The document embodied priorities and proposals significantly different from those of earlier policy statements, and marked the beginning of Commission attempts to promote policies to reduce the threat of oil shocks to economic growth. For the rest of the 1970s less attention was given in Community documents to the creation of a common energy market and the harmonisation of national policies. From 1974 stress was placed on the need to reduce the role of oil, through an expansion of indigenous energy production, altering the fuel mix and improving energy efficiency. To monitor progress towards the over-riding long-term goal of improving energy security targets were set, of the kind summarised in Table 3. Also more emphasis was placed in policy statements on the desirability of expanding energy investment and research and development efforts in areas such as energy conservation, and non-conventional and renewable energy.

The new sense of urgency led to a plethora of Community energy initiatives between 1974 and 1976. Whether the flood of paper resolutions signified any change in the traditional incapacity of the CEP to produce genuine economic results has been questioned[33]. Commission despondency deepened as the implications of the 1979 oil shock, and a second Community failure in six years to execute effective crisis management measures, were digested. The industrialised world reeled as oil prices were raised by some 140 per cent. Alluding to the Community's still heavy dependence on imported oil the Commission lamented: 'The underlying problem of energy supply in our society has been stated many times in the last seven years; but failure to cope with it makes it worth stating again'[34]. In 1981 it regretted that Council resolutions in 1974 and 1980 had not led to appropriate steps being taken by member states. 'The inadequacy and

[32] *Idem, New energy policy.*
[33] Denton, 'Solve energy problem', p.37.
[34] *Bull. EC,* (1980, no. 3), p.7.

Table3
COMMUNITY PRIMARY ENERGY NEEDS[a]

	1973 actual		1985 actual (estimated)		1985 'prospects' forecast in 1972		1985 'objectives' set in Nov. 1974	
	m.t.o.e.[b]	%	m.t.o.e.	%	m.t.o.e.	%	m.t.o.e.	%
Solid Fuels	257	23.7	214	23	175	10	250	17
Oil	645	59.4	419	45	1160	64	600-650	41-44
Natural Gas	147	12.6	181	19	265	15	290-340	20-23
Hydro & Others	31	2.9	13	1	40	2	43	3
Nuclear Energy	15	1.4	113	12	160	9	242	16
Total:	1095	100	940	100	1800	100	1475	100

[a] gross inland consumption of primary energy.
[b] m.t.o.e. = million tons of oil equivalent.
Sources: *Bulletin of the European Communities,* 1974, supplement 5/74, p. 6; 'Energy Markets in the European Community'.

inconsistency of the action taken in the wake of these expressions of political will can only be deplored'[35], deplored the Commission.

Was the Commission's depression over the failure of the member states to take actions in accord with agreed policies justified? Certainly by 1976 the CEP was again being undermined by petty differences between partners. More seriously very poor progress was being made towards the 1985 objectives. The prospect of achieving the hoped-for reductions in import-dependency, for example, looked remote. The Commission had responded to this problem for the rest of the decade by issuing a variety of communications, which essentially reiterated, however, earlier arguments and proposals. A related issue was the recurrence of the familiar difficulties of the Community coal industry in 1976 and 1977. Far from expanding output and sales, and thereby making its contribution towards the 1985 targets, it was again becoming a special problem. Member states, led by the United Kingdom and Western Germany, responded by adopting a variety of measures to maintain coal sales, although the Netherlands and France were letting their coal industries die. Contrary to some impressions the decline in coal demand was not arrested in Western Europe in the 1970s. Coal's share of primary energy consumption in the European Community (the nine) fell progressively from 34.4 per cent in 1970 to 24.7 per

[35] *Bull. EC,* (1981), supplement 4/81, p.9.

cent in 1979. Relative price changes and technological improvements in coal-burning plants held out the possibility of eventually coal becoming more commercially viable. Denmark converted its electricity-generating capacity from 62 per cent oil-based in 1973 to 82 per cent coal-based in 1980.[36] This, however, was largely the outcome of a decisive act of political will. Likewise a buoyant recovery of Community coal sales in 1979-80 was almost entirely due to rising electricity generating demand, principally in the United Kingdom, with government decisions playing an important role in influencing the structure of the electricity supply industry's fuel purchases. All the Community coal industries were saddled with 'higher than market production costs'[37], and imported coal was much cheaper than European coal. In the late 1970s the continued survival of West European coal production rested almost entirely upon its protection from market forces by the State, reflecting governments' security concerns. In the event, this was not a direction which national and Community energy policies would adhere to for long. From the early 1980s the Community and national governments tended to converge in their views of those features which should characterise a sound energy policy; a sound policy would stress competitive and transparent markets, economic pricing and deregulation.

During the 1970s energy policy submissions tended not to display the intellectual consistency characteristic of a later period. For the time being changing perceptions of the energy problem led to *more* state action being proposed which was designed to modify the influence of the market upon energy use. The rationale of the new approach was often muddled, as in the conception of 'conservation' as the fifth fuel. Towards the very end of the period, however, in the immediate aftermath of the second oil shock, the neo-liberal goal of achieving a more integrated energy sector (a theme which had been popular in the late 1950s and in the 1960s) re-entered Community thinking. In 1980 the aim of securing a harmonisation of energy prices and taxes between member states was adopted. The reduction of price and tax distortions by assisting the establishment of an integrated market in energy products would, it was believed, facilitate a more convergent development of member states' economies and policies, and thereby would strengthen Community policy instruments[38] such as the European Monetary System.

In the meantime at a more general level there was uncertainty in Western Europe about this time over the relative weight to attach to interventionist principles in energy policy. Thus while economic pricing was increasingly being regarded as an important policy tool, there was some confusion about the way it would be applied. There was lack of agreement around 1980, as to how the economic prices of energy products should be defined, the Community

[36] Taylor and Davey, 'Western Europe', p.412.
[37] Commission, *Energy Situation,* pp.5, 10.
[38] *Bull. EC,* (1980, no.3), p.11.

reference to the need to take account of 'longer-term trends' in energy markets being unhelpfully imprecise[39]. In fact for years many governments would pay lip-service to such principles, while persisting with strong price controls in the energy sector.

If the 1970s, in the wake of the oil shocks, was a decade racked by policy uncertainties in the wider economic field and troubled by notions of a global resource crisis, such predicaments were reflected in the fate of the CEP. There was an anxiety to achieve some progress, but uncertainty as to how to secure it. In reality in the 1970s the CEP was a nebulous phenomenon, being without any effective instruments to realise its aims. Reflecting the reality of member states' unwillingness to sacrifice sovereignty in the sensitive area of energy security, the Commission's proposals tended to emphasize the CEP's informational and monitoring roles. The setting of explicit objectives, however, was a concrete step and, even if entirely devoid of mandatory significance, it did permit progress towards agreed aims to be evaluated. A brief glance at the figures summarising Community energy consumption patterns suggests that good progress was made in realising the goals for 1985 set in 1974. The reduction in oil-dependency (Table 1) and the restructuring of energy-use in the directions sought in 1974 (see Table 3) appears superficially impressive. Also between 1973 and 1982 Community energy intensity fell by 20 per cent, and energy consumption per head decreased from 3.7 million tons of oil-equivalent in 1979 to 3.2 million tons of oil-equivalent in 1982.

Did the efforts to formulate a CEP have anything to do with the evolution of the Community's energy economy towards targets adopted after the first oil shock? It is difficult to gauge precisely the impact of an essentially informational, non-mandatory policy. It is true that the generally sceptical House of Lords Select Committee, which reported on the Community's energy strategy in 1984, did conclude that the Commission's role in comparing and monitoring member states' policies was 'just as important as activities which involve spending'[40]. It would appear to be prudent to consider, however, explanations alternative to the impact of the CEP, for the development of these patterns of energy consumption. The reasons for earlier Commission despondency over the CEP were well-founded. The policy was pusillanimous, and energy restructuring and import-dependency improvements had probably very little to do with it. The opening-up of North Sea oil and gas resources was the principal factor in advances in Community energy-sufficiency[41]. Further, trends in energy consumption and import dependency were profoundly influenced by the fact that economic growth in Western Europe proved to be substantially lower over the period in question (1974-85) than was assumed when the Commission first adopted energy targets. If energy use in 1985 had reached the much higher

[39] *Ibid*, p.24.
[40] House of Lords, *European Communities*, p.vx.
[41] North Sea oil contributed about 300 million tonnes to Community needs by 1983.

levels forecast in 1974, then North Sea oil and gas and nuclear energy could hardly have made the same relative contribution to supplies. It was the overall reduction in demand, not the CEP, which largely explains the apparent restructuring.

V

During the years 1946-57 the energy gap was a problem affecting all European countries, even energy producers, and this common concern, together with the determination of the Six to strengthen economic relationships with one another during a time of reconstruction facilitated the work of the E.C.S.C. For a while it was able to make some progress towards the objectives of expanding supplies and increasing integration in the Community's coal sector.

Major changes in energy market conditions from the mid-1950s made the formulation of a CEP increasingly difficult. The different positions of the energy-rich and energy-poor nations came more and more to the surface. Western Europe was progressively moving from a single- to a multi-fuel economy, but the growing diversity and complexity of energy economies, such as the different national patterns of import dependency and interfuel substitution, led to divergent perceptions by member states of the policies most likely to promote the national interest. This is the argument advanced in a number of studies to explain why in this period conditions extremely unfavourable to the making of a CEP existed[42]. But the main reason why no progress was made in developing the policy in the era, 1957-72, was that energy was simply not seen as an issue of great urgency, certainly not one which demanded coordinated supranational action. Desprairies posed the predicament in 1968 facing Europe quite clearly: since the mid-1950s a choice presented itself between either low energy prices or security: the situation which was allowed to emerge was one characterised by low prices and insecurity[43].

The energy policy context was transformed by the first oil shock. The desirability of harbouring finite resources, of improving energy security, and of minimising the risks of market dislocations by restructuring energy supply and demand was widely subscribed to. CEP proposals were drawn up and *agreed to* by member states in this spirit, and it was intended that the policy would have a direct impact upon Western Europe's energy economy. Nevertheless, after many years of futile endeavours it was accepted as unrealistic to ask governments to sacrifice national sovereignty in the energy policy field. It was hoped that national policies would converge in the directions agreed by member states, but the Commission did not aspire to any supranational authority, and

[42] See Lucas, *Energy and Communities,* chapter 1 in general and p.39 in particular.
[43] Desprairies, 'L'Europe', pp.485-9.

the implementation of measures remained with member states. Indirect suasion and exposure of performance (or under-performance) through progress reviews remained the chief policy instrument of the CEP throughout the 1980s. The previous decade's obsession with vague global anxieties, and the lack of effective international agreement on how to address them, were difficulties mirrored by the failure to achieve very much under the CEP in the period 1973-80 in terms of concrete action or progress made towards agreed objectives.

The 1970s were an unusual period of transition in the historical development of the CEP. Energy did reappear as a major issue, and one which it was increasingly believed had profound implications for economic growth and the environment. For the time being, however, effective means to enforce the Community policy were lacking. For this final period, as for the fair weather days of the 1950s and 1960s, it is in how the development of attitudes towards and anxieties about energy are revealed, that a study of the CEP would appear to have the greatest historical interest.

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