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THE OIL CRISIS, LEVER OR BARRIER FOR THE DEVELOPMENT OF A COMMON EUROPEAN ENERGY POLICY?

The energy policy of the European Community at the time of the first oil shock.

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LE CHOC PÉTROLIER, NOUVELLE IMPULSION OU RALENTISSANT POUR LA POLITIQUE ÉNERGÉTIQUE COMMUNE?

Les politiques énergétiques de la Communauté européenne autour le premier choc pétrolier.

Résumé

Cette étude est axée sur le processus de prise décision de la communauté européenne. Elle a pour objectif de clarifier l'importance du choc pétrolier pour la coopération européenne. Plus particulièrement, elle vise à comprendre quels effets immédiats et à court terme cette crise eut sur le développement d'une politique énergétique commune : La crise pétrolière fut-elle un levier ou une barrière au développement d'une politique énergétique commune? D'un côté, il se peut que le choc pétrolier ait accéléré le processus de prise de décision parce qu'il créa une urgence à traiter les problèmes d'approvisionnement du moment et à changer la dépendance européenne envers le pétrole du Moyen-Orient sur le long terme. D'un autre côté, il se peut que le choc pétrolier ait ralenti l'évolution d'une politique énergétique commune en intensifiant une confrontation entre les perspectives divergentes des Neuf, bloquant ainsi tout compromis. Dans ce contexte, des questions se posent quant aux raisons pour lesquelles les états membres recherchaient une coopération dans le domaine énergétique sans chercher de compromis au niveau de leurs intérêts divergents.

Malgré les appréhensions de l'évènement, les décisions unilatérales des pays producteurs de pétrole sur les hausses de taxes et, du côté arabe, les réductions de la production marquèrent une nouvelle ère qui débuta le 16 octobre 1973. Il existe deux interprétations de l'impact du choc pétrolier sur les politiques énergétiques en général. Elles ne se contredisent pas vraiment et il est souvent fait référence aux deux simultanément. Toutes deux conçoivent le choc pétrolier comme une ligne de démarcation entre les politiques anciennes et nouvelles. Mais elles divergent au niveau de l'évaluation du changement. La première interprétation souligne les effets catalyseurs du choc sur des politiques nouvelles et innovantes, principalement au niveau national mais aussi au niveau européen. On fait référence au choc pétrolier de 1973 comme un évènement historique au statut presque mythique, provoquant des transitions dans des domaines allant de l'énergie nucléaire, les politiques d'économie d'énergie à la coopération internationale avec les consommateurs et les producteurs. Les effets catalyseurs du choc pétrolier sont la plupart du temps décrits dans des études sur les politiques énergétiques *nationales.* On peut prétendre que, simultanément, le choc pétrolier ait pu agir en tant que catalyseur de la coopération énergétique *commune.* La crise avait mis au jour la vulnérabilité de chaque état membre de la communauté entière vis à vis des producteurs de pétrole. De

plus, puisque le cadre global pour une coopération de ce genre avait déjà été mis en œuvre lors de la décennie précédente, on s'attendait au développement rapide d'un politique énergétique commune.

L'autre interprétation se concentre davantage sur les effets paralysants du choc pétrolier sur la coopération énergétique européenne. La responsabilité d'un manque d'approche commune envers l'énergie est normalement attribuée aux états membres et à leurs intérêts nationaux irréconciliables. Les états membres, confrontés à des difficultés économiques importantes, se seraient concentrés sur la survie économique nationale. Puisque leurs intérêts énergétiques étaient fondamentalement différents, les gouvernements des états membres suivirent des voies différentes et le développement de politiques communes aurait été mis en attente.

Toutefois, aucune de ces deux interprétations n'est satisfaisante. Tout d'abord, malgré l'urgence causée par le choc pétrolier et malgré les progrès accomplis avant la crise, aucun marché énergétique commun ne vit le jour. On peut se poser des questions quant aux raisons de cet échec. Concernant la période du choc pétrolier, qui est l'axe principal de cette thèse, on peut se demander par exemple, si les institutions supranationales furent inaptes à répondre à la crise de façon adéquate lors du choc pétrolier. Ou peut-être une politique énergétique n'avait-elle pas été suffisamment développée avant le choc pour pouvoir être mise en œuvre? À quel stade de développement cette politique se trouvait-elle lorsque le choc eut lieu? Et quels furent les développements lors du choc pétrolier et directement après la crise? La seconde interprétation n'est pas satisfaisante non plus parce qu'elle aborde le développement d'une politique énergétique commune en tant qu'affaire essentiellement inter-gouvernementale. Effectivement, les états membres furent les preneurs de décision autour de la table. Mais à côté des états membres, la scène européenne comprenait un cadre supranational qui avait été impliqué dans le développement d'une politique énergétique européenne dès les années 1950. En fait, le thème de l'énergie était abordé par beaucoup, à la fois au niveau national et européen, avec une approche économique ou politique, ou les deux. Depuis le début des communautés européennes, un mélange de comités, groupes et sous-comités avait émergé en chemin pour une politique énergétique commune éventuelle. En même temps, puisque l'énergie était un thème traité séparément au niveau politique et économique, on peut se poser des questions quant à la dualité de la coopération supranationale et gouvernementale entre les

Neuf, les relations entre ces deux structures et le rôle qu'elles jouèrent dans la politique énergétique.

Méthodes et archives

Bien que l'idée d'une politique énergétique commune soit analysée dans le contexte du choc pétrolier, le choix se porte sur une approche intégrée allant au-delà de la portée du pétrole. La recherche se base sur l'hypothèse que les différents problèmes énergétiques étaient interdépendants et que les choix en politique énergétique eurent une influence les uns sur les autres. Le risque, en choisissant cette approche intégrée, est de mener une recherche superficielle. Les différentes questions liées au thème de l'énergie sont nombreuses, comme le sont les problèmes, préférences et réseaux correspondants. Pour cette raison, une double approche a été prise en rapport au sujet et celle-ci inclue à la fois une analyse chronologique et l'examen de trois études de cas. La première partie de cette thèse contient, pour cette raison, une étude chronologique de la politique européenne commune jusqu'en mars 1974. La seconde partie de cette thèse présente trois études de cas portant sur des questions spécifiques de la politique énergétique européenne : La coopération des consommateurs en matière d'énergie et la création de l'Agence Internationale de l'Énergie, Questions contemporaines sur l'électricité, Le programme commun pour une utilisation plus rationnelle de l'énergie (URE). Les études de cas sont très différentes du point de vue de leur sujet et caractère, mais elles ont été choisies pour leur pertinence par rapport aux politiques énergétiques communes et pour la variété des sources d'énergie correspondantes. Mise à part l'étude sur l'énergie nucléaire, elles traitent de sources d'énergie multiples. Elles ne concernent pas uniquement la période du choc pétrolier et, pour cette raison, elles fournissent une perspective à plus long terme. Les politiques significatives concernant les trois études de cas développées avant 1973 ont été abordées au Conseil de l'énergie de mai 1973 et poursuivies après mars 1974. En même temps, les trois études de cas sont interdépendantes. Dans le cadre de la politique de l'URE, des décisions furent prises concernant la construction et l'approbation de l'efficacité en énergie nucléaire. L'énergie nucléaire et l'URE furent des thèmes importants au sein de l'AIE.

Cette thèse a pour but de contribuer à l'histoire des communautés européennes et à la compréhension du processus de prise de décision au sein de cette coopération. Un grande importance est accordée aux sources principales de la Commission européenne et du Conseil. Des archives supplémentaires sont retenues pour approfondir la recherche. Parmi les neuf

états membres des communautés européennes, il fut décidé de mettre l'accent principalement sur les archives de deux pays : La France et les Pays-Bas Ce choix se fonde sur plusieurs facteurs : les gouvernements de ces pays ont souvent pris des positions diamétralement opposées dans les débats sur la politique énergétique, l'importance du port de Rotterdam pour le marché pétrolier, les différences de la politique arabe envers ces pays lors du choc pétrolier, et la différence de taille de ces pays. Concernant les compagnies d'énergie, il a été choisi d'utiliser des preuves principales des archives de la *Royal Dutch Shell* et de la *Compagnie Française de Pétrole*. Malheureusement, les archives de l'AIE ne sont pas accessibles au public. Mais les archives de l'OCDE offrent un aperçu des délibérations et des résultats des comités de l'énergie et du pétrole, ainsi que sur les réunions du Conseil. Des ressources supplémentaires sur la première période de l'AIE ont été recherchées dans les archives britanniques car considérées comme offrant une meilleure compréhension des relations AIE-CE. Le gouvernement anglais a été un adhérent dévoué de cette nouvelle institution et a trouvé qu'elle sert davantage ses intérêts en tant que nouveau producteur de pétrole dans la CE. Des ressources supplémentaires sur la politique américaine ont été recherchées dans les fichiers de sécurité du Président Richard Nixon 1969-1974.

Principaux résultats des recherches

La valeur de la présente recherche ne réside pas principalement dans l'aperçu qu'elle offre du choc pétrolier. Les évènements de 1973-74, y compris les développements du marché pétrolier des périodes précédentes, ont déjà été longuement étudiés. Ces analyses ont fourni une base détaillée et fructueuse à cette recherche. Toutefois, la recherche historique axée sur la *Coopération européenne* n'a commencé à se développer que récemment. Cependant, à quelques exceptions près, ces études se concentrent principalement sur les politiques nationales des états membres et leurs relations avec les pays producteurs de pétrole ou sur la coopération *politique* européenne, en particulier par rapport au dialogue euro-arabe. Cette thèse a donné un aperçu sur différents aspects du processus de prise de décision dans les communautés européennes.

La Commission européenne apparait dans cette recherche comme intervenant activement dans le développement d'une politique énergétique commune. Après la fusion de l'exécutif des communautés en 1967, Wilhelm Haferkamp et Fernand Spaak ont fait tout leur possible pour faciliter tout avancement vers une telle politique. En première place dans les agendas des

communautés il y avait des questions comme le maintien de stocks de pétrole suffisants, le financement de projets d'exploitation pétrolière dans la mer du Nord par le biais d'une entreprise appelée commune, ou l'échange d'informations sur les investissements dans le gaz, le pétrole ou l'électricité. Mais les délibérations sur ces questions au Conseil de la CE furent longues. Leurs objectifs furent atteints avec difficulté ou partiellement. En février 1973, cette situation changea lorsque le Conseil décida d'organiser un Conseil de l'énergie. À cette époque, la mutation du marché pétrolier, la menace grandissante de l'arme du pétrole de la part des producteurs de pétrole arabes, la crise de l'énergie aux USA et les tensions du marché de l'uranium enrichi étaient des facteurs d'influence dans la recherche d'une politique énergétique commune. Le danger d'une crise énergétique imminente était palpable lors des préparatifs du Conseil de l'énergie de mai 1973, pendant les cinq premiers mois de l'année. La recherche a montré que les états membres étaient prêts à entrer dans une discussion ouverte sur le développement d'un marché énergétique commun, une volonté qu'ils n'avaient jamais montrée auparavant. Les circonstances avaient initié un rapprochement entre les idées nationales d'une organisation plus protectionniste du marché. Face aux problèmes pétroliers du moment et rendu possible par la Commission Européenne, un débat animé eut lieu, centré sur les grandes lignes de la politique, plutôt que sur sa juridiction détaillée. Le DG XVII à la Commission avait préparé des *Orientations et Actions prioritaires pour une Politique énergétique commune,* créée par le DG XVII et présentée en avril au Conseil, elle avait réussi à donner une structure au débat qui risquait autrement de se disperser. Alors que les délégués parlèrent ouvertement des positions nationales, les différentes perspectives étaient claires ainsi que les marges pour arriver à un compromis. Cependant, aucun consensus ne fut atteint, exceptée une approche commune envers une coopération internationale des consommateurs à l'OCDE.

L'échec de consensus en mai 1973 prouve peut-être que les européens n'étaient suffisamment conscients de la situation du côté des producteurs de pétrole. Il est toutefois plus plausible que le besoin d'une coopération énergétique commune des gouvernements nationaux ait été moins fort que les différences d'intérêt mutuelles. Le fait est que leur position n'avait pas changé pendant l'été alors que l'urgence de maintenir des réserves de pétrole avait augmenté sur fond de prix de marché plus élevés, de relations perturbées entre les pays producteurs de pétrole et les compagnies de pétrole ou de menaces plus grandes d'utilisation de l'arme pétrolière. Durant cette période, les Neuf ne semblaient pas aspirer à une politique énergétique commune

malgré l'insistance de la Commission européenne. On peut en conclure que les Neuf jugèrent l'OCDE comme un organisme plus approprié pour faire face aux tensions du moment du marché pétrolier. Deux semaines après le Conseil de l'énergie, les Neuf s'étaient engagés envers la coopération des consommateurs à l'OCDE, tout comme les autres pays membres de cette organisation. L'idée d'une coopération plus rapprochée comme celle-ci avait été avancée par les USA depuis 1972. Au sein du Comité du pétrole de l'OCDE, le thème d'un plan de répartition était en discussion ainsi que les dangers de surenchères. Les questions les plus importantes à l'époque aient donc déjà été discutées dans ce forum qui avait le grand avantage d'inclure les USA.

Contrairement aux activités au sein de la Coopération politique européenne, qui eut pour résultat, par exemple, la Déclaration du 6 novembre sur la crise au Moyen-Orient et le début du dialogue euro-arabe, la coopération au niveau supranational fut considérablement minimisée. Après le début du choc pétrolier le Conseil ne chargea pas la Commission de résoudre les problèmes pétroliers de l'époque. Il fut demandé à Simonet de ne donner dans le cadre du COREPER que des aperçus de la situation. Le 6 novembre, les représentants permanents et la Commission pour l'énergie se mirent d'accord sur un arrangement pour maintenir la plus grande discrétion sur le sujet. La presse ne devait pas être informée. Les délibérations au niveau ministériel au sein du Conseil n'eurent pas lieu, ou furent très brèves. Le processus de prise de décision sur les problèmes d'approvisionnement en pétrole s'éteint pratiquement au niveau ministériel au sein du Conseil et du COREPER. Le Conseil de l'énergie, qui avait été prévu pour la fin novembre, fut aussitôt remis à plus tard. Au COPERER, la question pétrolière fut évitée dans les délibérations ou discutées oralement seulement, sans aucune trace dans les procès-verbaux. Cet effet paralysant de la crise était lié de près aux politiques de "diviser pour gagner" des producteurs de pétrole arabes. Les européens, en particulier les gouvernements français et anglais, ne voulaient pas aggraver la situation en risquant de confronter les arabes avec une position européenne commune sur l'approvisionnement en pétrole. La même motivation était à la base de leur objection à la mise en œuvre du plan de répartition de l'OCDE.

Il est certain que la Commission ne resta pas apathique face aux problèmes pétroliers lors du choc pétrolier. L'institution réagit vivement aux déclarations des pays producteurs de pétrole par des propositions de juridiction sur une politique pétrolière à court terme et des lettres

insistant sur une position commune face aux problèmes d'approvisionnement en pétrole. Au sein de la Commission plusieurs comités et groupes furent créés, ou se rencontrèrent plus fréquemment, et se concentrèrent sur différents aspects du choc pétrolier. Ces évolutions eurent lieu au sein de la Direction Générale de l'énergie et d'autres Directions Générales. Elles donnèrent l'impression d'une Commission européenne dont les représentants travaillent en étroite collaboration. La plupart des différents comités comprenaient des représentants venant de différentes directions. De plus, les réunions des Commissaires devinrent plus fréquentes qu'elles ne l'étaient avant le choc pétrolier. Au cours de ces réunions, les propositions de Simonet ou d'autres communications aux représentants permanents furent discutées. Celles-ci furent transmises aux délégations nationales seulement après accord de ses collègues à la Commission. Les propositions ne furent cependant pas traitées du tout par le Conseil les six premières semaines du choc pétrolier. L'appel de Helmut Schmidt, le 4 décembre, à un mécanisme de mise en commun du pétrole au sein de la communauté fut en fait la première réponse aux propositions de Simonet à inclure un tel système de répartition du pétrole. À partir de ce moment, la question fut à l'ordre du jour. Malgré son dynamisme à l'automne 1973 et la création de plusieurs propositions de juridiction pour résoudre le problème pétrolier, l'établissement de l'agenda des communautés par la Commission parut donc dépendre fortement de la réactivité du Conseil à traiter ces propositions.

Le choc pétrolier ne fut pas un accélérateur du traitement des juridictions au niveau commun. Chose qu'illustre très bien le cas de la directive sur la coordination des mesures nationales en cas de pénurie de pétrole. Les Neuf se mirent d'accord sur cette directive lors du Conseil de l'énergie en mai 1973. D'un côté elle concernait essentiellement un *échange d'information* mutuel sur les mesures nationales en cas de crise. D'un autre côté, elle assurerait une approche commune coordonnée sur les problèmes éventuels. En mai, lors du Conseil de l'énergie, la délégation anglaise avait assuré que cette directive ne transférerait aucune juridiction sur l'implémentation de mesures nationales aux institutions supranationales. Dans ce contexte, la proposition de la Commission lors du choc pétrolier d'établir des objectifs communs de maintien des restreintes de la consommation est frappante. Elle peut être interprétée comme une tentative de la Commission de tirer parti des problèmes pétroliers du moment pour faire passer une politique pétrolière commune donnant davantage de droits aux institutions supranationales qu'elles en avaient eu avant la crise. Cependant, la proposition n'eut aucune chance d'aboutir.

Il convient de mentionner que le Groupe de l'énergie du Conseil permit, curieusement, un forum pour la discussion d'actions communes possibles pour traiter les problèmes pétroliers du moment. Ce groupe offrit, de par son profil bas, une opportunité d'échange d'idées sur les problèmes du moment sans y mélanger les médias ni la diplomatie du Moyen-Orient. Le groupe de l'énergie se rassembla trois fois pour discuter des propositions de juridiction de la Commission du mois de juillet. Mais, alors que furent discutées les questions concernant des politiques à moyen et long terme dans le contexte du choc pétrolier, les questions de politique à court terme ne furent pas évitées. L'une de leurs inquiétudes fut la proposition de juridiction de la Commission concernant la création d'un comité d'approvisionnement. Au sein du Groupe de l'énergie, cette ambitieuse idée n'eut pas le soutien nécessaire. Mais face aux problèmes du moment, les délégués jugèrent nécessaire d'institutionnaliser un comité régulier qui assurerait le traitement de problèmes courants. Puisque la proposition de la Commission était trop ambitieuse pour pouvoir être acceptée par le Conseil, on eut l'idée d'institutionnaliser de façon formelle le groupe de haut-niveau Simonet. Le 4 décembre, Helmut Schmidt fit part de cette idée à ses collègues. Finalement, les chefs d'état et de gouvernement décidèrent en décembre 1973 de créer un comité régulier.

En effet, la création de ce Comité de l'énergie signifiait un changement important dans le processus européen de prise décision. Ce comité remplacerait un comité officieux existant de représentants nationaux de haut-niveau, appelé le groupe Simonet (anciennement groupe Haferkamp). Après mars 1974, ce nouveau comité influença directement les progrès des communautés européennes dans le domaine de l'énergie. Trois facteurs appuyèrent le rôle important du Comité de l'énergie. Premièrement, il assura une recherche régulière sur les questions du moment concernant la politique énergétique européenne. En 1974, le Comité de l'énergie se rassembla chaque mois. Deuxièmement, parce qu'il était composé de représentants de haut-niveau des états membres et présidé par le Commissaire à l'énergie Henri Simonet, le comité put traiter les différentes questions de façon efficace. Troisièmement, le comité constitua un forum d'échange d'information mutuel. Il donna aux délégués nationaux l'opportunité d'introduire des idées pour contribuer à l'élaboration des grandes lignes d'un projet de politique ou de propositions de juridiction. La Commission put également vérifier la faisabilité des nouvelles idées. Quatrièmement, chose importante dans le contexte de la

création de l'AIE, le Comité de l'énergie servit à canaliser les discussions de l'ECG vers le Comité de l'énergie, et *vice et versa*.

Le recherche derrière cette thèse a révélé un rôle bien plus important que prévu de l'OCDE en tant qu'acteur important du processus de prise de décision européen au niveau de l'énergie. Cette organisation avait fourni depuis vingt ans un forum international pour l'échange d'information entre états membres et les états consommateurs occidentaux comme les USA. Une étroite coopération s'était développée au sein du Comité du pétrole et son groupe de haut niveau (HLG) suite à des pénuries de pétrole précédentes lors de la crise de Suez de 1956 et la Guerre des Six jours en 1967. Un plan de répartition du pétrole en temps d'urgence avait été établi en coopération avec un groupe de compagnies pétrolières. Ces entreprises, réunies dans le Comité Consultatif International (IIAB) devaient réguler, lorsque nécessaire, la distribution de pétrole. Au début des années 1970, le comité du pétrole et l'HLG gagnèrent en prestige au niveau international lorsque des voix s'élevèrent, principalement du côté américain, pour intensifier la coopération des consommateurs au sein du Comité du pétrole. En même temps, les grandes sociétés pétrolières multinationales, les Majors pétroliers, cherchèrent activement à influencer les politiques nationales par le biais de cet organe. Le rôle déterminant de Comité du pétrole sur la politique énergétique commune peut être identifié à trois niveaux : Premièrement, le Conseil de l'OCDE et ses deux comités de l'énergie et du pétrole semblent avoir profondément influencé l'agenda de l'Europe sur l'énergie au début des années 1970. Les questions introduites pour discussion ou étude au sein de ces communautés réapparurent au niveau commun, comme la question de l'URE. Deuxièmement, les décisions prises à l'OCDE purent avoir un impact sur les communautés européennes. Par exemple, la politique de maintien de stocks de pétrole en cas d'urgence avait été initiée par une décision du Comité du pétrole. La proposition par la Commission européenne d'un plan européen de répartition du pétrole en cas d'urgence était explicitement liée au système de répartition qui existait depuis longtemps à l'OCDE. Troisièmement, la Commission européenne put tirer profit des résultats produits par le Comité pétrolier de ses propres études au niveau de la coopération européenne.

Pour conclure, le choc pétrolier révéla les différentes positions au sein de la Communauté européenne sur une politique énergétique commune et les limites de l'influence de la Commission européenne sur les politiques énergétiques durant cette période. Durant le choc pétrolier, les Neuf n'étaient pas préparés à abandonner leurs intérêts nationaux pour des solutions communes. Ceci autant pour un système européen de répartition du pétrole que pour une juridiction sur le commerce. En effet, il semble qu'ils aient tiré profit de la coopération européenne lorsque celle-ci correspondait à leurs intérêts nationaux et, dans d'autres cas, s'être tournés vers des organisations alternatives telles que l'OCDE et l'AIE. On a l'impression que la valeur principale des travaux de la Commission européenne fut d'élaborer des études, de faciliter l'échange d'informations entre les états membres (comme la politique sur l'utilisation rationnelle de l'énergie), ou de faciliter les réunions entre experts non-politiques (comme dans le cas des moyens de l'Europe au niveau de l'enrichissement d'uranium).

Lors du choc pétrolier il ne fut pas donné à la Commission européenne de rôle d'élaboration de politique concernant les problèmes pétroliers du moment. Dans une première phase, le Conseil refusa ce rôle à la Commission à cause des mesures arabes sur les réductions de production et par crainte d'aggraver la situation. Mais même si cet argument n'était plus valable, les premiers mois de 1974, les propositions pour des politiques à court termes de la Commission ne furent pas acceptées. Par contre, à cette époque, il fut confié à la Commission la tâche d'élaborer un programme à moyen et long terme pour une politique énergétique commune jusqu'en 1985. Les discussions sur les grandes lignes de la politique en avril 1974 furent discutées au sein de la communauté européenne tout au long de l'année et eurent pour résultat une Résolution du Conseil sur des objectifs de références quantitatives de la communauté, caractéristique qui illustra les intentions sérieuses des états membres de bâtir une politique énergétique commune. À cet égard, le choc pétrolier semble avoir été le catalyseur d'une politique énergétique commune.

Summary

This study focuses on the decision-making process of the European Community via a case study on energy. It aims to clarify the significance of the oil shock on European cooperation. More specifically, it seeks an answer to the question of what immediate and short-term effects this crisis had on the development of a common energy policy: Was the oil crisis a lever or a barrier for the development of a common European energy policy? On the one hand, the oil shock may have possibly accelerated the decision-making process because it created an urgency to deal with the current supply problems and to change the European dependency on Middle Eastern oil on the longer term. On the other hand, the oil shock may have slowed down the development of a common energy policy by escalating a confrontation between the diverging perspectives of the Nine, blocking, in this way, a compromise. In this context, questions arise about the reasons why member states were searching for cooperation in the field of energy without searching for a compromise for their diverging interests.

Forebodings of the event notwithstanding, the unilateral decisions of the oil producing countries to increase taxes and, from Arab side, to cut back production marked a new era, which started on 16 October 1973. Two interpretations exist on the impact of the oil shock on energy policies in general. They do not really contradict each other and are often simultaneously referred to. Both understand the oil shock as a dividing line between old and new energy policies. But they differ in the appreciation of the change. The first interpretation underlines the *catalysing effects* of the shock for new, innovative policies mostly at national but also at European common level. The 1973 oil shock is referred to as a historic event with an almost mythical status, causing transitions in fields ranging from nuclear energy, conservation policies and international cooperation with both consumers and producers. The catalysing effects of the oil shock are most often described in studies on *national* energy politics. It might be argued that, simultaneously, the oil shock had the potential of acting as a catalyst for *common* cooperation in energy. The crisis had made visible the vulnerability of each member state and of the whole of the community *vis-à-vis* the oil producers. Moreover, as the global framework for such cooperation had already been worked out in the previous decade, one would expect a swift development of a common energy policy.

The other interpretation focuses more on the *paralysing effects* of the oil shock on European energy cooperation. The responsibility for a lack of a common approach to energy is normally attributed to member states and their irreconcilable national interests. The member states, confronted with large economic difficulties, would have focused on national economic survival. As their energy interests differed fundamentally, the governments of the member states followed different paths and the development of common policies would have been put on hold.

However, neither of these two interpretations is satisfying. First, despite the urgency brought on by the oil shock and despite the progress achieved before the crisis, a common energy market did not arise. Questions can be asked as to the reasons for this failure. Concerning the period of the oil shock, which is the main focus of this thesis, one may ask, for instance, whether the supranational institutions were inept in responding adequately to the crisis during the oil shock. Or maybe an energy policy had not been developed sufficiently enough before the shock to be implemented? At what developmental stage was this policy when the oil shock occurred? And what were the developments during the oil shock and directly after the crisis? The second interpretation is not satisfying either because it approaches the development of a joint energy policy as an essentially intergovernmental affair. Indeed, the member states were the decision makers around the table. But alongside the member states, the European scene included a supranational framework which had been involved in the development of a European energy policy ever since the 1950s. As a matter of fact, the theme of energy was treated by many, both at national and at European level, with an approach that was either economic or political, or both. Since the origins of the European communities, a complexity of committees, groups and sub-committees has emerged along the road towards a possible common energy policy. At the same time, as energy was a theme which was treated separately at economic and political level, questions can be raised about the duality of supranational and governmental cooperation between the Nine, the relations between these two structures for cooperation and what role they played in the energy policy.

Methods and archives

Although the idea of a common energy policy is analysed within the context of the oil shock, a choice is made for an integrated approach which transcends the scope of oil. The research is based on the hypothesis that the different energy issues were interrelated and that choices in

energy policy influenced each other. A danger of taking this integrated approach is that it may lead to superficial research. The range of different issues within the topic of energy is large, as are the relevant problems, preferences and networks. For this reason, a dual approach has been taken regarding the subject and this includes both a chronological analysis and an examination of three case studies. Therefore, in the first part of the thesis a chronological study is presented of the common European policy up until March 1974. In the second part of the thesis, three case studies focus on specific issues within the common energy policy: consumer cooperation on energy and the creation of the International Energy Agency, contemporary issues on electricity, and the common program for a more rational use of energy (RUE). The case studies are very different in subject and character, but they have been selected for their pertinence in contemporary common energy policies and the variety of relevant energy sources. With the exception of the study on nuclear energy, they deal with multiple energy sources. They do not only concern the period of the oil shock and, therefore, provide a perspective within a longer time frame. Relevant policies concerning all three case studies developed before 1973, were discussed at the May 1973 Energy Council and continued after March 1974. At the same time, the three cases are interrelated. Within the policy of RUE, decisions were made which concerned construction and approval of the efficiency in nuclear electricity. Nuclear energy and RUE were important topics within the IEA.

This thesis aims to contribute to the history of the European communities and to the understanding of the decision-making process within this cooperation. Prominence is given to the primary sources of the European Commission and the Council. Additional archives were selected to deepen the research. Within the nine member states of the European communities, the decision was made to focus mainly on the archives from two countries: France and the Netherlands. This choice is based on several factors: governments of these countries often took diametrically opposing positions in the debates on energy policy, the importance of the port of Rotterdam for the oil market, the differences of Arab policy towards these countries during the oil shock, and the difference in size of these countries. Concerning the energy companies, a choice was made to use primary evidence from the archives of *Royal Dutch Shell* and the French *Compagnie Française de Pétrole*. Unfortunately, the archives of the IEA are not open to the public. But the archives of the OECD provide insight into the deliberations and the output of the energy and oil committees, as well as the meetings of the Council.

Additional sources on the first period of the IEA have been researched in British archives because they were deemed to add to a better understanding of IEA-CE relations. The English government was a devoted adherent of this new agency and thought that it better served its interests as a new oil producer in the EC. Additional resources on American policy have been sought in the President Richard M. Nixon Security Files 1969-1974.

Main results of the research

The value of this research is not primarily in the overview it delivers of the oil shock. The events of 1973-74, including the developments within the oil market in the previous period, have already been studied at length. These analyses have given a thorough and fruitful base to this research. However, only recent historical research focussing on the *European cooperation* has started to develop. Still, with some exceptions, these studies concentrate mainly on the national policies of the member states and their relations with oil-producing countries or the European *political* cooperation, especially in connection with the Euro-Arabic dialogue. This thesis gives insight into different aspects of the decision-making process at the European communities.

The European Commission emerges from the research as an active actor in the development towards a common energy policy. After the merger of the communities' executives in 1967, Wilhelm Haferkamp and Fernand Spaak made a continuous effort to facilitate progress toward such a policy. High on the communities' agendas were issues such as the maintenance of sufficient oil stocks, the financing of oil exploration projects in the North Sea via a so-called common enterprise, or exchange of information on investments in gas, oil or electricity. But deliberations on these issues in the CE Council took a long time. Their ambitions were only reached with difficulty or on a partial basis. In February 1973, this situation changed when the Council decided on the planning of an Energy Council. At the time, the changing oil market, the growing threat of the oil weapon by the Arab oil producers, the energy crisis in the United States and tensions in the market of enriched uranium were influencing factors in the search for a common energy policy. The danger of an imminent energy crisis was tangible in the preparations for the Energy Council of May 1973 in the first five months of the year. The research has showed that the member states were prepared to enter an open discussion on the development of a common energy market, a willingness they had not shown before. The circumstances had initiated a rapprochement between national ideas on a more protectionist

organisation of the market. Faced with the current oil problems and facilitated by the European Commission, a sharp debate focused on large policy lines rather than detailed jurisdiction. The DG XVII at the Commission had prepared a *Priority Orientations and Actions for a Common Energy Policy,* produced by the DG XVII and presented in April to the Council. It had succesfully given a structure to the debate which risked to be diffused otherwise. As the delegates spoke frankly on the national positions, the different perspectives were clear as were the margins to reach a compromise. Still, no consensus was reached except for a common approach towards international consumer cooperation at the OECD.

The failure to reach consensus in May 1973 shows possibly that the Europeans were not sufficiently aware of the situation at the oil producers' side. More plausible, however, is the explanation that the need from national governments for a joint energy cooperation was less significant than the mutual differences of interest. The fact is that their position did not change in the summer when the urgency to secure oil supply grew against the background of rising market prices, turbulance relations between oil producing countries and oil compagnies, and growing threats to use the oil weapon. During this period, the Nine did not seem to aspire to urgently develop a common energy policy despite insistence by the European Commission. It might be concluded that the Nine deemed the OECD a more appropriate body to face the current tensions in the oil market. Two weeks after the Energy Council, they had committed themselves to the consumer cooperation at the OECD, just like the other member countries of this organisation. The idea for such a closer cooperation had been pushed by the United States since 1972. Within the OECD's Oil Committee, the theme of a worldwide apportionment scheme was being discussed as well as the danger of outbidding prices. The most important questions of the time were thus already discussed within this forum which maintained the large advantage of including the United States.

In contrast to the activities within European Political Cooperation, which resulted for instance in the 6 November declaration on the crisis in the Middle East and the start of the Euro-Arabic dialogue, cooperation at supranational level was significantly minimised. After the beginning of the oil shock the Commission was not given a role by the Council in order to solve the current oil problems. Simonet was asked within COREPER to give only verbal overviews on the situation. On 6 November, the Permanent Representatives and the Commissioner for Energy agreed on an understanding to maintain absolute discretion on the subject. The press

was not to be informed. Deliberations within the Council at ministerial level did not take place, or were very brief. The decision-making process on the oil supply problems practically fell dead within the Council at ministerial level and COREPER. The Energy Council, which had been planned for the end of November, was swiftly delayed until further notice. At COREPER, the oil question was avoided in the deliberations or only orally discussed without being mentioned in the minutes. This paralysing effect of the crisis was strongly related to the divide and rule politics of the Arab oil producers. The Europeans, especially the French and English governments, did not want to aggravate the situation by risking confronting the Arabs with a joint European position on oil supply. The same motivation founded their objection against the implementation of the oil apportionment scheme at the OECD.

The Commission did certainly not remain apathetic towards the oil problems duing the oil shock. The institution swiftly reacted to the oil producing countries' announcements with new proposals for jurisdiction on short-term oil policy and letters insisting on a joint position faced with the oil supply problems. Within the Commission several committees and groups were created, and existing committees met more regularly, and focused on different aspects of the oil shock. These developments occured within the DG Energy but also within other Directorate Generals. They give the impression of a European Commission where officials worked closely together. Mostly the various committees included officials from different directorates. Moreover, the meetings of Commissioners occurred on a more frequent basis than before the oil shock. Within these meetings, Simonet's proposals on jurisidiction or other communications with the Permanent Representatives were discussed. These were only transmitted to the national delegations after consent of his colleagues at the Commission. The proposals would however not be discussed at all by the Council in the first six weeks of the oil shock. The appeal by Helmut Schmidt, on 4 December, for a pooling mechanism for oil within the community would in fact be the first response on Simonet's proposals, which had included such an apportionment system for oil. Thereafter, the issue was set on the agenda. Despite its dynamics in the autumn of 1973 and the production of several proposals for jurisdiction to handle the oil problem, the setting of the communities' agenda by the Commission appeared therefore highly dependent on the readyness of the Council to address these proposals.

The oil shock was not an accelerator for the processing of jurisdiction at common level. This is well illustrated by the case of the directive on the coordination of national measures in case of an oil shortage. The Nine agreed on this directive during the May 1973 Energy Council. It basically concerned on the one hand a mutual *exchange of information* on national measures in a crisis. On the other hand, it would assure a nationally coordinated approach of the potential problems. In May, at the Energy Council, the English delegation had ensured that this directive would not transfer any jurisdiction on the implementation of national measures to the supranational institutions. In this context the Commission's proposal, during the oil shock, to establish common objectives for consumption restraint to be maintained in the state members is striking. It might be interpreted as if the Commission tried to benefit from the current oil problems to push through a common policy on oil which gave more rights to the supranational institutions than it had been given before the crisis. The proposal had however no chance to succeed.

Noteworthy is the fact that the Energy Group of the Council surprisingly provided a forum for the discussion of possible common actions to counter the current oil problems. This group provided by its low profile an opportunity for the exchange of ideas on the current problems without stirring the media or Middle Eastern diplomacy. The Energy Group came together three times to discuss the Commission's proposals for jurisdiction from July. But as they discussed these issues, which concerned middle- and long-term policies against the current background of the oil shock, short-term policy questions were not avoided. One of their concerns was the proposal for jurisdiction of the Commission concerning the creation of a supply committee. Within the Energy Group, the ambitious idea did lack the necessary support. But faced with the current problems, the delegates believed it necessary to institutionalise a regular committee which would secure the handling of current problems. As the Commission's proposal was too ambitious to be agreed on by the Council, the idea was born to formally institutionalise the high-level Simonet group. On 4 December, Helmut Schmidt would refer to this idea to his colleagues. Eventually, in December 1973, the Heads of State and Government decided to create this regular committee.

As a matter of fact, the creation of this Energy Committee signified an important change within the European decision-making process. This committee would replace an existing inofficial committee of national high-level officials, the so-called Simonet group (previously

Haferkamp group). After March 1974, this new committee directly influenced the progress within the European communities in the field of energy. Three factors supported the important role of the Energy Committee. Firstly, it assured regular research on current issues concerning European energy policy. In 1974, the Energy committee assembled every month. Secondly, through its composition of high-level representatives of the member states and presidency by the Commissioner for Energy Henri Simonet, it was able to treat the different issues effectively. Thirdly, the committee constituted a forum for mutual information exchange. It gave the opportunity for national delegates to introduce ideas as input for the elaboration of draft policy outlines or propositions for jurisdiction. The Commission could also verify the feasibility of new ideas. Fourthly, and important in the context of the creation of the IEA, the Energy Committee served to channel ECG discussions to the Energy committee, and *vice-versa*.

The research for this thesis has revealed a more important role than expected for the OECD as an actor in the European decision-making process on energy. For twenty years, this organisation had provided an international forum for the exchange of information of the member states with western consumer states such as the United States. A close cooperation had developed within the Oil Committee and its High Level Group (HLG) as a consequence of earlier oil shortages during the Suez crisis of 1956 and the Six-Day War in 1967. An apportionment scheme for oil in times of emergency had been set up in cooperation with a group of oil companies. These enterprises, assembled in the International Industry Advisory Board (IIAB) would, when judged necessary, regulate oil distribution. In the first years of the 1970s, the oil committee and the HLG gained international prestige when voices were getting louder, mainly from American side, to intensify the consumer cooperation within the Oil Committee. Simultaneously, the large multinational oil companies, the Majors, actively searched to influence national policies through this body. The influential role of the Oil Committee on the common energy policy can be identified on three levels. Firstly, the OECD Council and its two committees on Energy and Oil appear to have deeply influenced the European agenda on energy in the first years of the 1970s. Issues introduced for discussion or study within these committees reappeared at common level, such as the question of RUE. Secondly, decisions at the OECD could have an impact on the European communities. For example, the policy to maintain oil stocks in times of emergency had been initiated by a decision of the Oil Committee. The proposition of the European Commission for a European

apportionment scheme for oil in emergency situations was explicitly linked to the apportionment system which had existed for a long time at the OECD. Thirdly, the European Commission could profit from the output produced by the Oil committee for its own studies at EC level.

To conclude, the oil shock has revealed the different positions within the European Community on a common energy policy and the limitations of the European Commission to influence energy policies during this period. During the oil shock, the Nine were not prepared to give up national interests for joint solutions. This was true for a European system for the apportionment of oil as well as for jurisdiction on trade. As a matter of fact, they appear to have made use of the European cooperation when it responded to their national interests and, in other cases, turned to alternatieve organisations, such as the OECD or the IEA. The impression was given that the main value of the works of the European Commission was in the elaboration of studies, facilitation of information exchange between the member states (such as in the policy for the rational use of energy), or facilitating meetings between non-political experts (such as in case of the question of the European capacity for the enrichment of uranium).

During the oil shock the European Commission was not attributed a role in the policy making concerning the current oil problems. In a first phase, the Council refused to such a role for the Commission because of the Arab measures on production cuts and a fear to aggravate the situation. But even when this argument no longer applied, in the first months of 1974, the short-term policy proposals of the Commission were not accepted. By contrast, at that time the Commission was given the assignment of elaborating a mid- and long-term programme for a common energy policy until 1985. The policy outline of April 1974 was discussed within the Europan Community during the entire year and resulted in a Council's Resolution on objectives of the community with quantitative references, a feature which illustrated the serious intentions of the member states to build on a common energy policy. In that respect, the oil shock seems to have been a catalyst for a common energy policy.

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1 Introduction

Within the history of the European Union, the 1970s[1] signify a period of economic turmoil in which the endeavour for closer cooperation was difficult but met with some successes. Traditionally, the European integration in the 1970s was depicted as being dominated by economic decay. In the words of John Gillingham: "*the turmoil, setbacks, and inertia of the 1970s seem devoid of accomplishment and even interest for the history of integration"*.[2] Recently, multiple archival studies have revealed a more vivid dynamism in European cooperation than was thought previously. The 1970s have become a period where, next to national preoccupations with a slackening economy, the nine member states built closer European integration. Structures for better cooperation were created or deepened, such as the European Parliament, European political cooperation and the European Council.[3] Moreover, researchers have highlighted the progress made by the Court of Justice or the agreements on monetary policy in 1979.[4] Other, less successful, fields are now evaluated differently. For example, taking a more long-term perspective, some less successful efforts are re-appreciated in the context of the development of the Single European Act in 1986.[5] This thesis aims to deliver a contribution to the understanding of this period by focussing on energy cooperation.

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[1] Historiographical overviews of studies on the European cooperation in the 1970s, see : Kiran Patel, "Europäische Integrationsgeschichte auf dem Weg zur doppelten Neuorientierung. Ein Forschungsbericht", in: *Archiv fur Sozialgeschichte* Band 50, 2010, pp. 595-643. Substantive contributions to the analysis have been realized by the The European Union Liaison Committee of Historians via colloquies and publications. Equally to be mentioned, the diverse chapters on issues in European policy in the 1970s in: Varsori, A. and G.Migani, *Europe in the International Arena during the 1970s. Entering a Different World*, Brussels, Peter Lang, 2011

[2] Gillingham,J. *European integration 1950-2003. Superstate or New Market economy?*, Cambridge, 2003, p.81.

[3] Mourlon-Druol, E.:"Filling the EEC leadership vacuum? The creation of the European Council in 1974", *Cold War History*, vol. 10, n°3, 2010. European political cooperation will be discussed further in this chapter.

[4] Griffith, R.T. "A dismal decade? European integration in the 1970s", in: Dinan, D. (ed) *Origins and evolution of the European Union,* Oxford, 2006, pp. 169-190.

[5] Marhold, H. ,"How to tell the history of European integration in the 1970s: a survey of the literature and some proposals. ", *L'Europe en formation*, automne-hiver 2009, n°353-354, p 13-38.

Energy is a central theme in the economic crisis of the 1970s. Problems in the oil market, and the 1973 oil shock, worsened the global monetary problems of the time. Simultaneously, an insecure, and expensive, oil supply destabilised economic welfare. However, a quick glance at the history of European cooperation shows that no common energy policy emerged in the 1970s. This failure raises questions about the current conditions of the common energy policy and the significance of the oil shock for this policy.

§1.1 Problems

More than forty years have passed since the 1973 oil shock. The event has been studied multiple times both by contemporary actors, journalists, and academics, especially from economics and the political sciences. From the moment the archives became accessible, historians have also studied the subject from different angles ranging from oil producers and oil companies to consumer cooperation.[6] This thesis aims to contribute to this better understanding of the significance of the oil shock for the development of a common energy policy.

In historiography, the oil shock signifies change.[7] Forebodings of the event notwithstanding, the unilateral decisions of OPEC on production cutbacks and tax increases marked a new era, which started on 16 October 1973. Two interpretations exist on the impact the oil shock had on energy policies. They do not really contradict each other and are often simultaneously referred to. Both understand the oil shock as a dividing line between old and new energy policies. But they differ in the appreciation of the change. The first interpretation underlines the *catalysing effects* of the shock for new, innovative policies mostly at national but also at European common level. The other interpretation focuses more on the *paralysing effects* of the oil shock on common energy cooperation.

[6] A list of publications on the oil shock is provided in the bibliography of this thesis.

[7] The oil shock was however not a sudden turning point, but it made part of a larger process of change. Petrini, F. and Garavini, G."Continuity or Change? The 1973 Oil Crisis Reconsidered", Varsori, A and Migani, G (eds), *Europe in the International Arena during the 1970s. Entering a Different World*, Brussels, Peter Lang, 2011, p.211-230.

The first interpretation presents the image of a crisis which triggered a process of fundamental restructure in energy policies. The 1973 oil shock is referred to as a historic event with an almost mythical status, causing transitions in fields ranging from nuclear energy, conservation policies and international cooperation with both energy consuming and oil producing countries. Nuclear energy policy was not a new phenomenon after 1973, but it certainly was given extra impetus in 1974. For instance, the new French energy policy from 5 March 1974 gave a central role to nuclear electricity. The energy policies of energy conservation, or consumer cooperation, are often considered to have emerged after the oil shock.

There are a few comments to make on this perspective about what is relevant to the European communities. The catalysing effects of the oil shock are most often described in studies on *national* energy politics. It might be argued that, simultaneously, the oil shock had the potential of acting as a catalyst for *common* cooperation in energy. The crisis had made visible the vulnerability of each member state and of the whole of the community *vis-à-vis* the oil producers. Moreover, as the global framework for such cooperation had already been worked out in the previous decade, one would expect a swift development of a common energy policy. In 1964, the objectives for European energy cooperation had been listed in an ambitious memorandum of understanding, signed by the then six member states. Four years later, the Commission delivered a draft outline for a future energy policy in an extended report on the *First orientations for a common energy policy*. Several regulations buttressed this process, such as the directive to maintain oil reserves guaranteeing 60, later 90, days of energy consumption. The foundations for an energy policy were laid down and the development towards a common cooperation just had to be accelerated.[8] However, paradoxically, common energy cooperation after the oil shock progressed much slower. It has been argued that in the 1970s, energy policy remained an essentially national preoccupation for the member states and European cooperation was largely limited to global policy lines and simple recommendations.[9] Despite the urgency brought on by the oil shock and despite progress achieved before the crisis, a common energy market did not arise. Questions can be

[8] D'Amarzit, P. *Essai d'une politique pétrolière européenne 1960-1980,* Paris, éditions techniques et économiques, 1982.

[9] Matláry, Janne H. "Energy policy : from a national to a European framework ?", H.Wallace and W.Wallace, *Policy- making in the European Union*, Oxford, Oxford university press, 1996, p. 257-277; same author, *Energy policy in the European Union,* Houndmills, Macmillan Press Ltd, 1997.

asked as to the reasons of this failure. Could it be, for instance, that the supranational institutions were inept in responding with adequate responses to the crisis during the oil shock? Or maybe an energy policy had not been developed sufficiently enough before the shock to be implemented? At what developmental stage was this policy when the oil shock occurred? And what progress was made during and directly after the crisis?

The second interpretation focuses on the *paralysing effect* of the shock on European energy cooperation. The responsibility for a lack of a common approach to energy is normally attributed to member states and their irreconcilable national interests. The member states, confronted with large economic difficulties, focused on national economic survival. As their energy interests differed fundamentally, the governments of the member states would have followed different paths and the development of common policies would have been put on hold.[10] A classic example is the disagreement between France and its eight partners at the Washington energy conference in February 1974 and the creation of the International Energy Agency (IEA) in November of the same year. What followed was an exceptional situation where France was the only European member state which did not adhere to an agency of the Organisation for Economic Cooperation and Development (OECD) while the European Commission was an active observer.

This interpretation, however, is not a satisfying one because it approaches the development of a joint energy policy as an essentially intergovernmental affair. Indeed, the member states were the decision makers around the table. But alongside the member states, the European scene included a supranational framework which had been involved in the development of a European energy policy ever since the 1950s. As a matter of fact, the theme of energy was treated by many, both at national and at European level, with an approach that was either economic or political, or both.

The European Commission, for instance, had fed the debates on energy cooperation by proposing regulations and delivering draft outlines for overall energy policy. Moreover, since the origins of the European communities, a complexity of committees, groups and sub-committees has emerged along the road towards a possibly common energy policy. What is

[10] Möckli, D. *European foreign policy during the Cold War; Heath, Brandt, Pompidou and the dream of political unity*, London, I.B.Tauris, 2009.

interesting is the fact that these committees sometimes included non-political representatives, such as, for example, representatives from companies. The role of these experts should not be overlooked. It was precisely their prevailing technical, but not political, interests which gave them a different status and a different approach to the debates. Recent research has, for example, revealed the role that engineers played in the development of technological infrastructures in geographical Europe, such as in the case of electricity.[11] It would be interesting to know the interests of these non-governmental experts.[12]

Finally, the role of powerful actors outside the framework of European cooperation, such as that of the large oil companies, is of great interest. These multinational enterprises, such as British Petrol and Royal Dutch Shell, disposed of the need for direct access to crude oil, extended knowledge of the market, and engaged in relations with oil-producing countries. Although their role changed in the 1970s, as the oil-producing countries' self-awareness grew, their importance in the distribution of oil remained evident.

At the same time, questions can be raised about the duality of supranational and governmental cooperation between the Nine[13]. Energy was a theme which was treated separately at economic and political level. The oil shock had an economic character and was thus treated by the institutions of the three European communities. But it also had a geopolitical side and the energy crisis was thus also deliberated at the level of European Political cooperation (EPC). In autumn of 1973, France and the United-Kingdom, especially, thought this was a good framework within which to improve their relations with the Middle East. Questions arise as to the relations between these two structures for cooperation and what role they played in the energy policy.

This study focuses on the decision-making process of the European Community through this case study for energy. It aims to clarify the significance of the oil shock to European

[11] See also the paragraph in this introduction on the theme *Actors and Networks*, especially concerning the programme *Networking Europe*. Vincent Lagendijk, member of this study group, has treated the theme of electricity.

[12] Meyer, J.H. "The Myth of Independence. Experts in early European Environmental Policy New Political History and European Integration." Key-note presentation at the International Workshop, 16/1/2014, Radboud University Nijmegen.

[13] The designation *the Nine* refers in this thesis to the nine member states of the European Community.

cooperation. More specifically, it seeks an answer to the question what immediate and short-term effects this crisis had on the development of a common energy policy: Was the oil crisis a lever or a barrier for the development of a common European energy policy? On the one hand, the oil shock may have possibly accelerated the decision-making process because it created an urgency to deal with the current supply problems and to change the European dependency on Middle Eastern oil on the longer term. On the other hand, the oil shock may have slowed down the development towards a common energy policy by escalating a confrontation between the diverging perspectives of the Nine, blocking, in this way, a compromise. In this context, questions arise about the reasons why member states were searching for cooperation in the field of energy without searching for a compromise as to their diverging interests. If the desire for cooperation on energy was more alive in Brussels than for the member states, what interests did they maintain by keeping alive the intensive work through the European communities in the field of energy?

§1.2 Themes and historiography

Three themes are central to this thesis: the energy cooperation of the nine member states; the crisis as a factor in their decision-making processes; and the institutional actors in the area of energy politics. In the following text, these three themes will be studied through an analysis of their significance, context and historiography.

§1.2.1 European energy cooperation

No common energy market emerged in the 1970s. Such a market would imply at least a unified policy on jurisprudence and tariffs in the total region of the European Communities. Only after 1985 would a broad European policy on energy develop as part of the general internal market program.[14] Nevertheless, a common market and a joint policy were objectives for the Nine ever since their agreement on the objectives of their energy cooperation in 1964[15]. In December 1972, the Nine urged again for a joint policy to secure an energy

[14] Matláry, *op.cit.* (two publications)

[15] As ageed in the Memorandum of Understanding of 21 April 1964. This memorandum was signed by all six member states and the agreement was frequently referred to afterwards by European Commission. The memorandum is published in the Official Journal of the European

supply.[16] The European policy on energy in the 1970s related especially to the regulations which laid the basis for exchanges of information, financial aids, recommendations without constraints on jurisdiction, and some individual directives which, however, did not amount to a larger framework of a policy.[17]

Although no common energy policy was developed in the 1970s, European energy cooperation concerned a complex field by its economic and political importance and the variety of the included themes. The energy problem can be approached from both a geopolitical as well as an economic point of view. The latter was conducted through supranational cooperation while the political aspects of energy policy, such as those concerning the sensitive relations with the United States and the oil-producing countries, were treated mostly at the European Political Cooperation (EPC) level.[18]

To begin with an examination of political cooperation, the extensive work by Maria Găinar should be taken into account. Based on resources from French archives and the archives of the European institutions, she studied policies that were part of the EPC, up until 1980, and the structures of this cooperation. Daniel Möckli has thoroughly elaborated on the first stages of this cooperation up until the spring of 1974, basing his study on resources from the national archives of the three largest European states at the time. Energy issues are included in both works and they include the oil shock and the Washington energy conference of February 1974. The Euro-Arabic dialogue has been studied as well in these publications. David Allen, Bernard Corbineau, and Françoise de la Serre analysed this theme in the end of the 1970s.[19]

Union (hereafter :OJ), 30/4/1964, p. 1099 (online accessible via the website of Eur-lex, http://eur-lex.europa.eu/).

[16] *Bulletin des Communautés européennes*, October 1972, n°10.

[17] An example is the directive to maintain oil reserves guaranteeing 60, later 90, days of energy consumption, mentioned in the paragraph before. It will be thoroughly discussed in chapter 2 and 3.

[18] Concerning the consequences of the first oil shock on the national policies of the Nine and the USA (although not based on archival sources), see for instance Venn, F. "International Co-operation versus national self-interest : the United States and Europe during the 1973-1974 oil crisis", Burk, K. and Stokes, M. (eds) *The United States and the European alliance since 1945*, Oxford, Berg, 1999. See also the lists provided in the bibliography on Euro-American relations, American energy policies and the oil shock.

[19] Allen, D. "The Euro-Arab dialogue", *Journal of Common Market Studies*, vol. XVI, n°4, June 1978, p. 323-343; Corbineau, B. "Le dialogue euro-arabe, instance du nouvel ordre

More recently, the origins of the Euro-Arabic dialogue were examined in another publication by Găinar.[20] Aurélie Gfeller provided another analysis of the development of this dialogue, with a smaller focus on the EPC perspective and more on that from national governments.[21]

With regards to cooperation at the supranational level, the scope of the energy policy was vast. Energy cooperation was concerned with different energy sources and with a broad range of aspects linked to supply, and consumption of energy. It included exchanges of information on these aspects, cooperation in the development of technologies or other investments such as those concerned with construction. Their cooperation also concerned the exploration and exploitation of energy sources and the development of necessary technologies in this field (the North Sea oil, gas from Groningen and others) or the construction and the sharing of energy infrastructure in Europe (pipelines for gas and oil, electricity networks…[22])

Historians have conducted several studies on resources from the archives concerning European energy policy from the beginnings of the European communities until approximately 1975. Often, the studies focused on specific energy sources or on the policies of just one member state. These works are very important for understanding the objectives and the problems which arose out of European cooperation. Alain Beltran has conducted numerous studies on French energy policy, both in France and in Europe.[23] Dutch primary

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international (1973-1978)", *Revue française de science politique*, 30e année, n°3, 1980, p. 560-598; De la Serre, F."Conflit du Proche-Orient et dialogue euro-arabe : la position de l'Europe des Neuf", Bourrinet, J. (ed), *Le dialogue euro-arabe*, Paris, Economica, 1979, p. 79-94.

[20] Găinar, M. "Le dialogue Euro-Arabe; Une naissance laborieuse (1973-1975) ", Libera, M. et Wassenberg, B. (eds) *L'Europe au Coeur. Etudes pour Marie-Therese Bitsch*, Brussels, Peter Lang, 2009, p.175-195.

[21] Gfeller, A.E., *Building a European identity. France, the United States, and the Oil Shock, 1973-1974*, New York, Bergbahn books, 2012.

[22] For studies on energy infrastructure, which are however not limited to the EC : on gas, see Beltran, A. and Williot, J.P. "Développement et modes de gestion du réseau de gaz naturel en Europe Occidentale depuis les années 1960", Merger, M., A. Carreras, A.Giuntini (eds) *Les réseaux européens transnationaux XIXe-XXe siecles; quels enjeux?,* Nantes, Ouest editions, 1995. ; Concerning electricity networks, see Lagendijk, V. *Electrifying Europe. The power of Europe in the construction of electricity networks*. Amsterdam, 2008.

[23] Beltran, A. et Williot, J.-P., *Le noir et le bleu; 40 ans d'histoire de Gaz de France*, Paris, Pierre Belfond, 1992; Beltran, A., Picard J.F., Bungener, M. *Histoires de l'EDF ; Comment se sont prises les décisions de 1946 à nos jours* , Paris, Dunod 1985.

sources on the first oil shock and European policy at the time have been examined by Duco Hellema, Cees Wiebes and Toby Witte.[24] René Leboutte analysed the European policy of the United Kingdom after 1973.[25] Silvio Labatte made a study of the primary sources concerning Italian policy on nuclear energy from 1954 until 1975.[26] Armelle Demagny-Van Eyseren has conducted several studies based on primary archival sources regarding French energy policies, especially in the field of oil, and including the 1973 oil shock.[27]

Energy cooperation at the European level has been researched through several national and European archives. The machinations of the Commission before the oil shock is discussed by Demagny-Van Eyseren, especially regarding the common policy on oil, and by Julie Cailleau. From their publications, information emerges about the difficulty of coordinating a joint policy before the merger of the executives in 1967.[28] Julie Cailleau also researched the

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[24] Hellema, D., Wiebes, C., Witte, T.. *The Netherlands and the Oil Crisis. Business as usual*, Amsterdam University Press, Amsterdam, 2004.

[25] Leboutte, R. "La Grande-Bretagne et l'Europe face aux chocs pétroliers de 1974-1979. ", Bussière, Éric, Dumoulin, Michel, Schirmann, Sylvain (eds). *Milieux économiques et intégration européenne au XXe siècle. La crise des années 1970; De la conférence de la Haye à la veille de la relance des années 1980*, Brussels, Peter Lang, Euroclio n°35, 2006, p. 89-104.

[26] Labatte, S. "Italy and the development of European energy policy: from the dawn of the integration process to the 1973 oil crisis", *European Review of History*, 2013, Vol.20, N°1, p. 67-93

[27]Demagny-Van Eyseren, A."La direction des carburants du ministère de l'Industrie français et les projets de politique pétrolière communautaire (1957-1974)", Badel, Laurence, Jeannesson, Stanislas and Ludlow, Nicolas Piers (eds), *Les administrations nationales et la construction européenne. Une approche historique (1919-1975)*, Bruxelles, Peter Lang, Euroclio 31, 2005, p. 287-304;"Les réactions de la présidence française face au choc pétrolier", Bussière, Éric, Dumoulin, Michel, Schirmann, Sylvain (eds). *Milieux économiques et intégration européenne au XXe siècle. La crise des années 1970; De la conférence de la Haye à la veille de la relance des années 1980*, Brussels, Peter Lang, Euroclio n°35, 2006, p. 105-118; "La présidence française face à la mutation du marché pétrolier, 1969-1974: analyses, anticipations et réactions", Bussière, Éric, *Georges Pompidou face à la mutation économique de l'Occident, 1969-1974,* Paris, Presses universitaires de France, 2003, p. 223-241.

[28] Demagny-Van Eyseren, A. "L'Europe à la recherche d'une politique pétrolière commune du Traité de Rome au premier choc pétrolier", *Bulletin de l'Institut d'histoire du temps présent* , "Dossier pétrole et gaz : nouvelles perspectives et outils de recherches", n°84, novembre 2004. ; Cailleau, J. "Energies : des synergies à la fusion", Dumoulin, M. (ed) *La Commission européenne, 1958-1972. Histoire et mémoire d'une institution*. Luxembourg, Office des publications officielles des communautés européennes, 2007, p. 487-506.

Commission's propositions on the electricity sector at the beginning of the 1970s.[29] Francesco Petrini has analysed European technological cooperation after the oil shock.[30]

Developments at the European level, and elsewhere, have been studied at great length by contemporary witnesses from the energy sector, such as economists, jurists and political scientists. Energy was a *hot* subject in the 1970s. The first oil shock was analysed for its causes, its consequences and its global actors. Already in the autumn of 1975, the articles published in the special edition of the journal *Daedalus* provided a thorough analysis.[31] Concerning European energy cooperation, several works give an overview, though, without having access to primary evidence. Studies on the 1950s and 1960s analysed problems in this cooperation as well as national priorities.[32] For the 1970s, firstly, the developments at the supranational level of the European Communities have been analysed. A concise but valuable overview of energy cooperation is given by Robert Black. He provides amongst other things a clear analysis of the difficulties in attaining this level of cooperation because of issues such as national priorities as well as an oversight of the labyrinth of groups and committees in the supranational institutions.[33] Thomas G. Weyman-Jones[34], in his book from 1986, gives a

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[29] Cailleau, J. "Les propositions de la Commission européenne in le secteur électrique. De la relance de La Haye aux suites immédiates de la crise énergétique 1969-1975", Bussière, Éric, Dumoulin, Michel, Schirmann, Sylvain (eds). *Milieux économiques et intégration européenne au XXe siècle. La crise des années 1970; De la conférence de la Haye à la veille de la relance des années 1980*, Brussels, Peter Lang, Euroclio n°35, 2006, p.119-136.

[30] Petrini, F., "L'Europe occidentale et la première crise pétrolière. S'assurer l'énergie par la coopération technologique", Bouneau, C. Varsori, A., Burigana, D. (eds) *Les trajectoires de l'innovation technologique et la construction européenne*, p. 123-140.

[31] *Daedalus "* The oil crisis in perspective ", autumn 1975, Vol 104, N°4. Several contributions to this special edition of the journal are further described below.

[32] Ippolito,M. *Contribution à l'étude du problème énergétique communautaire*, Paris, 1969. Blondel Spinelli, D. *L'énergie in l'Europe des Six ; Fondements d'une politique énergétique commune*, Paris, Cujas, 1965. Gordon, R.L., *The evolution of energy policy in Western Europe. The reluctant retreat from coal.* New York, Praeger publishers, 1970. De Carmoy, G. *Le dossier européen de l'énergie; Les marchés - Les industries - Les politiques*, Paris, Les éditions d'organisation, collection INSEAD –Management, 1971. More specifically on Euratom : Williams, R., *European technology. The politics of collaboration.* London, Croom Helm, 1973, nm p. 39-56. Nieburg, H.L. "Euratom. A study in coalition politics", in : *World Politics*, N° 15, 1962-1963, p. 597-622.

[33] "Plus ça change, plus c'est la même chose: Nine governments in search of a common energy policy.", Wallace, H., Wallace, W., Webb, C. *Policy-making in the European communities*, London, John Wiley & Sons, Ltd, 1977, p. 165-196.

[34] *Energy in Europe. Issues and policies*. London, Methuen & Co, 1986.

macroeconomic perspective of European energy cooperation. After an overview of the earlier period, he examines the period between the two oil shocks before he provides an outlook on the period up until 2000. He analyses European policy more at a supranational, rather than at a national level. The book by N.J.D. Lucas on energy in the European communities is interesting for its study of the procedures of the decision-making process in the field of energy at the European Communities during the 1970s. But he exposes explicitly his view that the Nine did not have the necessary political consensus for an energy policy and that the French government was to blame.[35] Finally, in his essay from 1982 on the European oil policy, the legal expert Pierre d'Amarzit provides a thorough overview of this policy between 1960 and 1980, including results at the common level, analyses of the difficulties and the organisation of the market.[36]

§1.2.2 Crises

The theme of crisis is, not surprisingly, important in a study about the oil shock. It can be defined in two ways: firstly, a crisis that refers to a shortage. The oil shock undoubtedly encompasses this meaning, although speaking of a *fear* of a shortage would be more accurate. We could say that the frightening dependency on oil producers had revealed itself clearly to the Europeans. Secondly, a crisis, in economic terms, refers to a period of dysfunction, characterised by depression, unemployment and other such occurrences. Although it is not clear whether the studies on the energy crisis refer to this second meaning, there is an undisputed link between the economic crisis of the 1970s and the fourfold increase of oil prices which caused an accumulation of dollars in the Middle Eastern region.[37]

In brief terms, the crisis is therefore important for my research for three fundamental and methodological reasons. Firstly, the crisis makes up part of the political and economic context of the period and cannot be ignored in an analysis of the 1970s. Secondly, the research focusses on the question of if, and how, the crisis affected the decision-making process in the European communities. Indeed, it might have had the effect of throwing European

[35] Lucas, N.J.D., *Energy and the European communities* Europa publications Ltd, 1977.

[36] D'Amarzit, P. *Essai d'une politique pétrolière européenne 1960-1980* Paris, éditions techniques et économiques, 1982.

[37] See also Van der Wee H., *Prosperity and Upheaval. The world economy 1945-1980*, Penguin Books 1987, Harmondsworth, especially p. 494-496.

cooperation in a state of crisis, but it might also have given it an impetus to escape its deadlock. The urgency, provided by the oil shock, to find a compromise about energy policy, might have been a stimulus to overcome the difficulties and find some possible solutions. National priorities might have changed because of the crisis. Thirdly, including a period of crisis in the research allows the researcher to discern more clearly the different dynamics within European politics. A crisis can clearly reveal different positions within a community: reinforcing and retroactive forces tend to manifest themselves.[38] Still, this research is not limited to an analysis of crisis management. A society in crisis is an exceptional situation. An analysis of a crisis therefore provides less of an image of the community's everyday behaviour and rather focuses on a particular situation.[39] To compensate for the focus on this crisis period, this study includes three case studies where energy-related themes are studied for longer periods of time. The inclusion of these three case studies provides the possibility of analysing *normal* policy as well.

It is necessary to specify the context of energy politics: what crisis are we talking about? In brief, the oil shock concerns several important increases to the price of oil by the members of the Organisation of Oil Exporting Countries (OPEC) after 16 October 1973. It also refers to the decisions by Arab oil producers, starting the following day, on several production cutbacks by the Arab oil-producing states and on the imposition of embargoes against some states such as the United States and the Netherlands. The rising cost of oil and the accumulation of dollars in the Middle East region would bring on large consequences for the global economy. But there are several observations to make. Firstly, there was no real shortage of energy in the period 1973-74. The decision by the Arab oil producers about the output of oil was followed by a reaction of fear, or maybe even panic, on the side of oil-consuming countries. They took precautions against a potential deficiency, for example, by the implementation of car-free Sundays. But in the end, no real energy shortage occurred. In terms of concerns about the increase of the price: the fourfold increase, in January 1974, was enormous and unique but the gradual elevation of the price had already begun by the end of the 1960s after the members of OPEC had reached a better negotiating position in relation to the large oil companies. In fact, the oil shock can be placed in a larger context of global

[38] Ludlow, N.P., *The European community and the crises of the 1960s. Negotiating the Gaullist challenge*, London, Routledge, 2006, p. 6.

[39] See Rosemond, B. *Theories of European integration*, Houndmills, Macmillan, 2000, p. 106-7.

energy developments such as the substantial increase of energy consumption in the previous decades, an unstable political situation in the Middle East, and global monetary confusion. As a matter of fact, the energy crisis had emerged before October 1973, especially in the United States.[40]

The oil shock does not necessarily signify a crisis in European cooperation. That is to say, it was not necessarily the source of a troubled situation between the member states. The theme of crisis in European integration is a known one, especially during the 1960s with the difficulties around the adhesion of the United Kingdom to the community or the crisis of the empty chair. In this context, crisis is not always seen in negative terms but also through the perspective that European integration might have been formed, not *despite of* but *through,* the crisis. This is assumed by Lüdger Kühnhardt in his *European integration: success through crisis*.[41] The oil shock is, however, not discussed in his book. The monetary crisis between the Nine, well-discussed in the book, is without doubt a better example than a less successful common policy as in the one on energy cooperation. At the same time, it must be said that the oil shock and its effects on European politics are much less analysed and relatively unknown.

Still, even if the oil shock was not the source of a crisis in European cooperation, a link between the shock and a slowdown phase in the development of several common policies is often recognised by researchers. For example, Bino Olivi writes in his *L'Europe difficile* about the oil shock caused by the October war that "*les efforts de vingt années d'intégration semblèrent anéantis par cet événement inattendu"*[42]. The oil shock would have unveiled an embryonic common crisis according to the historians Dominique Hamon and Ivan Serge Keller, who write that the crisis "*révèle les disparités de l'espace communautaire et souligne*

[40] Penrose, E. "The development of crisis ", *Daedalus ,* special issue: "The oil crisis in perspective ", Autumn 1975, Vol 104, N°4, p. 39-57.

[41] Kühnhardt, L. "European integration: success through crisis", Kühnhardt, L. (ed) *Crises in European integration; Challenge and response, 1945-2005.* New York, Bergbahn Books, 2009, p. 1-17. Ludlow, N.P. *op.cit.*, 2006 ; Table ronde "Europe: histoire(s) de(s) crises" organisé par le Centre Virtuel de la Connaissance sur l'Europe (CVCE, Luxembourg) et la Maison de l'Europe, Paris, le 22 octobre 2008.

[42] Olivi, B. et Giacone, A. *L'Europe difficile Paris, La construction européenne*, éditions Gallimard, 2007, folio histoire, p. 130.

les divergences idéologiques des Etats membres pour y faire face."[43] Indeed, for a long time, the 1970s have been regarded as a period wherein the European integration did not develop. By now, the period has been appreciated differently. Jürgen Elvert ignores even the existence of any crisis whatsoever in the 1970s. In his opinion, it is a period of *trial and error* without which the developments of European integration would have stopped.[44] The 1970s have been described as an intermediary period between the 1960s and the 1980s that paved the road towards a unique market in 1986. It is indeed an interesting point of view for a study on energy cooperation since this programme of a unique market would give a large impetus to a joint energy policy.[45]

§1.2.3 Actors and networks

In this study, the focus is also on the actors and their roles in the decision-making process on an energy policy. The research problem is not limited to the actual roles played by the actors, but is wider and includes the question of why certain roles haven't been played and how the institutional framework was a factor in this. For example, questions can be asked about the possible existence of key persons in energy cooperation and the given possibilities, or limitations, of the surroundings of the actor in developing its policy. These actors are present in one or more private and public networks which range from national, supranational to transnational levels. It is important to know how these actors' actions have been limited by their particular network.

This approach, in including in the research actors from three levels (national, supranational, transnational) allows for the possibility of obtaining a coherent image of European cooperation, despite its complexity. While the members of a *national network* are limited to a similar nationality, *supranational actors* are concerned with the institutions of the

[43] Hamon, D. et Keller, I.S. *Fondements et étapes de la construction européenne*, Paris, presses universitaires de France, 1997, p. 277.

[44] Elvert, J. "The institutional paradox: How crises have reinforced European integration", Kühnhardt, *op.cit.*, p 49-60.

[45] Matláry, *op.cit*,1997.

communities; the *transnational networks*[46] cross borders in very direct ways and without intermediaries.

The decision-making process in the 1970s was not necessarily a static one, and has witnessed institutional changes and the birth of political cooperation. The latter took form with the two Davignon reports of 1970 and 1972. It included regulated meetings of the ministers of foreign affairs, of political directors of these ministries and their assistants. Moreover, the development of an energy policy gave way to the formation of several committees and groups at the Council and the Commission.

The starting point for this study is the supranational network. The two most active institutions in the development and the decision-making process at Brussels, are the European Commission and the EC Council. Recently, an international research project on the European Commission for the period between 1973 and 1986, inclusive, has been finalised. It has provided for a large publication on the institution, including its organisation, the Commissioners, and an article on the Directorate General on Energy.[47] The project also provided for numerous interviews with witnesses from the relevant period.[48] Cooperation on energy at the Commission up until the time of the first oil shock is analysed by Armelle Demagny-Van Eyseren and Julie Cailleau. The first concerns the development of a policy on energy and the importance of the merger of the executives in 1967.[49] Julie Cailleau gives an

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[46] Wolfram Kaiser proposes transnationalism as an important method for historians in his "Transnational networks in European governance: the informal politics of integration", Kaiser, Wolfram, Leucht, B. and Rasmussen, Morton, (eds). *The history of the European Union. origins of a trans- and supranational polity 1950-72*, Routledge, Abingdon, 2008, p. 12-33. Political scientists have included transnational networks in their approach of the theme of the European communities since a longer time. See for example: Caroline Webb for a presentation of the approach: Webb,C., "Introduction: variations on a theoretical theme", Wallace, Helen, Wallace, William and Webb, C, *op.cit.*, p. 1-32.

47 Bussière, E., Dujardin, V. Dumoulin, M., Ludlow, P., Brouwer, J. W., Tilly, P. *La commission européenne 1973-1986. Histoire et mémoire d'une institution*, Luxembourg: Office des publications de l'Union européenne, 2014.

48 Interviews online accessible at the Historical Archives of the European Union, (http://archives.eui.eu/en/oral_history/)

49 Demagny-Van Eyseren, *op.cit.* 2004.

overview of cooperation at the Commission through a description of the persons, their cooperation and their conflicts.[50]

Several elements are to be noted about the structure of the European institutions. Firstly, ever since the fusion of the executive bodies, a sole directorate general at the Commission (DG XVII) brought together the executives of the three communities.[51] From then on, only one Commissioner would be responsible for the collective policies of the different energy sources which, before, had been a reason for rivalry between the three communities. This fusion facilitates an efficient production of output from the Commission at the beginning of the 1970s. Simultaneously, however, a rivalry appears to have developed between this DG and the one for foreign affairs and economy. Black mentions this in his article on European energy cooperation, although without providing specifics.[52] It is therefore important to know about the relationships between the DGs in order to attain a good understanding of the Commission's output.

Moreover, in the 1970s, a multitude of committees and expert groups, on the question of energy, developed within the European Communities. The question of energy had become a preoccupation for many. It is important to understand the purpose, composition and output of these committees. How, for example, are we to understand the loyalties within these networks? On the role of the national Permanent Representatives at the Council, Piers Ludlow has shown that in the 1960s a loyalty developed between the functionaries.[53] On the expert groups, for example, several works from historians have shown the appearance of a nationalism in, generally speaking, the networks of technicians. The technological

[50] Cailleau, J., *op.cit.* 2007. Bertrand Rochard gives a short overview in his *L'Europe des commissaires. Réflexions sur l'identité européenne des traités de Rome au traité d'Amsterdam*, Brussels, Emile Bruylant, 2003, p. 135-145 (chapter: "la politique de l'énergie").

[51] Demagny-Van Eyseren, *op.cit.* 2004.

[52] Robert Black refers to this competition. Black, *op.cit,* p. 184.

[53] Ludlow, N.P. "Mieux que six ambassadeurs. L'émergence du COREPER durant les premières années de la CEE", Badel, L., Jeanneson, S., N.P.Ludlow (eds) *Les administrations nationales et la construction européenne. Une approche historique (1919-1975),* Brussels, Peter Lang Euroclio 31, 2005.

infrastructures have been constructed for political aims. The concept of *technopolitics* is used to describe this phenomenon.[54]

Understanding the role of the Commission is also important for other reasons. In the 1970s, this institution was progressively presented to the international scene. It was, for example, an active observer within the Oil Committee of the OECD and the International Energy Agency (IEA), after November 1974. It would be interesting to know the effect of these on cooperation on common policies. In his memoirs, Henri Simonet, Commissioner for Energy from 1973 until 1977, suggests that agreements made at the IEA could serve to obtain compromise at the level of the European Communities.[55] The question can be asked whether it is possible that this multilateral cooperation, without French membership, would serve as a springboard (or a constraint) to agreements at the European level. The agency, with its origins in the Washington conference, its development to an agency and the signature in November are the subjects of several studies since the 1970s.[56] Maria Găinar's thesis on the EPC in the 1980s, includes the four interviews she had with officials within EPC, including Etienne Davignon, a Belgian diplomat, who was the first President of the IEA and chair of the organisation's predecessor, the Energy Coordination Group.[57] Moreover, the problem of relations between the EEC and the IEA is approached by the jurists Ecobichon and d'Amarzit at the beginning of the 1980s.[58] Research is able to use the agency's own extended work,

[54] This concept is created and specified by Gabrielle Hecht. Lagendijk, V., *op.cit.,* p. 23.

[55] Simonet, H. *Je n'efface rien et je recommence* , Brussels, Didier Hatier, collection "Politiques", 1986.

[56] Studies in the 1970s : Willrich, Mason. et Conant, Melvin. "The International Energy Agency: an interpretation and assessment.", *American Journal of International law*, 71, 1977, p. 199-223; Lester, J.P. "Energy R and D : U.S. technology transfer to advanced western countries", Nau, H.R. *Technology transfer and U.S. Foreign policy*, New York, Praeger publishers, 1976, p. 120-170; Keohane, R.O. "The International Energy Agency: state influence and transgovernmental politics, *International Organization,* 32,4, 1978, p. 929-951; Lantzke, U., "The OECD and its international energy agency", *Daedalus,* special issue: The oil crisis in perspective , Autumn 1975, Vol 104, N°4, p. 217-227.

[57] Maria Găinar, " les Neuf et la coopération politique européenne 1973-1980. ", doctoral thesis, université de Strasbourg, defended in 2011.

[58] Ecobichon, J.F. *L'insertion des communautés européennes in la coopération énergétique internationale*, Paris, Centre de Documentation et de Recherche européennes ERA-CNRS, 1985: especially p. 46-117 ; D'Amarzit, *op.cit*, p. 129-137.

based on primary evidence, of three volumes by Richard Scott which was published in 1994.[59] The first volume is devoted entirely to the origins of the agency, the second to important political themes and the third volume is a compilation of historical sources. More recently, Daniel Möckli examined the origins of the agency. He concentrates on the differences between the nine member states in the European political cooperation.[60] Armelle Demagny-van Eyseren has written a short analysis on this question as regards to the French position in 1974.[61] The problem of relations between the European Commission and the IEA, from its creation in February 1974, have not yet been the subject of research based on primary evidence.

Secondly, in relation to the member states, their roles in the decision-making processes at European level have been widely analysed.[62] Aspects such as the French-German axis, the adhesion of the United Kingdom and the importance of the dimension of the member states[63] are examined in a large number of studies in political science. In the energy field, they have their own characteristics. For instance, the Netherlands is a small member state of the European communities, but has an exceptionally large economic importance as a gas supplier for neighbouring countries. Also, the adherence of the United Kingdom meant the entrance of a coal-producing country, with vast, potential oil reserves and historical ties with several Middle Eastern countries.

A large historiography exists on the member states, next to diverse memoirs of European politicians[64]. As regards to France, many studies have been made of political actors. The

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[59] Scott, R. *IEA the first 20 years. The history of the International Energy Agency 1974-1994.* Paris, OECD/AIE, 1994. 3 vols : "Origins and structure", "Major politics and actions", "Principal documents".

[60] Möckli, *op.cit.,* chapter 6.

[61] Demagny-van Eyseren, *op.cit.* 2006.

[62] Within the publications of political sciences, I used especially George, S.. *Politics and Policy in the European Community*, Oxford, Oxford University Press, 1991;Wallace, H. "National bulls in the community China shop: The role of national governments in community policy-making." Wallace, H., Wallace, W. and Webb, C.,*op.cit.,* p. 33-68.

[63] A list of publications on the question of large and smaller member states is provided in the bibliography of this thesis.

[64] A list of memoirs which have been read for this thesis is provided in the bibliography of this thesis.

presidency of Georges Pompidou has been examined by Éric Roussel in his biography on the French President, and by a diverse range of authors who took part in the conference on *Georges Pompidou et l'Europe*.[65] As regards to the publications on Giscard d'Estaing's politics, the series *Les années de Giscard*, and especially the book on European politics, was used in this study.[66] This study also uses the book on this subject edited by Samy Cohen with Marie-Claude Smouts on foreign policy.[67] French European policy is also examined by Gérard Bossuat in his *Faire l'Europe sans défaire la France.*[68] Claudia Hiepel gives an insight in the German foreign policy at the *Auswärtiges Amt.*[69]On the United Kingdom, the book on the government of Heath by Stuart Ball and Seldon gives useful perspectives.[70] Recently, a biography on the Dutch first minister, Joop den Uyl, has been published.[71] Within the works which examine relations between two or more European states, without the use of primary evidence, Haig Simonian's study on the German-French relationship, *The privileged partnership,* is very useful.[72] The relationship between Giscard d'Estaing and Schmidt has been examined by Michèle Weinachter and Helene Miard-Delacroix.[73] The book, edited by

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[65] Roussel, E. *Georges Pompidou 1911-1974,* Paris, Editions Perrin, 2004; Association Georges Pompidou *Georges Pompidou et l'Europe*, Paris, Editions complexe, 1995. Of direct interest for this thesis are the chapter from Pierre Mélandri, Pierre Gerbet and Jean-René Bernard. Mélandri, P."Une relation très spéciale: La France, les États-Unis et l'année de l'Europe, 1973-1974", p.89-132 ; Bernard, J.-R. "Pragmatisme et ambition dans l'action européenne du président Pompidou", p. 45-54 ; Gerbet, P. "Georges Pompidou et les institutions européennes", p. 55-84.

[66] Berstein, S. et Sirinelli, J.-F., (dir), *Les années Giscard. Valéry Giscard d'Estaing et l'Europe.1974-1981*, Paris, Armand Colin, 2006.

[67] Cohen, S. and Smouts, M.-C.(eds), *La politique extérieure de Valéry Giscard d'Estaing*, Paris, Presses de la Fondation Nationale des Sciences Politiques, 1985.

[68] Bossuat, G., *Faire l'Europe sans défaire la France. 60 ans de politique d'unité européenne des gouvernements et des présidents de la République française (1943-2003)*, Brussels, Peter lang, 2005.

[69] Hiepel, C. "Le ministère ouest-allemand des affaires étrangères et l'intégration européenne des origine à 1974.", Badel, Jeannesson, and Ludlow (eds), *op.cit.*, p.239-258.

[70] Ball, S. and Seldon, A. (eds) *The Heath government 1970-1974. A reappraisal*, New York, Longman, 1996.

[71] Bleich, A. *Joop den Uyl 1919-1987 Dromer en doordouwer*, Amsterdam, Uitgeverij Balans, 2008.

[72] Oxford, Clarendon press, 1985.

[73]Miard-Delacroix, H., *Partenaires de choix ? Le chancelier Helmut Schmidt et la France (1974-1982)*, Berne, Peter Lang, 1993 ; Weinachter, M., *Valéry Giscard d'Estaing et l'Allemagne: le double rêve inachevé*, Paris, Harmattan, 2004; see also from the same actor:

Roger Morgan and Caroline Bray, provides several useful contributions which help in our understanding of relations between France, Germany and the United Kingdom.[74] Pascal Dayez-Brugeon examines the Benelux countries from different perspectives including the period of the energy crisis.[75] Duco Hellema has studied English-Dutch relations during the oil shock.[76]

Thirdly, as regards to transnational networks; to begin with, the actors had more of a scientific rather than a political nature. This type of actor has been described in the project *Networking Europe* which explores the development of transnational infrastructures. That study is an important addition to studies on European integration as it emphasises technological over political cooperation. Thomas Misa and Johan Schot have advanced the concept of *hidden integration*, which refers to the engineers who were often neglected by historians. On the other side, it points out an explicit strategy by engineers to further a more technical discussion on European integration in order to reduce the influence of political actors. One of the participants in this project, Vincent Lagendijk, has done research on electricity networks. He has revealed the important role of engineers, not only in the progressive development of these networks in the European communities, but also in discussions at the UNECE in Geneva with the West European countries. He places the process of European integration within the larger context of a geographical Europe. As a matter of fact, questions have to be asked if a similar insistence on the political side of the cooperation could have produced a braking effect on energy cooperation in the 1970s.

The multinational enterprises, or transnational actors, are powerful but, at first sight, absent from the European decision-making process. However, large multinationals such as Royal Dutch Shell and British Petroleum (BP), especially, were important because of their direct

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« Valéry Giscard d'Estaing et l'Europe", Bossuat, G. *Inventer l'Europe. Histoire nouvelle des groupes d'influence et des acteurs de l'unité européenne*. Brussels, Peter Lang, 2003, pp. 285-295.

[74] Morgan, R. en C.Bray *Partners and rivals in Western Europe: Britain, France and Germany*, Aldershot, Policy Studies Institute, 1986.

[75] Dayez-Burgeon, P. *Belgique Nederland Luxembourg,* Paris, Belin, 1994, especially p. 212-236.

[76] Hellema, D., "Anglo-Dutch relations during the early 1970s: the oil crisis", Ashton, N. and Hellema, D. (eds) *Unspoken Allies; Anglo-Dutch relations since 1780*, Amsterdam, Amsterdam university press, 2001, p. 255-272.

access to Middle Eastern oil sources. Their situation changed in the 1970s, a development which was already in progress before the oil shock, but they will always remain powerful actors on the energy scene. James Bamberg has given a the policies of British Petrol.[77] Recently a work of four volumes has been published on the history of Shell from 1890 until 2007. Keetie Sluyterman has written the fourth volume which includes the oil shock. The previous period, which starts with the second world war, is elaborated by Stephen Howarth and Joost Jonker.[78] Outside of historians' studies, the theme of large multinationals has been widely studied. Louis Turner, for example, has examined the active role and the power of the 'seven sisters' (the seven largest oil companies) in international politics, not only from an economic but also from a geopolitical perspective.[79] According to Robert Stobaugh, the role of multinational enterprises extended beyond economic aspects when it delivered political messages from the Saudi government to its counterpart in the United States just before the oil shock.[80] He also describes the distribution policies by the multinational enterprises during the oil shock and the responses from national governments. Other energy companies had a different status and depended more or less on their national governments; but during the 1970s they gained ground. In fact, Grayson has described the growth of national oil companies and their growing role in the oil market.[81] Alain Beltran has done extended research based on the archives of companies such as Gaz de France and EDF.[82] Moreover, he has edited a book on national oil companies with important contributions, founded on

[77] Bamberg, J. *British Petroleum and Global Oil 1950-1975: The Challenge of Nationalism*, Cambridge University Press, 2000.

[78] Sluyterman, K. *Keeping competitive in turbulent markets, 1973-2007*, vol III of Howarth, S., J.Jonker, K.Sluytermann., J.L.van Zanden,, *A history of Royal Dutch Shell*, 4 vols, Research institute for History and Culture, Oxford, Oxford university press, 2007.

[79] Turner, L. *Oil companies in the international system*, London, Royal institute of international affairs , 1978.

[80] Stobaugh, R. "The oil companies in the crisis", *Daedalus*, special issue: " The oil crisis in perspective", autumn 1975, Vol 104, N°4. p 179-202.

[81] Grayson, L.E. *National oil companies*, John Wiley, Chichester, UK, 1981.

[82] Beltran, A. and Williot, J.-P. *Le noir et le bleu; 40 ans d'histoire de Gaz de France*, Paris, Pierre Belfond, 1992 ; Beltran, A. "La question de l'énergie en Europe occidentale", Histoire, Economie et Société. *Revue d'histoire économique et sociale*, avril-juin 1999, 18e année, p. 371-382.

historical sources. Concerning the 1970s, these articles are not limited to the French case[83], but also extended to developments in Italy[84] and Denmark[85].

§1.3 Methods

To summarise, the research focuses on understanding European energy policy in the context of the 1973 oil shock. The fundamental questions concern, firstly, the status and developments towards cooperation on a common energy policy. Secondly, they focus on understanding the role of the actors in this field. Thirdly, the significance of the first oil shock for the development of a common energy policy is researched.

Although the idea of a common energy policy is analysed within the context of the oil shock, a choice is made for an integrated approach to all fields relating to energy. This study does not exclude energy issues beyond the scope of oil. Two motivations underpin the basis of this approach. First, especially after the merger of executives in 1967, all energy issues at the European Commission fell under only one portfolio for energy. The diverse directorates on different energy sources were assembled within one Directorate General.[86] Secondly, the research is based on the hypothesis that the different energy issues were interrelated. Energy sources are replaceable by other energy sources when prices escalate or supply slackens. This counts especially for matters such as electricity, which can be generated by hydrocarbons, uranium, hydroelectricity and other means. The details for each of these energy sources are very different and their use for electricity production depends on regional preferences or possibilities, such as in the case of hydroelectricity or the choice of sites on which to build nuclear energy plants. Still, choices in energy policy influence each other. Researchers in the field have shown the consequences of the oil shock on other energy sources such as a rapid development of nuclear energy.

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[83] Demagny-Van Eyseren, A. "France and the Project for a Community Oil Poliy, from the Signature of the Treaty of Rome to the first Oil Shock.", Beltran, A. (ed). *A Comparative History of National Oil Companies*. Brussels, Peter Lang, 2010, p. 305-322.

[84] Toninelli, P.A. "Energy supply and Economic development in Italy. The role of the state-owned companies", Beltran, A. *op.cit*, 2010, p. 93-123.

[85] Rüdiger, M. "The Danish Oil and Natural Gas Company, 1972-2000", Beltran, A. *op.cit*, 2010, p. 265-277.

[86] The development towards the merger and the cooperation within the DG XVII is further elaborated on in chapter 2.

A danger of taking this integrated approach is conducting superficial research. The range of different issues within the topic of energy is large, as are the relevant problems, preferences and networks. For this reason, a dual approach has been taken in reference to the subject and this includes both a chronological analysis and an examination of three case studies. The thesis contains in the first part, therefore, a chronological study of the common European policy up until March 1974. In the second part of the thesis, three case studies focus on specific issues within the common energy policy:

- Consumer cooperation on energy and the creation of the International Energy Agency
- A common facility for the enrichment of uranium
- The common program for a more rational use of energy

The case studies are very different in subject and character, but they have been selected for their pertinence in contemporary common energy policies and the variety of relevant energy sources. With the exception of the study on nuclear energy, they deal with multiple energy sources. They do not only concern the period of the oil shock and, therefore, provide a perspective within a longer time frame. Relevant policies concerning all three case studies developed before 1973, were discussed at the May 1973 Energy Council and continued after March 1974.At the same time, the three cases are interrelated. Within the policy of RUE, decisions were made which concerned construction and approval of the efficiency in nuclear electricity. Nuclear energy and RUE were important topics within the IEA.

§1.4 Choice of archives

This thesis aims to contribute to the history of the European communities and to the understanding of the decision-making process within this cooperation. Points of reference for original research are the archives of the supranational institutions. Drafts for outlines and regulatory propositions were processed at the European Commission and subsequently discussed and debated at the Council. The archives of other actors are certainly not neglected. Indeed, input as to the Commission's initiatives came from a range of different institutional actors such as member states' administrations, commercial enterprises and industries, European institutions such as parliament and the CES, and international organisations. Also, after the Commission had delivered its proposals or draft outlines to the Council, these parties

followed and influenced the decision-making process. Direct participants in the discussions and debates at the Council were the Permanent Representatives in Brussels, closely followed by the European ministries for foreign affairs. Also the European Commission had a seat at the table.

The multitude of available archives makes it necessary to make a choice. The biggest prominence is given to the primary sources of the European Commission and the Council. Central to this research is the study of the development of initiatives for propositions at the Commission and their discussions at the Council. The interplay with external actors is researched, as are the deliberations within the institutions, such as between the different Directorate Generals at the Commission. The research is not limited to one policy theme, but concerns different energy sources, from hydrocarbons to nuclear[87] and different fields, such as regulations on trade or financial aids for enterprises.

Additional archives are selected to deepen the research. Within the nine member states of the European communities, the decision was made to focus mainly on the archives from two countries: France[88] and the Netherlands. The choice to base this research on evidence from the archives of these two member countries is based on four findings. First, France and the Netherlands at that time often took diametrically opposing positions in the debates on energy policy. They held very different views on the role of public administration in the organisation of the energy market. The discussion narrowed on the choice for a liberal or a centrally directed energy market. These French and Dutch positions were determined largely by four factors. Firstly, they reflected the differences in the availability of domestic energy sources. Since the discovery of gas in Groningen in 1959, the Netherlands had vast reserves of gas at its disposal. French reserves of these energy sources were not very large or had already been exploited.[89] As a matter of fact, Dutch gas was exported to France and other member states of

[87] On the Euratom archives : Collonval, J. "Structures et archives de la CEA", Dumoulin, M. Guillen, P. and Vaïsse, M. (eds) *L'Énergie nucléaire en Europe; Des origines à Euratom.*, Peter Lang, Berne, 1994 p.151-164.

[88] Vuillet, B. "Sources pour l'histoire de la politique énergétique française aux XIXe et XXe siècles ; Aperçu général.", Beltran, A., Bouneau, Ch., Bouvier, Y., Varaschin, D., Williot, J.-P. (eds). *État et énergie XIX-XXe siècle ; Séminaire 2002-2006*, CHEFF, Paris 2009, p. 5-34.

[89] Beers, M.C."Les politiques gazières aux Pays-Bas jusqu'au début des années 1990", Maison-Soulard, L., Bouneau,Ch, Beltran, A. (eds), *Le Bassin de Lacq: métamorphoses d'un territoire*, Cahiers du Patrimoine n°105, MSHA, Pessac, 2014.

the European communities when the oil shock occurred. The country was the largest European energy exporter until the United Kingdom took up that position after 1975. Secondly, the position of the Dutch government was affected by the interests of Royal Dutch Shell, an Anglo-Dutch oil multinational which was the third-largest oil company when the oil shock began.

Secondly, the Dutch port of Rotterdam had a unique and key role in the oil flow to Europe from the oil-exporting countries. State members such as Germany and Belgium were largely supplied through Rotterdam and its refineries in Pernis. Apart from contractual agreements on supply and price, oil companies sold superfluous oil on the auction market within this port which gained large importance in the flow of the market price.

Thirdly, the position of France on oil questions was affected by its well-established relations with the oil-producing states. The absence of similar relations in the Dutch government was obvious during the oil shock. A complete embargo was imposed on the Netherlands while, exceptionally, France was offered its full oil supply. Indeed, during the oil shock, the positions of the two countries were opposite, again.

Fourthly, the two relevant countries had very different sizes. The choice to conduct research in the archives of both a large and a small European member state was a conscious one. The behaviour of these two types of state in European policy processes have been studied in the field of political sciences. While most of these studies concern the European Union after 1992, some of their findings might help in understanding the decision-making processes in the 1970s. For instance, communication at governmental and administrative level within the smaller state was more informal than in larger states. Permanent Representatives of smaller states therefore have more direct contact with the policy-makers at the highest national level than do those in the larger states, and they receive guidelines rather than instructions when the issues are not of primary interest for the state. The limited administration, of small states, and its informal structure favours greater efficiency and effectiveness at the European level, especially when matters are discussed which have a special priority for that small state.[90] It is

[90] Thorhallsson, B. *The Role of Small States in the European Union,* Aldershot, Ashgate, 2000; Baillie, S. "The Seat of the European Institutions. An Example of Small-State Influence in the EU", Trausch, G. (ed.) *Small Countries in Europe…, op.cit.*, p. 465-479, especially p. 470-471.

therefore to be expected that the archives of the two member states, France and the Netherlands, provide a different perspective on the developments towards a common energy policy.

Concerning the energy companies, a choice has been made to use primary evidence from the archives of *Royal Dutch Shell*[91] and the French *Compagnie Française de Pétrole*[92]. The choice of these companies is based on the fact that they were both important players within the oil market at the time but that they also largely differed in size, and in relationship with governmental policy in their home countries.

Unfortunately, the archives of the IEA are not open to the public. But the archives of the OECD provide insight into the deliberations and the output of the energy and oil committees, as well as the meetings of the Council. This research aims to understand the impact of this international organisation on the common energy policy. In contrast to the supranational archives in Brussels, participants of the OECD were not limited to European member states but also included other players such as the USA. Additional sources on the first period of the IEA have been researched in British archives because they were thought to add to a better understanding of IEA-CE relations. The English government was a devoted adherent of this new agency and thought that it better served its interests as a new oil producer in the EC. Additional resources on American policy have been sought in the President Richard M. Nixon Security Files 1969-1974[93]. Moreover, this study also makes use of published American

[91] The consulted files in the Shell archives contain mainly documents which were edited in the 1970s by Geoffrey Lumsden and the department of Public Affairs. Lumsden was an old employee from Shell and had already retired when he wrote the documents. He assembled the sources and compiled overviews based on these sources on several issues. The objective of these documents was, according to the archive conservator, to compile a well documented overview of Shell's policy in this period. They were not aimed at publishing, but circulated within the company. Next to these documents, certain minutes of meetings of the Council or individual meetings of Directors with colleagues from BP and European commissioners were nevertheless available in the archives.

[92] On these archives, see: Michel, A.-T. "The sources of oil history. Total Group's historical archives", Beltran, 2010 *op.cit*, p 13-20.

[93] Archives at the Roosevelt Study Center in Middelburg, The Netherlands.

sources in the FRUS or the General Records of the Department of State at the website of the National Archives[94].

§1.5 Structure of the thesis

This thesis is divided into two sections. The first section is a chronology of events leading to the oil shock and the oil shock itself. The second section concerns a thorough study of three cases concerning energy. The objective of this approach is to analyse, on the one hand, the energy policies during the oil shock and, on the other hand, to create a more in-depth study of the three non-oil cases.

Each section includes three chapters. The first section provides a chronology from the beginning of chapter 2 (the origins of the European communities) to the end of chapter 5 (the end of the oil shock). However, the research concentrates essentially on the period after the merger of the executives. The main focus is on the period after the Summit of October 1972 in Paris and up until the end of the oil shock (chapters 3, 4 and 5).

The second section includes three case studies

- Chapter 6: The International Energy Agency (IEA)
- Chapter 7: The programme for a Rational Use of Energy (RUE)
- Chapter 8: Nuclear electricity and the supply of enriched uranium.

[94] National Archives and Records Administration (NARA) --US National Archives, RG 59: State Department diplomatic records, online accessible at http://aad.archives.gov/aad/ .

2 The search for a common energy policy until 1973

§2.1 Introduction

In this chapter I focus on the developments towards potential cooperation in the field of European energy up until 1973. This is principally a prologue to the main thesis, analysing the roots of the developments within European energy policy in 1973 and 1974. What was the status of European energy policy, which themes were at the centre of the common effort for a joint energy policy? It is important to know the objectives of this European energy policy and to understand the successes and disagreements between the main actors within the process. The analysis is based on a wider historical context. After all, a common energy policy had been sought by all three European communities since the 1950s and cannot be treated in isolation from worldwide developments. These include global developments such as the energy crisis in the United States since the beginning of the 1970s, the changes in the oil market which began a decade earlier, and the simultaneous developments in the nuclear energy industry and the trade of uranium.

The prologue will start with a brief discussion about the legal framework for a common energy policy as defined in the separate treaties of the three communities. For a comprehensive understanding of the common decision-making process, it is important to know that energy policy concerns all three treaties and relies therefore on three different legal bases. After this overview, I will study the developments of energy policy until the end of 1972 as they seem relevant in understanding the discussions about energy policy in the years thereafter. This analysis examines two different periods wherein the separate executive bodies of the three communities together searched together for a basis for energy cooperation: 1) the period before, and 2) the period after, the merger of the three executive bodies, which came into force on 1 July 1967, and which would considerably alter the circumstances of cooperation between the three communities. After this date, the executive bodies which were concerned with energy were integrated into the Directorate General XVII Energy and represented by just one Commissioner. Bureaucratic hindrances were thus eliminated and

more intensive cooperation was encouraged. Integrated action on energy appeared to be on hand.

§2.2 Three treaties for one energy policy

The treaties, which established the three communities, offer an initial legal framework for common policies in the different energy fields. The Treaty of Paris of 1951, establishing the European Coal and Steel Community (ECSC), created *de jure* a common market in coal. The Community obtained the powers to gather relevant information, organise mutual consultations, define general objectives, provide financial assistance and ensure normal competition.[95] Nevertheless, national states maintained overall control over their own coal industries and their national subsidies. The limited power of the executive body of the ECSC, the High Authority, was clearly revealed at the end of the 1950s. While coal consumption dramatically lowered the profit of other energy sources such as oil and gas, the national ministers of the six member states refused to declare a state of crisis in May 1958. This declaration would have given much more authority to the Community's executive body to tackle the occurring problems in the coal sector. In the words of Raymond Poidevin and Dirk Spierenburg, at the time of the merger in 1967, the High Authority had become less and less a supranational authority with real powers of its own and rather an arbiter of national interests.[96]

The European Atomic Energy Community (EAEC or Euratom) was responsible for establishing the necessary conditions for the creation and growth of the nuclear energy industry. This included development of research, dissemination of information, and facilitation of investment. The treaty foresaw the construction of basic facilities required for the development of nuclear energy. It also ensured a nuclear common market for specialised materials and equipment. However, the concept of such a common market would remain a controversial discussion point in the European communities. It implied the transfer of

[95] "Treaty establishing the European Coal and Steel Community (Paris, 18 April 1951)", Centre Virtuel de la Connaissance sur l'Europe, http://www.cvce.eu/ (hereafter CVCE), articles 1 to 6, especially article 4 on the common market and article 5 on the competences of the Community.

[96] Spierenburg and Poidevin, *op.cit.*, p.815. On the coal crisis and the reaction in 1958, see especially chapter XVI p. 529-559. See also Black, *op.cit.,* p.178-179 ; De Carmoy, G. *Le dossier européen de l'énergie; Les marchés - Les industries - Les politiques*, Paris, Les éditions d'organisation, collection INSEAD –Management, 1971, p. 177-182.

supranational rights to the Community in the field of supply (chapter VI), security standards (chapter VII) and property rights (chapter VIII).[97] Chapter VI, especially, would arouse never ending debates between the member states even after the treaty was signed. It gave powers to a newly established Supply Agency and these included the exclusive privilege to contract for the import of raw and fossil materials and minerals in the European Community. But the agency never really exercised these exclusive supranational rights. An important long-term contract was concluded in 1958 between Euratom and the United States Atomic Energy Commission (USAEC) on the import of enriched uranium. This contract was to have an umbrella function for bilateral agreements by the European member states with the USAEC. But, although the Supply Agency was supposed to verify the contracts for legal conflicts with common European law, it often only received the contracts after they had been signed. Sometimes it was not informed of the bilateral agreements at all. In 1975, the Agency acquired more formal rights. But it still didn't play a large role in most contracts which concerned the trade of enriched uranium between France and the United States or between European countries in general and the Soviet Union.[98] The larger debate on the agency's rights of supply and property would linger.[99] Other major stumbling blocks within Euratom were related to disagreement on the choice of technology and funding between the member states. Whereas, in the 1960s, France chose a method for nuclear energy based on natural uranium, the other member states preferred American technology based on enriched uranium. Even after a change of policy by the French in this field, disagreement between the member states continued. They disagreed on what technology to use in a European facility for the enrichment process of natural uranium. This discussion would reach its peak during the 1973

[97] Treaty establishing the European Atomic Energy Community (Rome, 25 March 1957), European navigator, website http://www.cvce.eu/obj/Treaty_establishing_the_European_Atomic_Energy_Community_Rome_25_March_1957-ena3390764-3e75-421b-9c85-f52de5a14c2f.html. A thorough analysis of the treaty and the legal framework of Euratom is given by Pirotte,O., P.Girerd, P.Marsal and S.Morson *Trente ans d'expérience Euratom ; La naissance d'une Europe nucléaire*, Bruylant, Bruelles, 1988, especially p. 14-87.

[98] Concerning chapitre IV Pirotte, *op.cit.*, especially p. 59-66 and 88-119.

[99] Olivier Pirotte e.a. gives in his conclusions a short summary of the reasons of Euratom's failure to develop a common policy on nuclear energy (Pirotte ea, *op.cit.,* notably pages 352-356). See also Williams, R. *op.cit*., p. 39-46; H.L. Nieburg (*op.cit.,* p. 597-622) adds another explanation for the difficulties of Euratom. According to him, the USA and the United Kingdom endavoured to set up the ENEA as a comptetitor "as a countereffort to split the continental Six and to isolate the French weapons interest"). The problems within Euratom are also treated in : Goldschmidt, *op.cit.*; Hubert, *op.cit.* ", p. 129-153.

oil crisis as we will see later. The EAEC treaty did not appear to be a recipe for an automatic common policy on nuclear energy.

The treaty of Rome which set up the European Economic Community (EEC) did not contain an explicit reference to a common energy policy. Policies on hydrocarbons and electricity from other sources than coal or nuclear energy were treated by the EEC as part of the overall policies to complete the common market. It is worth noting, however, that energy policies in the EEC had to be determined on the basis of unanimity because these policies were not explicitly covered in the treaty. As specified by article 235, policy decisions concerning unspecified matters needed the unanimous support of the Council.[100] At the Commission of the EEC, a division on energy economics was founded in the Directorate General for Economic and Financial Affairs. Robert Marjolin was the Commissioner responsible until 1968. He endeavoured for the creation of a common market through the imposition of external tariffs for oil products as required. A permanent workgroup assembled regularly to study current oil problems and to propose common solutions. Members were high-ranking national officials, responsible for oil and natural gas, and representatives of the Commissions and High Authority of the three communities. At the same time, Marjolin actively maintained contact with the majors, the large oil companies, that is, both on an individual basis and by reunions with representatives of all enterprises together.[101]

§2.3 The choice for a common energy policy: the 1964 Memorandum of Understanding on Energy Problems

Although the different energy sources were handled by three communities, an all-encompassing energy cooperation was sought even before the Treaty of Rome was signed. The 1956 Spaak report mentioned an energy policy that was to be coordinated by the ECSC and would focus primarily on resources and necessities for long-term and economic investment programs. Nearly six months after the signing of the Treaty of Rome, the special

[100] Treaty establishing the European Economic Community (Rome, 25 March 1957) ", website of European navigator, URL: http://www.cvce.eu/obj/Treaty_establishing_the_European_Economic_Community_Rome_25_March_1957-encca6ba28-0bf3-4ce6-8a76-6b0b3252696e.html, visited on 29/9/2011. See Black, *op.cit.,* p.178-179.

[101] Cailleau, *op.cit.* 2007, p. 487-506, p. 488 and 495.

Council of Ministers of the ECSC adopted, on 8 October 1957, a memorandum of understanding which asked for a coordinated common policy in the field of energy, to be headed by the ECSC's executive body, the High Authority.[102] A common energy market was sought with energy at the lowest possible price. From 25 May 1959, an Inter-Executive Working Party on Energy (IEWPE) started working towards a common energy policy. Two representatives of the executive bodies of each of the three Communities met together on a regular basis. The head of the group was Pierre-Olivier Lapie, the representative of the ECSC and President of the internal working group on energy of the High Authority. The objective was to present to the special Council of Ministers of the ECSC general guidelines on the common energy policy as well as propositions of terms and recommended measures to realise this policy.[103]

This cooperation between the three Communities was challenging, as it focused on different energy sources with sometimes conflicting interests. Oil pushed aside coal as the most important energy provider and was, by its low price, more competitive. At the same time nuclear technology development suffered because of the low price of oil which discouraged investment. In the 1960s, energy consumption in the European Communities changed considerably. Paradoxically, the coal sector faced a major crisis within a period of substantial energy consumption growth: 4.25 % per year between 1955 and 1967[104]. Figure 2.1 provides an accurate reflection of the major changes in energy consumption within the European communities between the 1960s and 1973. While the consumption of energy, in general, and petrol, specifically was steadily growing, coal consumption tumbled. Moreover, while electrical energy considerably expanded with an average growth of more than 7% per year, the share of electricity production against nuclear power was barely 2% in 1968. Only a modest number of construction projects for additional nuclear power stations had been launched.[105]

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[102] " Protocole sur les moyens d'assurer une politique coordonnée dans le domaine de l'énergie ", published in JO 1957, point 35, see Poidevin and Spierenburg, *op.cit.,* 674.

[103] Poidevin and Spierenburg, *op.cit*., p. 460 and 674-679 ; See also Cailleau, *op.cit.,* 2007, p. 490; Demagny-Van Eyseren, *op.cit*, 2004, (no page numbers); Black, *op.cit.,* pp 180-181.

[104] HAEC, BAC 86/1982 250, COM(68)800 " Rapport d'ensemble sur la politique nucléaire de la communauté", Bruxelles le 9 octobre 1968, p.1.

[105] *idem*

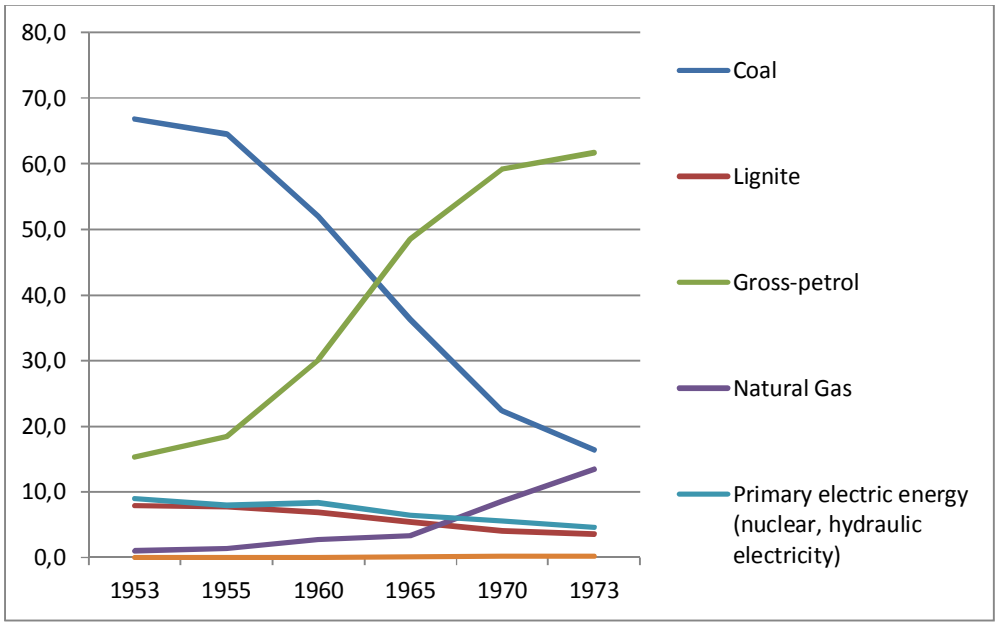


Figure 2.1: Primary gross-energy consumption within the European Communities (in %) [106]

The problem of conflicting interests was apparent in the meetings of the inter-executive group. Daniel Cardon, one of the participating officials, would declare later that members of the ECSC were more on the defensive and the EEC delegation more on the offensive.[107] Apart from these institutional conflicts, fundamental disagreements between the six member states were revealed during the formulation process of a European energy policy, especially when concrete measures were discussed.

In 1964, the IEWPE succeeded in defining objectives for the common energy policy. The *Memorandum of understanding on energy problems*[108] enumerated its objectives as the following: a safe and cheap supply, development of substitute energy sources, maintenance of a stable supply in terms of costs and quantity, free choice of consumers, fair competition between energy sources and a common aid system for coal. This agreement was based on earlier working papers. Ten months after its installation, the IEWPE had produced a paper which outlined the arguments for a common policy, its objectives and the choices to be made

[106] Source : Commission of the European communities, *25 ans de marché commun du charbon 1953-1978*, , Brussels, 1977, p. 151, tableau 3. Table with data is included to the thesis in Annexe 6.

[107] See Cailleau, *op.cit., 2007,* p. 490-491. Until 1960, Cardon was official of the CEE, thereafter he was official of the ECSC as chef de cabinet d'Albert Coppé.

[108] *Journal Officiel des communautés (JOCE)*, 30/4/1964, n°69.

on sensitive issues. A common policy was necessary, first, to coordinate the long-term and expensive investments, second, to counter difficult supply problems, and finally, to coordinate the development of different energy sources.[109] This paper was well received by the Council on 14 June 1960, and the IEWPE proposed, half a year later, an overview of the first measures to be taken as soon as possible.

Contrary to the outline about general policies, the concrete policy propositions aroused major disagreement within the six, with the Dutch and French at extreme opposites. The disagreement touched on fundamental choices in the energy policy: on the one hand, the choice for a secure supply and protection of native energy sources and, on the other, low prices and an open liberal market as a strategic focus.[110] The Dutch government emphasised the importance of low prices and a liberal market. The Netherlands was the only member state housing a multinational oil company, Royal Dutch Shell. Besides that, it also sold oil products which were refined in the Dutch Antilles. Their interest in favorable terms for reselling refined products within the Community as a European product was shared by the Italian government. In Italy, raw oil was refined which was imported from the Soviet Union. At the other extreme stood France, which emphasised the need for a safe supply and a protectionist policy. In France, this policy was dated back to a law from 1928 which stipulated state control on imports as well as distribution of raw and refined oil products.[111] No agreement was attained and the report was discarded afterwards.

The handling of the deteriorating situation of coal was another sensitive theme within the European Community, especially for Germany where the coal industry played a major role in the economy. The *Memorandum on Common Energy Policy* of 1962, provoked intense debate on the matter. Through its objectives to realise an energy market in 1970, it prioritised cheap supply through a liberal-oriented oil market. The internal market had no protection against coal imports from, for example, Eastern Europe although an aid system was provided for

[109] Ippolito,M. *op.cit.*, p. 472 and 480-481; Poidevin and Spierenburg, *op.cit.,* p. 675 and 799-802.

[110] This conflict in European energy politics is one of the leading themes in the analysis of Ippolito on the common energy policy in the 1960s. Ipolitto, *op.cit*., especially pages. 474-496.

[111] This French law, also known as the 'loi de 1928' will be discussed further in the next paragraph.

internal production. Even more precarious for the coal market was the emphasis on the competitive aspect of the difference in prices between energy sources. The five meetings of the Council on the subject which were held between July 1962 and February 1963 were dominated by the discussion between, on the one hand, the Netherlands and Italy who favoured a liberal and price-focused policy, and on the other hand the four member states who insisted on a safe supply and, to a varying degree, state control.[112] Although the memorandum was not translated into explicit policy, it still provided a basis for the so-called *Memorandum of understanding on energy problems of 1964*. The German need to isolate and protect their national coal industry was an important driver behind the adoption of the memorandum of understanding. Their support for this agreement seems to have been inspired by the inclusive project of a Community aid system of national state support for coal, only funded by the coal-producing states.

This memorandum of understanding was officially signed at the 94e session of the special ministerial Council of the ECSC on 21 April 1964. A coordinating role on energy policy was given to the High Authority of the ECSC.[113] The memorandum of understanding and especially the decision of the six member states on the *objectives* for this policy were cited frequently by the Commission in the years after the merger of the executive bodies. In spite of major differences the six member states had formally adopted a document which could serve as a basis for further development of a common energy policy.

§2.4. 1964-1967: "Waiting" for the merger of the executive bodies

Although the 1964 memorandum of understanding was important, further progress would be affected largely by the delayed implementation of the merger of the executive bodies of the three European communities. Decided by the member states on 24 February 1964, two months before the protocol on energy policy, the merger would only be realised three years

[112] Ippolito, *op.cit.,* 479; Ippolito remarks that, in a paradoxical way, member states choose gradually a more liberal market policy at national level."guidés sans doute par le simple souci de s'aligner sur un concurrent plus favorisé".

[113] Black, *op.cit.*, p.181 ; Cailleau, *op.cit.,* p. 491-494 ; Demagney *op.cit.,* 2004, § Du groupe inter exécutif de l'énergie (no page numbers) ; HAEU, " Entretien avec Georges Brondel " par Éric Bussiere, Julie Cailleau, Armelle Demagny, Paris, 25/2/2004, Conshist.com Histoire interne de la Commission européenne 1958-1973 coordonné par Université catholique de Louvain, online accessible at : http://archives.eui.eu/en/oral_history/ .

later. The prospect of the merger had nevertheless paved the way for the agreement on energy in the first place.[114] Expectations had been raised that the merger of the executive bodies would give an important impetus to a common energy policy and that it would facilitate a compromise on the choices of politics. Firstly, it would help to overcome bureaucratic hindrances. Moreover, it would provide a legal basis for a common policy. But at the same time it also provided an excellent pretext for doing nothing and waiting, as Robert Marjolin, the EEC Commissioner for economic and financial affairs, remarked during the meeting of the IEWPE on 2 February 1964.[115] This pause would last much longer than foreseen. Related to the institutional crisis of the communities in the 1960s, the eventual treaty on the merger would only be signed on 8 April 1965 and the merger of the executive bodies would not take place before 6 July 1967.

There was therefore a sort of gap in the common energy policy from 1964 to 1967. But policies in the individual energy sectors did not slow down, especially not in the field of coal and oil. For the time being, as Georges Brondel, head of division of Energy economics at the CEE said, "*La CECA prenait ses décisions. Nous les prenions de notre côté*"[116]. In the following, I will discuss briefly the developments within the three communities in this period. In the field of oil, action at the political level is criticised as being scarce[117]. But the developments are still worth mentioning due to the relevance of the changing oil market for current and future policies. The *Memorandum on Oil and Natural Gas*, published by the EEC in 1966, reflected on issues that would still be topical in the next decade. At the same time, the ECSC worked on the elaboration of the *Programme d'aide aux charbonnages* as was prescribed in the protocol of 1964. Although no reference was made to a common *energy* policy, these common policies on coal and oil would resonate in the energy cooperation of the 1970s. At the same time the *Rapport d'ensemble sur la politique nucléaire de la communauté*, a white paper on nuclear policy in the Community, was brought forward by the Commission in 1968. It clearly demonstrates the disappointing results up to then, making several

[114] Interview with Brondel, *op.cit.*. See also Demagney *op.cit.*, 2004, (no page numbers).

[115] Cailleau *op.cit.* p. 492.

[116] Interview with Brondel, *op.cit.;* Brondel, G. *L'Europe a 50 ans. Chronique d'une histoire vécue. Politique énergétique. Perspectives pour demain*, Bourg-en-Bresse, M&G Éditions, 200.

[117] This is the opinion of the jurist Pierre d'Amarzit. Exception is the decision on stocks (directive n°68/414 du Conseil CEE 20/12/1968). D'Amarzit, *op.cit.,* p. 31.

references to the 1964 protocol, but it places potential developments of common nuclear energy cooperation in the context of an overall energy policy. The two papers on coal and oil had far fewer links to a common energy policy, but the developments still had an effect on the energy cooperation of the 1970s.

§ 2.4a Reflections on oil and natural gas: origins of debates of the 1970s

The *Initial Memorandum on Community Policy for Oil and Natural Gas*[118] was produced by the European Commission on 14 February 1966. It was meant to inform the Council on the developments within the community concerning the hydrocarbon sector and to give some ideas for future orientations. Drafted in a period where oil consumption was growing rapidly and where the oil market had the appearance of being stable and was dominated by the oil companies, the memorandum was generally optimistic about the oil market. Supply would be safeguarded by the existence of sufficient stocks, the available production capacity and the diversification of sources. At the same time, the market mechanism and competition between the main oil companies would push down the price of oil. The note included propositions on a common policy of research, transport and security measures concerning oil pipelines, and information exchanges with member states and consultation with oil companies. In July 1967, the objectives were approved by the Council of Ministers and would form the basis for the common oil policy after the merger.[119] Gas policy gained less attention in the document, due to its lesser importance for consumption. But with respect to the relatively recent discoveries of gas in the Netherlands and Germany, propositions were made on legislations about sale and especially, information exchange and coordination, on investments and transport in the community.[120]

[118] AHGT, SG 92/26 à 36 Questions européennes, SEC(66)469, " Première note de la Commission au Conseil sur la politique de la communauté en matière de pétrole et de gaz naturel ", Bruxelles, le 14 février 1966.

[119] Ippolito, *op.cit.,* p. 489-491, Black, *op.cit.*,p. 181. Cailleau, *op.cit.,* p.496.

[120] AHGT, SG 92/26 à 36 Questions européennes, SEC(66)469, " Première note de la Commission au Conseil sur la politique de la communauté en matière de pétrole et de gaz naturel ", Bruxelles, le 14 février 1966. After the discoveries of gas, the Dutch government actively sought to enlarge gas consumption in The Netherlands and in the European countries for the export of gas. See M.C.Beers, *op.cit.*, 2014, p. 170-177.

The optimistic character of the memorandum and the trust in the stability of the power of the major oil companies reflected the situation wherein these so-called *Majors* were managing the largest part of oil supply. These seven large multinationals (Exxon, Gulf, Standard Oil of California, Texaco, Mobil, British Petroleum and Shell) formed a small group which originally regulated, more or less, the international oil market. The *Majors* had acquired concessions from the oil producer states for exploration, exploitation, sale and transport of crude oil against oil producer's taxes on income and concessions. The corporate structure was complex: Their corporate bases were in the United States, the United Kingdom and the Netherlands while daughter companies were based in diverse consumer states, sometimes combining with other spin-off companies in cooperation as joint ventures. They each regulated oil flow by managing extraction, shipping, refining and sales. Consumers were provided with a cheap energy source. From the 1950s, this situation was gradually changing due to two developments: First, smaller oil companies, known as *Independents*, became more and more important as competitors to the large *Majors* (see table 2.1). These Independents included companies of American origin such as Getty, Phillips, Occidental or Amarada Hess. They also included European (partly-) government-owned companies such as the Italian Ente Nazionale Idrocarburi (ENI), the French Compagnie Française des Pétroles (CFP)[121] and Entreprise de recherches et d'activités pétrolières (ERAP) or the Belgian Petrofina. These Independents searched for profitable openings in the market by overbidding the large multinationals in auction sales and selling oil below the general price. Initially, they could not touch the stable position of the *Majors* in the market. But when the oil producer states succeeded in strengthening their own position in the market by selling oil directly to the Independents, the situation affected the Major's position.

[121] CFP is sometimes listed as the eighth Major.

	1950	*1957*	*1969 (first half)*
Exxon	30.4	22.8	16.6
British Petroleum	26.3	14.4	16.1
Shell	13.8	17.5	13.3
Gulf	12.1	14.8	9.8
Largest four	*82.6*	*69.5*	*55.8*
Standard Oil of California	6.1	7.6	7.5
Texaco	5.7	6.9	8.0
Mobil	3.9	5.0	4.8
Largest seven	*98.3*	*89.0*	*76.1*
All others	1.8	11.1	23.9
TOTAL	100.	100.	100.

Table 2.1: Percentage Market Shares of International Oil Companies in World Oil Market[122]

The changing policy of oil exporting countries was the second most important factor affecting the oil market. OPEC was founded in September 1960 by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. It was a direct response to the Majors' unilateral decision to lower the tax linked oil price. This, the so-called posted price, was what the concessionaire's income tax to the host government was based on. In the following years, the oil exporting countries would only slowly get more to grip with the production and marketing of oil. This progress would be accelerated after 1968, when OPEC issued a declaration of goals including nationalisation of concessions and maximisation of oil revenues.

The changes in the oil market however were only slightly reflected in the Memorandum. The document was an attempt to set out a policy for the hydrocarbon sector but it was not decisive in fundamental debates between the member states. These debates included the import of oil

[122] Source: Griffin and Teece, "Introduction" in Griffin and Teece *OPEC behavior and world oil prices*, London, 1982, George Allan & Unwin, p.4-9,p.5. (the table excludes oil production from North America and communist countries).

from third countries (to be sold after the refinery process) or the competition between diverse energy sources. It was explicitly mentioned that the memorandum was not specified within the context of a common *energy* policy so that difficult subjects could be avoided. But it still reflected a few difficult issues. The first was implicit. Even before national governments could provide their response to the memorandum, the Commission received a letter from a group of independent oil companies from Germany, Italy and France expressing their opinion about the meaning of the so-called *common enterprise*, that is, a company with the right to financial aid in the exploration and search for oil. The Treaty of Rome (article 58) specified such a common enterprise as a company liable to the legislation of a member state and with its main office or central administration in the Community. The aid was thus not only destined for the smaller independent oil companies but also for the branch offices of the Majors. The Independents endeavoured to demonstrate that the large oil companies did not comply with the aid-deserving profile. The proposition for this aid had been developed by the Commission since 1965, but in 1967 it was still under debate. Finally in 1973, the proposition was accepted after having been transformed to the less ambitious and therefore less sensitive *Projects to Support Hydrocarbons*.[123]

Secondly, the Commission maintained its criticism of the French protectionist law of 1928.[124] This law not only stipulated an obligation to obtain authorisation for the import of petrol but it also limited the imported quantity by a system of contingences and it surveyed the distribution of oil by controlling the creation of service stations. In addition, no less than 90% of all refined products was decreed to originate from France. After the signing of the EEC treaty, France had been criticised repeatedly for this law. Indeed, it conflicted in different aspects with the common market principle of establishment, free circulation of goods and free competition between enterprises. The Commission had cautioned the French government in 1961 and 1963. For that matter, Georges Brondel would later say during an interview that

[123] Ippolito, *op.cit.* p.490, the full text of the letter is included in the book of Ippolito as annexe; Cailleau, *op.cit.* p.496. D'Amarzit, *op.cit.,* pp 86-95. Translation by the author ("Projets de soutien aux hydrocarbures"); This subject is further treated in chapter 3 of this thesis.

[124] To be precise, although frequently refered to as the law of 1928, it concerns 2 laws, the oil law of 30 march and one of which protects customs right of national refined products. See A.Philippon "les lois de 1928, leur application et leur efficacité pour créer et maintenir une industrie pétrolière nationale" in: Beltran, Bouneau, Bouvier ea (eds*), Etat et énergie XIX-XXe siècle*, Paris 2009, p. 371-392.

though the law had only slightly changed, its application in the 1960s had nevertheless been modified more significantly. According to him, the policy of direct contact by Robert Marjolin had had more practical outcomes than the formal recommendations of the European Commission. In the *Initial memorandum* of 1966, the Commission kept the subject on the communities' agenda by asking for explanations. The French representative responded, during the Council of Ministers of 11 July 1967, that France could not change its law when a decision on the common oil policy was still pending.[125] After the merger, the Commission would issue in 1969 a third recommendation, which would result in a substantial change of the French law: 90% of refined products had to originate from Europe (instead of France). The contingences of oil would remain but were enlarged. Later, in the 1970s, the law would be modified even more up until its abolition in 1992.[126]

Thirdly, the *Initial Memorandum on Community Policy for Oil and Natural Gas* largely diverted attention to the search for measures to secure oil supplies. This policy was related to an international concern by oil-consuming states towards securing oil supplies. The need for measures to deal with oil shortages had plainly manifested in 1951 during the Abadan crisis[127] in Iran when the supply of crude oil and oil products from Iran to Europe had completely stopped. The situation had been controlled partly by the Majors through a re-routing of product movements, partly by an additional American oil supply. Five years later, a new crisis emerged when the Suez Canal was closed in October 1956 and the Iraqi Petroleum Company pipelines to the Mediterranean terminals were damaged in Syria. This time, the OEEC, OECD's predecessor, sought to arrange an apportionment scheme for its European members and succeeded. Almost all available supplies were shared between the member countries in direct proportion to their share of supply at normal times. Only 5 to 10% of the supplied oil was reserved for special allocations, such as when individual member countries were facing special difficulties. At the same time, additional oil was brought in from the United States. Although this system featured some defects, such as the exclusion in the calculation of already existing stocks, it would be formally adopted for the European members, except for Finland, by the OEEC Council, as a recommendation, on 6 May 1960.

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[125] Ippolito, *op.cit.* p.493-494.

[126] Philippon*, op.cit.*, p. 379-386.

[127] Nationalisation by Iran of the Iranian assets of the Anglo-Iranian Oil Company and the expulsion of Western companies from oil refineries in the city of Abadan.

Next to this apportionment scheme, the OEEC worked on other measures to reduce the risks of oil shortages. Simultaneously, on the European level, the possibilities to secure supply were discussed. In the *Initial memorandum on Community policy for oil and natural gas* three safeguarding measures were listed. These were the maintenance of a minimal level of stocks, availability of production capacity and diversification of sources. Concrete actions could be undertaken such as in the field of financial aids for the exploration and exploitation of oil fields or to promote a better mutual exchange of information on demand and supply. The maintenance of sufficient stocks of hydrocarbons had already been included in the 1964 *Memorandum of Understanding*. Moreover, a concrete CE proposition was delivered by the Commission to the Council in November 1964. Just before that, the OECD had issued a recommendation for maintaining a minimum level of oil stocks equivalent to 65 days' consumption of crude oil and oil products. In December 1968, the CE directive would be adopted at the European level.[128]

§ 2.4b A common policy on coal

Coal policy, characterised by its declining consumption, required with some urgency, concrete measures. In the 1960s, high on the agenda were regulations concerning social policy or reducing overproduction. At the same time, however, a tension was noticeable between European cooperation and national control. Coordinated help was necessary to back the consequences of the structural changes in the coal industry financially. But when the High Authority proposed its *Mémorandum sur l'objectif de production charbonnière 1970 et sur la politique charbonnière*, the member states underlined in their initial response their right to impose their own production targets.[129]

[128] AHGT, SG 92/26 à 36 Questions européennes, SEC(66)469, " Première note de la Commission au Conseil sur la politique de la communauté en matière de pétrole et de gaz naturel ", Bruxelles, le 14 février 1966 ; OECD, DIE/E/PE/73.126, " Report on OECD-wide apportionment of oil supplies in an emergency ", Paris, 19/11/1973 ; C(72)134, " Review of methods of apportionment of available oil supplies in an emergency in the OECD European area ", Paris, 26/6/1972. Directive n° 68/414/CEE " Directive du Conseil faisant obligation aux Etats membres de la CEE de maintenir un niveau minimum de stocks de pétrole brut et/ou de produits pétroliers ", *JOCE* , n°L308, 23/12/1968, p. 14.

[129] Poidevin and Spierenburg*, op.cit.,* p. 808.

In February 1965, a series of aid projects to cover social burdens were decided on. Amongst other things, these gave members state the right to interfere in financing social help by enterprises or to provide allowances at times of total or partial closures. But decisions about when to interfere and the amount of the allowance remained largely national decisions. The High Authority did not play an active role in coordinating the policies. This changed in 1967 when common financial aid for the rationalisation of enterprises could not be obtained without coordination from Luxembourg.[130]

The problem of overproduction concerned cokes and coking coal destined for the iron and steel industry and coal for domestic use. As their interests differed fundamentally, the member states were divided on the measures to be taken. Germany had a large coal and cokes production and had to cope with an important mine industry. At the same time, large quantities of coal and cokes were imported from the United States and Poland by all member states, notably by France and Italy. Within the ECSC, the High Authority fought for common measures to avoid unilateral national policies which would have dissociating consequences for the common market.[131] After long debate, the institution achieved major success with an agreement on the coke and coking coal issue. But in the case of coal for domestic use, the member states could not reach an agreement. While the excess of this coal was growing steadily, imports from Eastern Europe continued, especially by France. The Dutch and Belgian delegates firmly opposed French policies, not in the least after a French price-cut as to their own production. A price war was at hand but the ad hoc committee could not find a solution until the merger of the three executives.[132]

On the other hand, the High Authority had succeeded in convincing the ECSC Council on the problem of cokes production for the industry. Two objectives were aimed for: first, the cokes production was to be guaranteed in relation to the necessities of the iron industry. Secondly, to reduce the stock of overproduced cokes and coking coal, internal trade had to be facilitated.

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[130] Decision 3/65 of 17 February 1965, *JOCE* of 25/2/1965. The decision 3/65 is valid until end 1967 and is prorogated for 3 years by decision 27/67. Thereafter, the decision 3/71 repeats the essential points of 3/65. This decision 3/71 is valid until end 1975. *25 ans de Marché Commun*, *op.cit.,* p. 97-99; Poidevin and Spierenburg, *op.cit.*, p.802-806, Ippolito, *op.cit*., p.482-484.

[131] From a declaration in the High Authority of president Dino Del Bo, 14 September 1966, cited by Poidevin and Spierenburg, *op.cit*., p. 810.

[132] Poidevin and Spierenburg, *op.cit*., p.813-816, Ippolito, *op.cit*., p.488.

The High Authority seems to have moved skilfully in the arena between the opposing member states. When the negotiations were in a deadlock in autumn 1966, the Luxembourger institution reduced the scope and duration of its proposed financial aid. At the same time, it considered the possibility of avoiding the necessity for the Council's approval. That is to say, through article 74 of its treaty, the ECSC would have the right to independently impose a tariff on imported coal. The historians Poidevin and Spierenburg consider it possible that this threatening move might have precipitated an agreement on the proposed financial aid. In effect, on 16 February 1967, the Council agreed a memorandum of understanding on the issue.[133] Five days later it decided on a common financial aid system to assure the trade of cokes within the Community. Especially for West Germany, responsible for 90% of the production, this aid system was interesting. This decision was valid until the end of 1969 but would be carried on by several decisions until 1981.[134]

In the next decade, coal issues would remain on the agenda as related to the excess of production and social problems. But they also retained another level of importance in the search for a common energy policy. Despite all appearances of being a dying resource in the 1960s, coal would be reassessed for its economic potentials in the search for alternative energy sources in the following decade.

§ 2.4c Nuclear energy

The development of a common policy within Euratom was less apparent. "Après dix ans, il faut admettre qu'on ne s'est que très partiellement approché de cet objectif [du traité instituant le CEEA] »[135] read the 1968 white paper on the developments within this Community. Indeed, the report was very negative about the outcome of the Community's efforts to build conditions for the development of a powerful common nuclear industry. Rather than unifying

[133] " Protocol d'accord relative aux charbons à coke et cokes destines à la sidérurgie de la Communauté".

[134] Decision 1/67 of 21/2/1967, *JOCE,* n°36, 28/2/1967. This decision is followed by decision 70/1/CECA of 19/12/1969 and 73/287/CECA of 25/7/1973 which is valid until the end of 1978 and will be prorogated until 1981. Commisschien des communautés européennes, *25 ans…*, *op.cit.,* p. 99-103. Poidevin and Spierenburg, *op.cit*., p.808-813, Ippolito, *op.cit.*, p.485-487.

[135] Com(68)800, *op.cit*., " Rapport d'ensemble sur la politique nucléaire de la communauté ", p. I.

European efforts, Euratom had been confined to adding extra programmes, as if was it a "septième puissance" [136] next to the six member states. Apparently, as the report stated, the policies on nuclear energy research and development were too dispersed within the Community. National policies, either in the public or private sector, tended to remain focused exclusively on national industries. The suppression of customs dues and contingencies seemed to have had no effect on the nuclear industries. Moreover, in their relationship with the Community, national governments were preoccupied in balancing their gains from Brussels against any sacrifices made to the Community, the so-called practice of juste retour[137].

The report of the Euratom Commission was more explicit in making references to a common energy policy than the EEC and ECSC memoranda. Possibly, this showed an editor's hope in lifting the cooperation in the field of coal and hydrocarbons. Maybe also the fairly negative tone of the report had been set in order to stir progress in nuclear cooperation. But it is true that by the end of the 1960s, the supranational ambitions expressed in the EAEC treaty would have proved to be too high and the Community would play a far more marginal role in the development of nuclear energy in Europe. Firstly, the notorious chapter IV, which attributed important supranational rights to the Supply Agency was constantly being revised. Secondly, the member states did not opt for the same technology for their power plants. Most member states chose so-called Light Water Reactors (LWR), based on enriched uranium. This technology includes the Pressurized Water Reactor (PWR) and Boiling Water Reactor (BWR). France was the only member state who chose another technology, the Uranium Naturel Graphite Gas (UNGG) which was based on natural uranium. Each technology needed a different neutron moderator to make the nuclear chain reaction. While the LWR could be based on light water as moderator, the UNGG made use of solid graphite.

In the 1960s, the LWR was entirely based on American expertise and on uranium which was enriched solely by American factories. The UNGG provided a more independent position for France, not in the least because it could use its own resources of natural uranium. This policy would change under President Georges Pompidou who chose for more diversity on 13

[136] *idem*

[137] *idem*

November 1969.[138] This change of policy was however not a guarantee for the development of nuclear energy cooperation at the European level. Nuclear industries would remain a national concern, sometimes in cooperation with some other countries from within or outside the European communities.[139] Still, the search for common nuclear energy cooperation was not abandoned after the failed ambitions of the 1960s. It would be launched again, at the beginning of the 1970s, by the project for a common European capacity for enrichment of uranium. It would be on the agenda at the May 1973 energy Council.

§2.5 One European Commission

After the merger of the three executives, on 6 July 1967, the German Commissioner Wilhelm Haferkamp was responsible for Energy policy, the Nuclear Supply Agency and Euratom safeguards. He worked closely with the Director General Fernand Spaak of the Directorate General on Energy (DG XVII). This brand-new directorate reassembled officials from the three communities, sometimes old acquaintances from the IEWPE. It was subdivided into four areas: energy economics, coal, hydrocarbons and nuclear energy, and other primary sources and electricity. In 1971, Euratom safeguards would be added as a fifth area. Moreover, a division on energy policy was directly connected to Spaak. Overarching energy policy making was stimulated by the physical proximity of the different directorates related to energy. They were now all part of one DG. Apparently Spaak regularly brought together his colleagues both on formal and informal occasions.[140]

Fernand Spaak was a son of Paul-Henri Spaak, and seems to have inherited his charismatic qualities. "*A passionate man*"[141], would later comment his assistant Philippe Loir during an interview. Through his own family, but also his family in-law, he was part of the political and intellectual Belgian elite and was connected to influential European networks. He had had broad experience in the energy field at both the ECSC, in the proximity of Jean Monnet and,

[138] Pirotte, *op.cit*., p. 142-148 Eventually, on 4 august 1975 France would definitively choose for only the Pressurized water reactors (PWR) method. See : Yves Bouvier "Qui perd gagne: la stratégie industrielle de la compagnie générale d'électricité dans le nucléaire des années 1960 à la fin des années 1980", Beltran E., C.Bouneau, Y.Bouvier, Y ea, *op.cit.,* p. 393-406.

[139] See §2.8 of this thesis

[140] Interview of the author with Philippe Loir, 18 march 2009.

[141] *Idem*

thereafter, René Mayer, and at the Nuclear Supply Agency as Director General. Wilhelm Haferkamp, however, had mostly a trade union background and his experience with common energy politics did not exceed his membership of the consultative committee of the ECSC's high authority in the mid-sixties.[142] But they would both endeavour for an overarching energy policy and laid foundations for new institutional structures even though they did not always follow written procedures. For instance, Haferkamp formed, in 1970, an informal Energy Committee with high-ranking national officials and members of the European Commission, even though he had never received a mandate for this committee from the member states.[143] This Committee would generally be referred to as the *Haferkamp Group*. It was only in January 1974 that it was formally recognised and installed (as the *Energy Committee*).[144] Fernand Spaak created an informal working group focusing on the elaboration of a new policy proposition in 1972 before discussing it at directorial level. Members were not necessarily high placed officials. Included in the group were, among others, Jean Leclercq, director of the energy politics division, and also Philippe Loir, Fernand Spaak's assistant, and Jean-Claude Guibal from the hydrocarbon directorate.[145]

Wilhelm Haferkamp maintained close contact with national experts of the member states, staff of enterprises and the American government. Both Haferkamp and Spaak were not adverse to American and British relations and Haferkamp advocated a more intensive transatlantic cooperation in the field of energy. This pro-Atlantic attitude would be continued by his successor Henri Simonet after 1973. At the change of the Commission, Fernand Spaak would maintain the position as Director General, but his relationship with Simonet was much colder than with Haferkamp. In 1975 he moved to Washington as Head of the Delegation of the Commission of the European Communities.[146]

The energy situation within the Community was described by the European Parliament as being *"absolument contraire aux principes de la politique communautaire qui caractérise le*

[142] NL-HaNA, 17172, " Comm,unication à la presse, annexe : 'Wilhelm Haferkamp' " 19/12/1972, 2167/72 (Presse 110), from : Conference des representants des gouvernements des états-membres.

[143] Demagney-van Eyseren, *op.cit*.," "L'Europe à la recherche … " no pages.

[144] See chapter 5 of this thesis.

[145] Interview of the author with Philippe Loir, 18 March 2009.

[146] *idem*; Cailleau, *op.cit.,* 496-498.

secteur de l'énergie"[147]. Twelve years had passed since the treaty of Rome but not much common action had been specified, except as regards to the coal sector. For example, the nuclear industry was meant to be a matter of national or plural-national concern, but not of *common* European concern. Secondly, political activity in the field of hydrocarbons was mostly invoked by member states and determined by specific economic situations and was therefore a fruitful ground for frictions between the member states. The merger into one Commission had raised the expectations of an all-embracing energy policy. Parliament decided that a more energetic attitude by the Commission was needed as one of the conditions for a successful development, next to a fundamental change of attitude by the Council, and thus the member states.

A third crucial factor in the report was the planned merger of the treaties: *« En fin de compte, on ne peut concevoir une politique européenne de l'énergie que si elle est sanctionnée par un traité. »*[148] Besides a merged Commission, the February 1964 *Memorandum of Understanding* on energy problems had also assumed a merger of the treaties, which was meant to take place three years later. It had already placed a future energy policy in the framework of a singular treaty.[149] For the European parliament and contemporary experts in the field, such as the jurist Marc Ippolito and economist Danièle Blondel Spinelli, the merged treaty was a prerequisite for any successful common energy policy.[150] But it would appear that this merger was too ambitious and it never materialised. As it would have had large implications for the overall policy of all three communities, its realisation required fundamental changes with legal, economic and political consequences. The project was probably too large to be prepared in just three years. Moreover, changes to the treaties seemed badly timed in this period of enlargement. Talks on possible adhesion to the European Communities of four new member

[147] HAEC, CEAB9 3094/1 " Rapport sur la politique commune de l'énergie, fait au nom de la Commission de l'énergie, de la recherche et des problèmes atomiques sur la politique commune de l'énergie." (also referred to as the Leemans-report), p.55, §346.

[148] *idem*

[149] Ippolito, *op.cit.* 497-498.

[150] The singular treaty and ideas on its future chapter on energy are elaborated by Ippolito, op.cit., chapitre III: "le probleme de l'énergie dans la perspective de la fusion des communautés.", p 497-514. Spinelli even doesn't clearly make the distinction between the two mergers, one of the Commission and one of the treaty. For her, the fusion of the exectuivs is a necessary condition for the European energy policy because, within others, it would eliminate the situation of having three powers with three different treaties. Blondel Spinelli, *op.cit*., 312-313.

states, including the United Kingdom, had been reinitiated in 1969. The merger of the treaties appeared a too ambitious project which necessitated a complex procedure and the acceptance of the new member states. After 1970, the project was eventually cancelled.[151]

§2.6 Tangible results

The new Commission's output on energy would principally start in December 1968 with its report *First guidelines for a community energy policy*[152]. The structure of the document illustrated implicitly the merger of the different energy sources into one Directorate General The principal document treated the energy situation at general level, integrating the different energy sources into one field of policy. Only in the annexes were the different energy sources analysed separately and discussed in an extensive way.[153] The report was delivered to the Council as a "*framework for political action*"[154]. It focused on the construction of a secure and stable common market with the mechanism of competition as a regulating force. Besides the objectives of a common energy policy that were already specified in the 1964 *Memorandum of Understanding on energy problems*, it included concrete proposals on diverse sources of energy and classified into three large themes: First, the definition of frameworks for general action and policy in the case of a partial interruption of supply, secondly, measures for the establishment of a common market and thirdly, realisation of a secure, and low-priced, supply policy.

On 13 November 1969, the Council of Ministers responsible for energy arrived at an agreement on the global energy policy, and the first detailed propositions of the Commission followed the next month after the Council in November 1969.[155] But the *First Guidelines*

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[151] Gerbet, *op.cit*, p.236-237.

[152] AHEC, BAC 38/1984, COM(68)1040, Première orientation pour une politique énergétique communautaire, 18 December 1968.

[153] *Idem* Annexe I " la situation actuelle du marché de l'énergie dans la communauté " et Annexe II " problèmes fondamentaux d'une politique énergétique communautaire ", Bruxelles, le 17 janvier 1969.

[154] *idem*

[155] Two propositions of 17 December 1969: HAEC, BAC 38/1984, COM(69)1265 final " Proposition de règlement du conseil sur la communication des projets d'investissement d'intérêt communautaire dans les secteurs du pétrole du gaz naturel et de l'électricité. " ; and (same archives) COM(69)1266 final " Proposition de reglement du conseil concernant la

were not an automatic recipe for success for the development of a common energy. Consensus was reached on the general principals, but with the essential addition that the specific propositions would need the approval of the six member states. Each individual proposal for concrete action could thus potentially result in disagreement and would not necessarily be implemented. The European Parliament regretted that the *First Guidelines* did not contain very innovative propositions.[156] But it touched on sensitive differences between the member states and their specific interests. The Commission would rapidly follow with concrete propositions for regulations which would bring forward these issues into the frontline of European debate.

Clear examples of the tortuous decision-making process were the two propositions for regulations which were sent by the Commission only five weeks after the Council meeting of November 1969.[157] These concerned the communication of information to Brussels on the import of hydrocarbons and on investments in oil, gas and electricity. For some, notably the French, the regulations embody "*le coup d'envoi*"[158], the first concrete steps towards a common energy policy. For others, especially the Dutch, the autonomy of private enterprises was at stake. Two years of divergence in the Energy Group, COREPER and even at ministerial level, would follow and eventually resulted in a compromise. But still, after this relative success, disagreement persisted on the implementation until the 1973 oil shock.

As a matter of fact, the substance of these two propositions was not new. The IEWPE had already noted in 1962 that a common action program required an overview of national energy policies. The objective was to establish a common supply policy including an overall overview on the companies' supply programs.[159] The first Dutch response was to recall its

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communication à la Commission des communautés européennes des programmes d'import d'hydrocarbures ", they will be discussed below.

[156] " [les 1ere orientations] ne vont pas au-delà du mémorandum du 25 juin 1962. Du point de vue pratique l'absence d'un calendrier marque même un recul par rapport aux efforts déployés par les exécutifs européens au début de cette décennie. Seuls les mesures pour les cas de difficultés d'approvisionnement sont nouveau. " " Rapport sur la politique commune de l'énergie.", HAEC, CEAB9 3094/1 " Rapport sur la politique commune de l'énergie […], p.54

[157] COM(69)1265 final *op.cit* and COM(69)1266 final *op.cit.*

[158] CADN, RP-CE, 2375, "telex ce/3489, Message pour monsieur Boegner du JP Souviron, objet: politique energetique commune, Paris le 16 mars ".

[159] §22, 23, 24 of COM(68)1040, *op.cit.*

general reservations already expressed at the Council of Ministers on 13 November.[160] Clearly, potential stumbling blocks had been left open in the 1969 memorandum. It did not elaborate on issues such as the accessibility of individual company information to all national governments or the timing of the information delivery by the companies: *à priori* or *à posteriori*. The Commission hastily attempted to reassure opponents by remarking that until the emergence of a proper common energy policy, the overviews could not possibly have a binding force and could therefore not hinder public or private programs.[161] But common points developed slowly. Eventually a compromise was accepted by all during the Council of Ministers in February 1972. For the Dutch delegation, a convincing aspect was that the modalities of information delivery still had to be specified and that this would be done in consultation with the member states. On the other side, the French minister had succeeded in leaving the option open that companies would be asked directly for their information.[162] The French representative Boegner sighed elatedly, "*en adoptant ces deux règlements, le conseil a pris les premières décisions concrètes dans la voie de la définition d'une politique énergétique commune."*[163] In fact, the differences on the mode of information delivery were not resolved and the debate on the final implementation would continue into 1973, the United Kingdom siding with the Netherlands.[164]

The differences between France and the Netherlands were typical in terms of European energy cooperation since the 1960s. The Dutch position was linked to the interests of Shell, one of the international oil Majors. The French were more oriented towards a protectionist

[160] CADN, RP-CE, 2375, R/719/70 (ENER 5) Groupe "Energie" 17 March 1970.

[161] CADN, RP-CE, 2375"T/316/70 (ENER), Projet de rapport du Groupe "Energie" au Comité des Représentants Permanents, Bruxelles, le 22 mai 1970 ".

[162] CADN, RP-CE, 2375"Conseil des 31 janvier – 1er février 1972 –politique energetique commune", telex 302 Delfra Bruxelles, le 28 janvier 1972, adresse a diplomatie Paris, de Boegner,.The regulations are published in the J.O. des Communautés Européennes n° L120 of 25 May 1972 with references CEE n° 1055/72 and CEE n° 1056/72.

[163] *idem*

[164] The politics in 1973 will be discussed in the next chapter, but just before the new year debates on the matter were held in the Groupe des hauts fonctionnaires. The United Kingdom was already taking part in this group and was hostile against a communication per enterprise on the previsions of imports. France, Germany and Italy were outspoken positive on this proposition. CADN, RP-CE, 2399."Aide-mémoire; réunion des hauts fonctionnaires du secteur pétrolier du 19 décembre 1972", 15 janvier 1973.

policy.[165] But on other occasions their interests coincided as for instance in the debate on the maintenance of oil stocks. An amendment to the 1968 directive on the maintenance of a minimum level of stocks was the subject of debate in the beginning of the 1970s. It concerned an extension of the 65-day period to 90 days and an augmentation of the transport capacities. In similar fashion to the first directive of 1968, this extension was recommended by the OECD Oil Committee, which was the main international forum at the time for consultation and action on oil matters. The situation as regards the security of supply had changed, because of, among other reasons, the disappearance of the alternative of American oil. The United States had become a large importer of oil themselves. Moreover, the member states did not possess sufficient oil tankers to counter a closedown of pipelines or the Suez Canal.[166]

After the Commission's proposition on this amendment in August 1971, the matter was discussed in the Energy Group. All delegations immediately approved the basic content of the new directive, but in particular the French and the Dutch pushed for early implementation, before 1 January 1975. At that time, the date marked the end for the terms of important price-agreements between OPEC members and oil companies. These agreements were concluded in Teheran on 14 February 1971. Although eventually the price agreements would be altered already before this date, it was assumed for a long time that in 1975 negotiations would resume. For the other member states the realisation of this regulation became problematic as regards to the physical placement of the stocks and the costs concerned.[167] They eventually reached an agreement at the Council meeting of December 1972. This decision was noteworthy in the development towards a common energy policy. The risks of scarcity were approached as a problem to be handled jointly. Moreover, the Commission acquired a coordinating role by obtaining information from the member states on its progress. It would report annually to the Council on advancement and on possible problems.[168] This debate was

[165] See also Demagny-Van Eyseren, "l'Europe à la recherche", *op.cit.*

[166] The proposition was an annexe to the report "La mise en œuvre de la Première orientation pour une politique énergétique commune " ACEU, CM2/1972 0938, COM(71)810 final/2.

[167] ACEU, CM2/1972 0938, R/2390/71 (ENER 24) " Aide-mémoire de la réunion du groupe " énergie " en date du 8 octobre 1971, Bruxelles, le 19 novembre 1971.

[168] Directive n° 72/425/CEE " Directive du Conseil du 19 décembre 1972 modifiant la directive du Conseil du 22 à décembre 1968 faisant obligation aux États membres de la Communauté économique européenne de maintenir un niveau minimum de stocks de pétrole brut et/ou de produits pétroliers. ", Bruxelles, 19/12/1972

held in the context of the search for measures to safeguard energy supplies, one of the central themes for energy policy.

§2.7 OECD-CE relations in the field of oil

The questions of supply and crisis anticipation were of major concern for the DG XVII and cover two of the three main themes in the *First guidelines*. After the Council's general consent on this memorandum, a Group of experts was formed, presided by Commissioner Haferkamp. These experts were given the mandate to deliver an overview on the actual structures of supply in the Community and to provide possible instruments to anticipate a possible interruption of supply.[169] A report on the problems of energy supply followed in 1970. The report includes overviews of the offer, demand and stocks of not only oil but also coal, natural gas and electricity.[170]

The works of the European Commission were related to the discussion at the Oil Committee of the OECD in this field. This Oil Committee was one of the two functional bodies designed to carry forward the work of the OECD in energy. Together with the Energy Committee, it was to deliver regular informative reports on international questions and constituted an international platform to discuss current problems. They also prepared reports and proposals for submission to the OECD Council. Within the OECD, only the Council had the power to make decisions on energy which acted directly upon member countries' policies. These decisions were rare, as they requested unanimity. Agreements between all member countries were difficult to attain as their situations differed substantially in fields such as dependency on import (see Figure 2.2), substitution possibilities, supply patterns or concepts about the organisation of the market. The main asset of the OECD cooperation was therefore the platform it offered for business and governments to exchange views and knowledge on energy. In the background of the turbulence in the oil market, the Oil Committee became an

[169] CADN, 2375 "Compte rendu de la réunion des hauts fonctionnaires des États membres consacrée aux problèmes de la sécurité de l'approvisionnement en énergie ", Bruxelles, le 29 avril 1970, XVII/8604/70-F, from the Direction générale de l'énergie de la Commission des communautés européennes.

[170] HAEC, CEAB 9 3096 " Projet de premier rapport sur le problème de la sécurité de l'approvisionnement en énergie de la communauté ", XVII/13.401/70-F, DG Energie de la Commission des Communautés européennes.

important international medium for oil consuming countries to air their policies and to take stock for possible joint action.

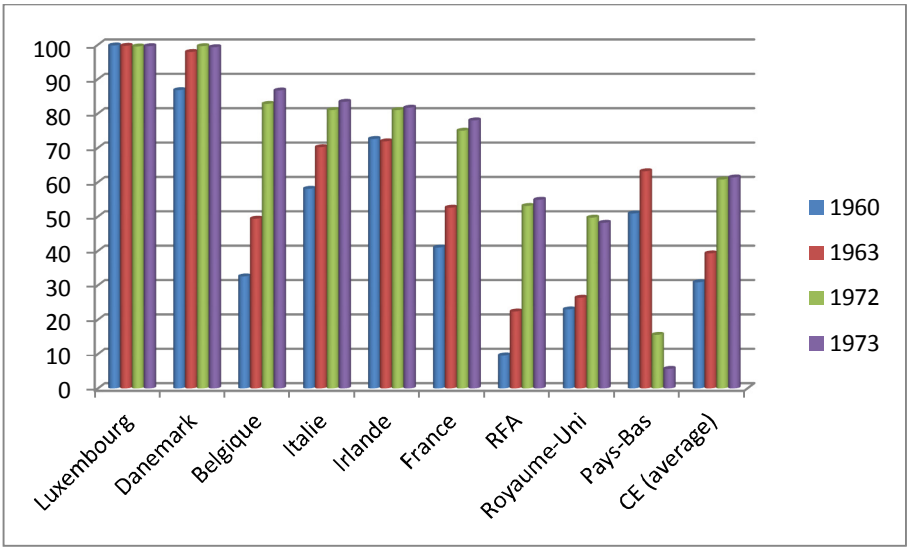


Figure 2.2: European energy dependency on exterior suppliers[171]

Until 13 June 1972, the Committee was chaired by the British under-secretary at the Ministry of Power, Angus Beckett. He was followed by L.G. Wansink, the Dutch General Director for energy at the Dutch Ministry of Economic affairs.[172] Within the Oil Committee, matters were discussed at different levels. Periodic reports and statistics on oil-related issues such as supply, disposal, refining capacities or stockpiling were compiled by the General working group.[173] Before being taken to the Oil committee, these reports were studied by a High Level Group (HLG) which consisted of a limited number of member countries: Canada, France, Germany, Italy, Japan, the Netherlands, Norway, United Kingdom, the USA and the

[171] Black, *op.cit.* p. 168.

[172] OECD, PE/M(72)2, Compte rendu succinct de la 23e session, les 12-13 juin 1972, Paris 5/7/1972.

[173] OECD, DIE/E/PE/71.14 (3rd revision), 29/10/1971, "Internal working procedures for the general working group of the oil committee".

Commission of the European Economic Community.[174] It undertook studies on oil demand and supply and gave recommendations to the Oil committee on the policy to follow.[175]

The interrelationship between the work at the CE and the OECD was put forward by Haferkamp during a meeting with his Group of high functionaries on 16 March 1970. The members agreed that duplication of the OECD's work should be avoided. It was important that the CE expert group concentrate on a coherent European position to be maintained at the meetings of the OECD Oil Committee.[176] Next to the individual European member states, the European Commission was thus a member of the Oil Committee and its HLG. It assisted by delivering input for the meetings. Likewise, the other way around, information provided by the OECD was used in the works of the European Commission. Following Philippe Loir, assistant to the General Director at the European Commission Fernand Spaak, often the same delegates who attended the OECD meetings at the Chateau de la Muette, participated at the meetings at CE level and were thus largely involved in the preparation of the Commission's output.[177] Indeed, as a matter of fact, the delegations to the CE and the OECD's Oil Committee often overlapped. High officials included the German Ulf Lantzke, assistant secretary at the Ministry of Economics, L. Wansink, Dutch General Director for energy at the Dutch Ministry of Economic affairs and the Frenchman Michel Vaillaud, director for fuels at the Ministry for Industrial and Scientific Development.[178] Wansink would take over the

[174] Canada and Norway were new members of the HLG in 1972 (Canada in January, Norway in October).

[175] OECD " List of member countries of the organisation, its committees and other bodies, their mandates and officers", OECD, 1976, p. 474-477. Although this book is published after the creation of the international energy agency and thus after significant changes in the structure of the OECD on energy questions, it gives the mandates given to the High level oil committee since 1964.

[176] CADN, RP-CE / 2375, " XVII8604/70-F, Compte rendu de la réunion des Hauts fonctionnaires des États membres consacrée aux problèmes de la sécurité de l'approvisionnement en énergie ", Bruxelles, le 29 avril 1970. An overview of the OECD activities and possible CEE/OECD collaboration is given in Annexe III to the minutes.

[177] Interview of the author with Philippe Loir, 18 march 2009.

[178] List of participants to the reunion of high officials on16 March 1970 is attached to the minutes. CADN, RP-CE / 2375, " XVII8604/70-F, Compte rendu de la réunion des Hauts fonctionnaires des États membres consacrée aux problèmes de la sécurité de l'approvisionnement en énergie ", Bruxelles, le 29 avril 1970. Lists of delegations to the OECD are given with the minutes of the Oil Committees. OECD Archives, PE/M(72)1 Minutes of the 22nd session of the Oil Committee on 11 January 1972, Paris, 25/1/1972.

OECD oil committee's chair after June 1972. This list does not only show the interrelationship of the OECD-CE work, the high positions of the participants in the national administrations also mark the importance given to the question of supply security. In fact, the high risks linked to the European dependency on foreign oil had manifested again during the Six-Day war. Supply was disrupted by the closure of the Suez Canal, and the trans-Arabian and the Iraqi IPC pipelines had been damaged. At the same time, crude oil production was interrupted. The United States were imposed a three-month embargo. But, different to the Suez crisis, it had not been necessary to implement the apportionment scheme for the OECD European region. In fact, the situation could be controlled by the presence of emergency stockpiles, re-routing of supplies from elsewhere and efficient use of the transport fleet (causing at the same time a growing shortage of tankers).

Oil companies were involved in the development of policy at the OECD, but they were not directly represented at the meetings of the Oil Committee. They were part of the International Industry Advisory Board (IIAB) which was created in order to cope with the consequences of the Suez crisis for the supply of oil. This board had been asked twice to arrange a sharing of available oil in response to the discontinuities of supply related to the Suez crisis in 1956 and the 1967 Six-Day War. The IIAB was for that matter not confined to only the seven oil Majors, but it included (partly) national companies such as the Italian ENI, the French ERAP and CFP and the German Deminex.[179] This diversity did not facilitate a joint stance. In 1972, the Oil Committee searched for ways to have more interaction with the IIAB, for example through the presence of delegates or presentations on the current oil situation. Until this date, the board had been maintained on a stand-by basis. But the IIAB's Chairman J.H. Choufour, of Shell Transport, responded to the invitation by saying that this board was not the appropriate body for such interaction as it was too diverse and limited by a focus on supply and transport questions instead of policy. Still, he said, the IIAB would be able to take action in an emergency if necessary, with the potential to be operational within 24 hours.[180] On

[179] OECD Archives, PE/M(73)1, Oil committee, Summary record of the 25th session on 13 June 1973, Paris, 27/6/1973. The members of the IIAB: BP, CFP, Continental Oil, Deminex, ENI, ERAP, Exxon, Gulf Oil, Marathon Oil, Mobil Oil, Murphy Oil, Petrofina, Standard Oil, Shell, Texaco.

[180] OECD Archives, PE/M(72)3, minutes of the 27d meeting on 25 October 1972, Paris, 23/11/1972.

policy questions, the oil companies preferred to maintain individual relations with governments and the OECD.

In fact, the difference between the members of the IIAB was not only their size or the presence of national shareholders. Between the seven Majors a different view existed on the handling of the oil problem. For the American companies, the clue lay in the political Middle Eastern conflict. For them it was an essential geopolitical problem, not to be dealt with through the Oil Committee. For the European companies it was different. They focused on the economic risks of consumers scrambling for supplies. The dependency on oil should therefore be minimised by a policy to reduce oil consumption. Moreover, measures to secure energy supply should be arranged.[181] This implied an interaction with national governments on their oil policy. Shell was, according to one of its own archival reports, indeed actively involved in briefing OECD delegates on its views. Moreover, after August 1971 it would pursue a more direct approach with national governments. Director General, André Benard, had issued on 3 August 1971 a letter to all European General Managers telling them that *"a running dialogue with European governments and the EEC Commission"*[182] would be necessary to ensure that their policies on price and security of oil supplies would *"support instead of handicap us in the service we aim to provide"*[183]. He forwarded an energy strategy for Europe which included four points: encouragement of diversification in resources for crude oil, (re)implementation of other energy sources such as coal or nuclear, rational use of energy, a compulsory storage programme (such as the directive on 90 days stocks) and development of a national and international rationing system.[184] This letter does not prove the influence of Shell on European policy, neither at national, communitarian nor OECD level. But it still shows the relevant preoccupations of policy makers at business and governmental level.

The Six-Day War had indeed stressed the importance of maintaining sufficient oil stocks and anticipating possible periods of scarcity. These measures became all the more urgent in the first few years of the 1970s. Oil consumption had expanded a great deal but the oil market

[181] Yergin, *op.cit.,*p. 618-619.

[182] Cited in: SLA, SC 91/a/2, "12006.777, Shell and the international debate on 'apportionment'", London, 1/11/1973, p. 16.

[183] *Idem*

[184] *Idem* p. 17.

was progressively destabilising, both in the OPEC region and in the United States. At the same time, the search for alternative energy sources such as nuclear electricity met with difficulties such as shifts in the European-American contracts on uranium.

§2.8 Global tensions on oil and uranium

In 1968, Saudi Arabia, Kuwait and Libya founded the Organisation of Arab Petroleum Exporting Countries (OAPEC) for better protection of their mutual interests in the oil trade. This association included Arab countries where oil encompassed a large part of their national income. In the same year, OPEC issued a declaration of goals including nationalisation of concessions and maximisation of oil revenues, the *Declaratory Statement of Petroleum Policy in Member Countries*. It was based on a doctrine of *changing circumstances*[185] which would allow for unilateral contract adjustments. Initially this declaration did not have any major effect since OPEC members were not able to unilaterally raise the posted price. But this situation changed after September 1970, when Libya succeeded in forcing an increase in oil price, thanks to its favourable physical proximity near Europe at a time when transportation of oil had become extremely expensive: the Suez Canal had been closed since the beginning of the Six-Day War, the trans-Arabian pipeline had been sabotaged and there was a shortage of oil tankers. While the seven Majors were able to resist Libyan demands, the smaller independents had to accept them, especially after threats of nationalisation and reductions in allowable production. This individual Libyan action would accelerate OPEC demands towards the oil companies in the 1970s.[186] Essentially, after the Teheran/Tripoli price negotiations, the consumer world started to realise the implications of these actions. On these occasions in January and February 1971, agreements to raise prices were agreed, for a five-year period, between OPEC countries and the oil companies. Apart from this, a stabilization of revenues for the oil-producing countries was provided by calculating a 2.5% annual increase to counter the effects of inflation. These prices were set in American dollars and after the depreciation of the dollar, and subsequent failure of the Bretton Woods system, the OPEC countries demanded adjustments. In 1972, both parties agreed in Geneva on a further increase of the posted price. The Teheran accords of 14 February 1971 signified that OPEC had taken

[185] Penrose,*op.cit.* , p.40.

[186] Idem, p. 40-44; Griffin and Teece, *op.cit.*; Horst Menderhausen, *op.cit.*, p. 6-17.

over the initiative. As David Barran, chairman of Shell, stated: "*There is no doubt that the buyer's market for oil is over*"[187].

	Before Teheran-Tripoli	After Teheran-Tripoli
Production costs including fees and tax	7,5 $/t	11 $/t
Transport costs to Rotterdam and profits of the companies	9,3 $/t	9,3 $/t

Table 2.2: Evolution of supply costs of Saudi Arabian crude oil[188]

In the meantime, oil-producing countries progressively demanded a higher equity stake in their oil. Through the oil concessions, the oil Majors had largely direct access to crude oil, which had a price far below that of the market price. Open dissatisfaction with existing arrangements began primarily in Algeria at the end of 1968 and was by July 1971 a major preoccupation for OPEC. Several oil-producing countries, such as Algeria, Libya and Iraq, nationalised their oil concessions. The OPEC countries reached an agreement which would provide a framework for each member to negotiate the details of its own participation. A year later, in October 1972, the Gulf States finalised an agreement with the oil companies which provided for an immediate 25% share of the producing states in the oil concessions to the majors and a gradual extension towards 51% participation in 1983. If the outcome of the negotiations was already disquieting, the fact that not all Gulf States joined in with the agreement was even more worrisome and enlarged the unpredictability of the developments.[189] The companies' struggle to secure their own supplies led to increasing market prices which were pushed further up by the growing oil demand in the United States.

[187] Yergin, *op.cit.*, 582. Barran is cited by Yergin.

[188] ACEU, CM2/1973 885 temp 798, COM(72)1201 final " Les problèmes et les moyens de la politique de l'énergie pour la période 1975-1985 ", Bruxelles, le 4 octobre 1972, p. 11 (fragment).

[189] The three states which ratify the treaty are : Saudi-Arabia, Abu Dhabi and Qatar. Concerning the oil market in transition, see : M.A.Adelman *The genie out of the bottle. World oil since 1970*. The MIT Press, Cambridge MA, 1996; Griffin and Teece, *op.cit;* Penrose, *op.cit*., p. 39-45. Yergin, *op.cit.,* p.580-585.

To illustrate this, oil exports from the Middle East saw a major expansion: 10.3% growth in 1970, 17.6% growth in 1971.[190]

In the United States, oil consumption had grown in the 1960s due to low prices and economic growth. But by the beginning of the 1970s, the supply of oil depended more and more on imports. Domestic production had slowed down in the aftermath of the 1969 oil spill disaster at Santa Barbara. A moratorium on off-shore drilling had been imposed after severe pressure from public opinion. At the same time, the construction of the Alaska pipeline, which had been planned for completion in 1973, was delayed in April 1970, primarily due to environmental reasons. This meant a loss of two million barrels a day. By way of comparison, note that this is more than all the American imports from the Middle East in mid-1973. The construction work on the pipeline would be restarted in 1974 in reaction to the oil embargo. Moreover, Nixon imposed price controls on oil in 1971 as a measure in his policy to cope with inflation. But these controls discouraged American oil production while at the same time encouraging consumption. Other energy sources did not provide an alternative: The nuclear energy industry developed more slowly than planned. In 1973, the share of nuclear power in the total generation of electricity was not even 5%. The production of gas was slowing down but coal was no alternative because of firm public opposition to air-polluting coal combustion and the destructive consequences on the landscape of strip mining.[191] Indeed, public opinion was a political factor to be taken into account and the American administration seems to have understood its importance. Public hearings and widespread media coverage were used to inform the public about the difficulties of supply and to warn about the inevitable black-outs and fuel price increases. In June 1971, President Richard Nixon gave a special message to Congress on the energy issue, the first ever. He announced new research and development programs.[192] Later, during the 1973-74 oil shock, he would regularly use the instrument of public speeches. In the meantime, the matter of oil had become a preoccupation for many.

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[190] Penrose, *op.cit.,* p.39-45 ; Parra, *op.cit.,* blz 154 ev ; Shell archives, SLA, SC 91/a/2, "12006.777, "Shell and the international debate on 'apportionment'", London, 1/11/1973, p. 16

[191] James W. McKie, " The United States ", in : *Daedalus*, Fall 1975, p. 73-90, p.74-78; Yergin, *op.cit*., 590.

[192] HAEC, BAC 86/1982 150 " US Energy crisis. ", Washington delegation, April 14, 1972 CH-JL. "Memorandum for Mr Haferkamp's visit to the United States", May 30th, 1972, GB/met Archives de la Commission européennes, BAC 86/1982 150.

The Club of Rome's influential *The Limits to Growth*[193] was published on 1 March 1972. This bestseller explored the relationship between growth and the exhaustion of finite resources such as hydrocarbons. It would instigate a public debate on matters such as energy use and the environment.

Within the context of the transatlantic relationship, a European consensus on a future energy policy was desirable.[194] American dependency on Middle Eastern oil had increased ever since 1947 when the Americans had become net importers of oil. In April 1972, American prognoses estimated that no less than 50% of national oil consumption would depend on imports by 1985. One third of imports would be from the Middle East, increasing in that way the risks of competition between American and European consumers.[195] On several occasions, the Americans raised the idea of cooperation between oil-consuming states. John Irwin, then undersecretary of State in economic affairs, believed that such a joint policy at international level could stand up to the emerging power of OPEC. In April 1972, during a meeting with Haferkamp, Irwin mentioned the opportunity of a joint position on questions of oil between the USA and the European Community. But Wilhelm Haferkamp, avoiding the question, only said that he deemed it necessary to have regular exchanges on general aspects of energy policy, and possibly also certain specific problems.[196]

The following month, Irwin brought up the same theme during a ministerial Council at the OECD. On the Council's agenda was a discussion on the desirability of a study on long-term energy politics. Irwin elaborated on the actual and future energy problems. He considered a worldwide shortage in energy in 1980 of 20 million barrels per day. Without consumers' cooperation this deficit could result in an escalating scramble for supplies between OECD members with devastating consequences on price and the international economy. Joint action would therefore be necessary to reduce dependence by enlarging energy sources, by coordinating response on Middle Eastern oil policy and by building on an action program to

[193] Club of Rome. "Limits to Growth. A report for the Club of Rome's project on the predicament of mankind", Universe Books, New York, 1972.

[194] McKie, *op.cit.*

[195] HAEC, BAC 86/1982 150 " US Energy crisis.", Washington delegation, April 14, 1972 CH-JL.

[196] *idem* ; HAEC, BAC 25/1980, 1827 SEC(72)2112 " Consultations entre la Commission et l'administration américaine, Bruxelles les 27 et 28 avril 1972 ", Bruxelles, 9 juin 1972.

reduce the risk of serious crises caused by overbidding and artificial oil shortage.[197] He proposed that he include the question of cooperation between oil-consuming states in the studies of the OECD.

Nuclear energy was an important matter in transatlantic energy relations. As we have seen, the technology to create nuclear energy within the European Community was mostly American. The Pressurised Water Reactor (PWR) and the Boiling Water Reactor (BWR) were almost entirely based on American expertise and on American enriched uranium (table 2.3). Since 1958, Euratom had a stable contract with the United States Atomic Energy Commission (USAEC) for the import of enriched uranium. Bilateral national agreements were integrated into the overall contract with Euratom. In 1972, however, the Americans added a clause to the contract. Delivery would depend on American stock capacities, which were degrading at the time. The European dependency on American supply became apparent. In the following years the supply contracts would be further jeopardized.[198] The member states gradually sought a more diversified supply, for instance from the USSR or by domestic production.[199]

Technology	Pressurized water reactor (PWR) American monopoly	Boiling water reactor (BWR) nearly American monopoly	Enriched uranium Canada	Other France Grande-Bretagne	Total	American part in western market
a) In 1970	40,0	32,0	5,0	23,0	100,0	72,0
b) On 31/3/1974	52,2	31,7	6,1	9,9	100,0	81,0
c) Ordered plants between 1/1/1973 and 31/3/1974	61,4	32,7	5,7	-	100,0	93,5

Table 2.3: Western power plants of the First generation in percentages[200]

[197]OECD, C/M(72)15 (prov), Paris 15/5/1972, " Procès-verbal de la 293e séance tenue au Château de la Muette, à Paris, le mercredi 24 mai 1972 […] ".

[198] Pirotte, *op.cit.*, p. 145-148.

[199] Pirotte, *op.cit.*, p. 157. See also chapter 7 of this thesis.

[200] The lines a) and b) include power plants in function, in project or ordered. Pirotte, *op.cit*. p. 144 (table translated by author).

Concerning domestic production within the European communities, two large projects were established for the production of enriched uranium: First, a tripartite cooperation between the Netherlands, West-Germany and the UK, established by the Almelo treaty of 1970. A joint committee for the project was founded in that same year and industrial exploitation was to be executed by two new companies: Urenco and Centec. The other project was the European Gaseous Diffusion Uranium Enrichment Consortium (EURODIF), which was a French initiative. Other states were invited to join after the The Hague summit of 1969. A more specific offer for the construction of a facility for the enrichment of uranium was publicly announced in March 1971 by the French Commissariat à l'énergie atomique (CEA). Except for Luxembourg, all European member states joined in, even UK, that was not yet a European member.[201] While the Urenco *troïka*[202] initially joined the EURODIF project starting from 25 February 1972, they eventually left in the spring of 1973 after the first study phase. In the meantime, other states which adhered to the EURODIF project from inside and outside the European Community, were Belgium, Italy, Spain and, up until 1974, Sweden.[203]

Both the Urenco and EURODIF projects were therefore not *common* European projects. They were large cooperations between national states, but the supranational institutions were not involved and the projects were not limited to European states. They differed substantially in terms of the technology employed. At Urenco, the isotopes Uranium-235 and -238 were separated by ultracentrifuge. At EURODIF, they chose for gasification technique which necessitates large plants with large electricity consumption. Propositions for a joint European facility for the separation of isotopes had been a preoccupation within the communities since their origins and especially since the second half of the 1960s. The issue would reach its climax during the oil shock.[204]

[201] MAE, 3025, "Note a/s coopération franco-allemande en vue de la construction d'une usine d'enrichissement de l'uranium. ", Paris, 29/11/1971.

[202] French designation for the three countries of the Almelo treaty

[203] Pirotte *op.cit.* p. 191-196.

[204] This issue is analysed in the case study on a European facility to enrich uranium (chapter 8)

§2.9 A Commission's initiative for a debate on a future common energy policy

Against the background of the global oil problems, in April 1972, the European Commission proposed an Energy Council be held within two months.[205] Discussions on current propositions for regulation on hydrocarbons and nuclear energy were supposed to be on the agenda. Thereafter a debate on a future European energy policy would follow. The Commission, aiming to accelerate decision making in energy policy, planned the meeting before the summer holidays. It stated that a joint European supply policy was needed in response to the changing relationship between oil-producing states and oil companies. The Commission also urged for a discussion on the negotiations with the USAEC concerning enriched uranium. Supply of enriched uranium was agreed on in a contract from 1958 which was then moderated a few times. In 1969, the Commission had received the mandate from the European member states to renegotiate the treaty with the Americans. But faced with disappointing results, the European Commission needed to know the perspectives and decisions of the member states. The question would be tackled by the Council in autumn 1972 where the member states eventually accepted the terms of the new contract. But the lack of balance in the Euro-American relationship in nuclear energy was again clear-cut.[206]

The Commission therefore urged that the development towards a European energy policy in April 1972 be sped up. The European member states, however, were generally less convinced about hastily organising an Energy Council. Firstly, it was generally felt that no specific Energy Council was needed to debate the pending regulations. Agreement had been reached for most of these regulations such as those concerning the delivery of information on the import of hydrocarbons and investments projects in oil, gas and electricity. These could therefore pass in any Council as point "A". Other propositions concerned mainly two issues: regulations on the creation of common enterprises and a modifying directive to the already-decided stockpiling policy, extending the period of maintaining oil reserves from 60 to 90 days of consumption. Both propositions had not reached sufficient consensus to be discussed at Council level.[207] Secondly, as regards to the question of an overall future European policy,

[205] CADN, RP-CE / 2375, lettre du Monsieur Thorn, président du Conseil des Communautés européennes, au Monsieur le Président, Bruxelles, le 26 avril 1972.

[206] This subject is thoroughly discussed in chapter 8.

[207] ACEU, CM2/1972 0938 , COM(71)1540 final, "Proposition modifiée de directive du Conseil modifiant la directive du Conseil (68/414/CEE), du 20/12/1968, faisant obligation aux Etats membres de la C.E.E de maintenir un niveau minimum de stocks de pétrole brut et/ou de

a successful outcome of such a debate was doubtful. The French delegation in Brussels maintained the opinion that the moment was not opportune for such a debate: *"La politique énergétique commune au sens fort, c'est une politique d'approvisionnement qui se conçoit mal dans l'état actuel de rapprochement des politiques des États membres.»*[208] A common energy policy would only be built on by effective regulations which would bring closer the different perspectives. A general debate could not succeed because of the opposing perspectives of the member states. In contrast, the Italian delegate Bombassei declared in the COREPER meeting of 8 May that an overall debate to achieve a thorough political design would accelerate the decision making on individual propositions. At a following meeting, the French reacted sceptically to this position.[209] Burin de Roziers referred to the pending regulation on the stockpiling policy for oil. As oil had gained a greater percentage of overall energy use, a new directive was proposed in July 1971 to raise the stocks to an equivalent of 90 days' consumption. The Europeans could not, however, easily agree on the directive because of the financial consequences of an enlargement of stocks and the differences in storage capacity between the member states. At the time, the French and Italian positions on this regulation were opposite to each other, with the Italians blocking a decision until December 1972.[210]

Nevertheless, the basic idea of a debate on a future common energy policy was not impeded by the member states. Their delegates stressed, however, that thorough preparations for such a debate were indispensable. The Dutch also emphasised the need to include the new member states in the discussions. The United Kingdom, Denmark and Ireland had just signed their adhesion to the European Communities which was to be realised in January 1973. The reason that the Dutch government did not want to enter this debate without the new members can be understood in the overall Dutch expectations of the UK's adhesion. It counted on an alliance

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produits pétroliers.", Bruxelles, 23/12/1971. This is in fact a modified version of an earlier proposition of 29/7/1971 (R/1633/71); Règlement relatif à l'application du statut d'entreprise commune dans le domaine des hydrocarbures (R/2490/71 ; proposition de la Commission du 30/7/71).

[208] CADN, RP-CE, 2375, " Note pour M.Cazimajou ; Opportunité d'un conseil " énergie ", de la part de O.Amilakvari, Bruxelles, le 8 mai 1972.

[209]CADN, RP-CE, 2375, Réunions Coreper 8/51972 et 25/5/1972 " politique energetique commune ", coopeco 602 et 688, comiceca 789 et 913, energat 20 et 26.

[210] The directive is adopted at the 221e session of the Council on 19 December 1972 (published in J.O., n° 291/154, 28/12/72).

which would enforce the liberal and pro-Atlantic positions within the EC.[211] At its meeting of 25 May, COREPER decided on a postponed Energy Council and asked the Commission to prepare a report which would offer input into the debate.[212]

Eventually, on 4 October 1972, the Commission delivered two reports which laid the basis for forthcoming discussions.[213] Later in the same month, at the October 1972 summit in Paris, the European Heads of State and Government urged for a rapid establishment of an energy policy which would guarantee *« un approvisionnement sûr et durable dans des conditions économiques satisfaisantes »*[214]. This declaration would enforce the search for a common supply policy, not in the least because the commercial approach to European cooperation in the field was, to some extent, overshadowed by an emphasis on the stabilisation of the market. A note from Quay d'Orsay which was written in the aftermath of the summit was very positive on the declaration concerning energy. In fact, the Direction of Finance and Economics of the foreign ministry (DAEF), declared that the Dutch and UK positions had approached the protectionist French perspective in matters of oil.[215]

§2.10 Conclusions

The essence of the period under discussion, in the field of energy, is about the consequences for the changing patterns of consumption from coal to oil. Tensions between policies on coal and oil would dominate inter-executive deliberations within the IEWPE on possible all-encompassing energy cooperation. The differences in interest in these energy sources between member states are clear. Germany, especially, had to cope with a large problem with coal. The search for funds to finance rationalisation programs and to subsidise the continuation of production had become an important negotiating point in CE meetings at the beginning of the

[211] They would however be disappointed. Brouwer, J.-W. " 1973 – année de l'Europe ou année de l'embargo ? Les Pays-Bas entre les Neuf et l'Alliance atlantique ", in : WILKENS, Andreas (ed), *Une année particulière. 1973 et les tourments de l'Europe,* Peter Lang, Bruxelles, to be published.

[212] CADN, RP-CE, 2375, lettre du Monsieur Thorn, président du Conseil des Communautés européennes, au Monsieur le Président, Bruxelles, le 26 avril 1972.

[213] These will be thoroughly discussed in Chapter 3 of this thesis.

[214] *Bulletin des Communautés européennes*, octobre 1972, n° 10.

[215] MAE, 3004, Note, " Activités des communautés européennes à la suite de la conférence au sommet ", 12/1/1973.

1960s. The communities' aid systems of national state support for coal seems to have been the *quid pro quo* for the German delegation to adhere to the principles of the 1964 *Memorandum of Understanding on Energy Problems*. This agreement would serve as a basis for further elaboration on a common energy policy in the following decade. Its list of objectives for future common energy cooperation, especially, would be frequently quoted in the Commission's output.

Oil concerned a completely different field of policy. It was a cheap energy source, imported from mainly Middle Eastern countries where large multinationals had taken oil concessions. These so-called Majors dominated the whole chain of exploitation, transport, refinement and distribution. They had direct access to oil for which they paid fairly low income, and production, taxes to the oil producing countries. From the consumers, they secured their sales by maintaining low prices. The end of this comfortable position for the Majors started primarily in 1968. After that, the oil producing countries started a process where taxes would progressively increase and their participation in oil production would expand. Before that time, although OPEC was already founded in 1960, the Commission did not seem to dread a change of the situation. Its 1967 report on the oil situation was fairly positive. Still, it also focused on measures to safeguard oil supplies, such as the common stockpile policy which was being discussed at the CEE Council at that time. This proposition concerned the implementation at CE level of the decisions of the OECD Council on the maintenance of a minimum level of oil stocks equivalent to 60 days of consumption. The Council agreed in December 1968 on the directive.

However, an overall common policy on oil was hampered by differences of opinion within the Council concerning the organisation of the market. In France, a regime had been built where oil trade, refinement and distribution was coordinated by the central administration. In West-Germany and the Netherlands, by contrast, a liberal view on the oil market dominated. In the Netherlands this position was reinforced by the interests of Royal Dutch Shell, an Anglo-Dutch oil multinational and one of the seven Majors. The differences of opinion between the French and Dutch member states were clearly demonstrated during the deliberations on the two propositions by the Commission concerning the delivery of information by member states on the import of hydrocarbons and investments in oil, gas and electricity. Discussions centred mainly on the need for companies to deliver information on prices before the trade had been

completed. A compromise was reached eventually after two years of deliberation. But the most sensitive part of the Commission's proposition still had to be specified. Maybe the eventual acceptance of the regulations meant that the more liberal minded in the CE were approaching the French perspective on a more centrally directed market. But on the other hand, accepting the regulation, without a conclusion on the main difference, offered the opportunity for opponents to remove the issue from the CE agenda, or at least delay final decisions. Still, at the same time, a change seemed to occur within the debate on the organization of a liberal or centrally directed market in favor of the latter. During the October 1972 Summit in Paris, general emphasis was placed on safeguarding a safe supply. This possibly meant that the Nine were heading towards a joint position on a common energy policy.

The merger of the executives in 1967 would prove to fundamentally change the approach towards potential energy cooperation within the supranational institutions. Policies on the different energy sources were more interrelated because they were drafted within the same Directorate General (DG XVII Energy). After 1967, the Commission's reports on the development towards a common energy policy were characterised by an integrating approach focussed on assembling the diverse sectors and issues into one draft policy outline before treating the different matters separately. These reports were prepared in conjunction with a new, informal group chaired by the Commissioner for Energy Wilhelm Haferkamp. Focus was placed on different aspects of energy policy and not only one sector or energy source. Members of this "*Groupe Haferkamp*" were high-ranked officials who often simultaneously participated in the OECD Oil Committee. Alongside delegates from the Commission's DG XVII, they assured an exchange of topics from the EC and OECD agendas. In this way, the OECD functioned as an influential channel for extra European interests from not only the other international member countries of the Oil Committee, but also from industry. The Majors, especially Shell, delivered input to the Oil Committee, not only for current deliberations but also to set the agenda. For that matter, the European Commission was also briefed directly by the energy industries, especially Shell.

Other influencing factors were the energy crisis in the United States and the search for a new American policy to improve the energy situation. First announcements of this new energy policy were included in Nixon's message to Congress in the summer of 1971. Simultaneously,

voices rose within the American administration on the necessity of a better international cooperation between energy consumers. The idea of a joint position on oil was effectively forwarded to Haferkamp during his meeting with Secretary John Irwin in April 1972. The idea was also forwarded to the OECD Oil committee. On other fronts, however, such as concerning the separation of isotopes, cooperation was hampered by the growing global demand for enriched uranium and the limits of American production. It was an incentive for a European facility for domestic production which had already been on the European agenda constantly since the second half of the 1960s.

After the merger, a continuous effort on the elaboration of a common energy policy was discernible. A debate on a future European energy policy originated in the Commission's document *First guidelines on a common energy policy* of 1969. This lengthy report called for the development of a common supply policy and the establishment of a common energy market. It included analyses of the energy situation and strategies to build a common energy policy. The evolution of the oil market after 1968 reinforced the search for a strong joint position. In the following years, further studies were undertaken on questions concerning the energy supply. High on the communities' agendas were issues such as the maintenance of sufficient oil stocks, the financing of oil exploration projects in the North Sea via a so-called common enterprise, or exchange of information on investments in gas, oil or electricity. In April 1972, the European Commission proposed that an energy Council be held shortly. It urged for a thorough debate on a future common energy policy. The idea did not, however, receive immediate support amongst the member states. They doubted whether such a debate would be successful due to the diverging perspectives of the member states. Moreover, it was demanded of the Commission that it deliver reports on the energy situation which could form the basis for such a debate.

In the first years of the 1970s the need for a secure energy supply had become a principal occupation in European energy policy. Decisions on regulations such as those concerning information exchange or the maintenance of stocks had been cumbersome but the issues had nevertheless never been withdrawn. Moreover, a high-level debate on the development of a common energy policy was set for the near future. The Commission's initiative for such a debate was delayed, not cancelled. Oil and uranium supply were the most urgent matters to deal with. Meanwhile, the coal problem still had to be resolved. Indeed, at its appointment in

January 1973, the new European Commission headed by François-Xavier Ortoli was facing a major challenge.

3 The European Community in search of a grip on energy supply. The EC Energy Council of 22-23 May 1973

§ 3.1 Introduction

In May 1973, in other words, only shortly before the first oil shock, the European ministers responsible for energy politics gathered in Brussels for a meeting of the Energy Council. The Council was to include a fundamental debate which could pave the way for further development of a European energy policy. The need for such a policy had become urgent in the light of the changing oil market and the energy crisis in the United States.

The Energy Council is essential to this thesis because it provides us with a good illustration of, firstly, the status of European energy cooperation on the eve of the oil shock, secondly, the member states' decisions about which actions to take, and thirdly, divergent perspectives on overall energy policy and specific issues. It also provides information on the effects of current international changes, mainly in the oil market, on the decision-making process. The agenda for the Council included, on the one hand, a discussion on the developments towards a common energy policy, and related *a priori* actions to be taken. On the other hand, the European ministers debated on four tangible propositions of regulations and directives in the field of coal, hydrocarbons and nuclear energy cooperation.

In this chapter, the main objective is to understand the debate on European energy policy on the eve of the first oil crisis. This chapter will present an overview of the main discussions providing an outline of areas where member states reached agreement and where there were divergent perspectives on the interpretations of a joint energy policy. Questions come up about the expectations of the meeting because the debates touched on old and persistent differences between the member states, both concerning the organisation of a European

market and the external relations of the European Community. As positions had been divergent on these issues since the very beginning of the three European communities, it can be argued that this Council was never likely to succeed. Possibly, the member states' perspectives were approaching each other in order to face the global energy changes. Did the Council therefore reflect an urgent tendency to join forces in order to face the tensions in the oil market?

§3.2 Overall concerns for better energy cooperation at OECD and European level

On 4 October 1972, the European Commission delivered two reports which laid the basis for discussions on a common energy policy. The report on *The Problems and Means of Energy Policy for the Period 1975-1985*[216] provided an analysis of the perspectives and problems of energy demand and supply. The second report, *The Necessary Progress of Common Energy Policy*[217], stressed no fewer than forty-six actions to be taken for progress to be made towards a common energy policy. Its approach to energy problems was comparable to the *First Guidelines* of 1968. These were not only classified by sector, such as oil, gas, coal, electricity and nuclear energy, but the Commission also specified actions by theme: relations with consuming states, relations between consumer and supplier states, scientific and technical research, consideration for the environment and economic policies.

Concerning relations with consuming countries, the Commission pleaded for the maintenance of regular meetings not only with the United States but also with other consuming states such as Japan. Simultaneously, it pleaded for more information exchange at the OECD and the elaboration of extra European mechanisms to secure energy supply.[218] As a matter of fact, the OECD Council had decided at its session on 24-26 May to undertake an overall assessment of long-term energy problems. All member countries were facing problems linked to the growing demand of energy, availability of natural resources, a search for technological innovation to have access to these resources, the necessity to maintain a more rational use of

[216] ACEU, CM2/1973 885 temp 798, COM(72)1201 final, "Les problèmes et les moyens de la politique de l'énergie pour la période 1975-1985 ".

[217] ACEU, CM2/1973 885 temp 798, COM(72)1200 final "Progrès nécessaires de la politique énergétique communautaire".

[218] *Idem*, p. 13-14.

energy, degradation of the environment and changing relations with the developing countries. In combination with prognoses for the exhaustion of fossil fuel reserves, these problems provided reasons for an extended assessment about the next twenty years. It would be elaborated on by diverse bodies within the OECD. The study began in October 1972 and ended in 1974.[219] The Council of the organisation examined the first results during its meeting on 6-8 June 1973.

The proposition from the European Commission for improved consumer relations seems to have been related to the American preferences for better OECD cooperation on oil matters. The Euro-American relationship was however not without strains. After 28 September 1972, the atmosphere had been frosty over oil questions since Sheik Ahmed Zaki Yamani, Minister for Oil and Mines in Saudi Arabia had proposed to John Irwin, American Deputy Secretary of State, a contract which would include the assignment of "*preferred position*"[220] to American consumers in the supply of oil. Such a relationship would be completely contrary to the American attacks against an escalating competition between consumers. On the one hand, the affair alarmed the Europeans and underlined the importance of bilateral relations with oil-producing states, even if Washington rejected the Arabian proposition. On the other hand, it nonetheless intensified the American efforts at the OECD. James Akins, Director of Fuels and Energy at the U.S. State Department, talked about the Saudi proposition, and the American problems, at several meetings with the Europeans. He insisted on joint action. At the insistence of the Americans, the Council of Ministers of the OECD decided in October 1972 to undertake *"a preliminary assessment of the problems in the field of oil which could provide a basis for steps towards co-operative action between member countries"*.[221] For this purpose the OECD Oil Committee was called upon to deliver a report on the perspectives and demand

[219] OECD, C(72)123 final, Documentation for the Council of 24-26 May 1972, "Long-term Energy Policies and related questions", Paris, 15 May 1972. The eventual results of the study are published: OECD, *Energy prospects to 1985 : an assessment of long term energy developments and related policies*, Paris 1974. Concerning the discussions at the OECD: " Telegram from the Deputy Secretary of State (Irwin) to the Department of State, Paris, 25 October 1972, 0954Z ", in : *FRUS 1969-1976, Energy Crisis* (note 12), n° 144, p. 363-364.

[220] " Memorandum of conversation, Washington, 30 september 1972, noon ", in : *Foreign Relations of the United States, 1969-1976, vol. XXXVI, Energy Crisis, 1969-1974*, Washington, United States Governement Printing Office, 2011, n° 140, p. 347-351 (par la suite : *FRUS*) ; see also Adelman*, op.cit,* p. 102.

[221] OECD, C(73)103, 14/5/1973, "Document for meeting of Council at Ministerial level. 6th-8th June 1973. […] (b) The on-going energy assessment. (note by the secretary-general)".

for oil in the OECD zone before 1 March 1973.[222] An ad-hoc group of the Oil Committee was formed to make this assessment. The resulting report would be discussed at the Oil Committee on 13 June and by its HLG the day before.

Simultaneously, the OECD sought to improve its system for the apportionment of oil supplies in an emergency. Since 1964, a scheme for the allocation of oil for the European region, except for Finland, was created in case of shortages. In this system, as we have seen, 90-95% of supplies would be shared by the European member states proportionally according to their consumption. The remaining 5-10% would be used for special allocation as required by special circumstances. In November 1972, the Council enforced this apportionment scheme by changing it from a Recommendation to a Decision. Now, if the Council determined a crisis was at hand, the Oil Committee would itself have the power to apportion among the European members the 5-10% of supplies which were subject to special allocation. Such a delegation of power was only possible in the form of a Decision.[223] At the same time, the four large consumer countries outside OECD Europe, the United States, Canada, Australia and Japan, started to seek opportunities to join the system after October 1972. Whereas before, these countries had been much less vulnerable to foreign oil supplies, they now had become large oil importers comparable to the Europeans. Moreover, the United States, having lost its spare production capacity, would not be able to fill the gaps again if a new emergency occurred. Until June 1973, an informal group with members of the Oil Committee's HLG sought out possibilities for arranging an OECD-wide arrangement.[224] From the start, however, it would prove difficult to find consensus because of the differing situations in the various countries. A major point of disagreement was whether the calculation of an oil shortfall should be based on the consumption or on the import of oil. Japan, which imported almost 100% of its oil, clearly had different interests than the USA which, in 1972, was only dependent on import for 29%.[225]

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[222] OECD, C M(72) "Reunion energy programme long-terme minutes".

[223] OECD, C/M(72)30 (Prov), "Minutes of the 308th meeting of the Council, 14 November 1972."

[224] OECD, DIE/E/PE/73.126, "Report on OECD-wide apportionment of oil supplies in an emergency", Paris, 19/11/1973. Within this informal group, only a part of the HLG participated: Canada, France, Japan, the Netherlands, Norway, the US and the EC Commission.

[225] OECD, DIE/E/PE/73.126, "Report on O.E.C.D.-wide apportionment of oil supplies in an emergency ", Paris, 19/11/1973. Following Raymond Vernon, the Japanese government also

Also, the risks of oil shortages were heavily discussed by the European Communities. Eventually, after one year of discussion, progress was made on the issue of the modified directive on the maintenance of oil reserves. The extension of the quantity of reserves to be maintained in stocks to an equivalent of 90 days of oil consumption was adopted in December 1972 by the Council. But deliberations on the concrete substance would nevertheless continue in the Oil committee between high-ranking officials. An answer had to be found to the problem of storage capacity and its financial consequences.[226]

§3.3 A Council's initiative for a debate on the development of a common energy policy

The idea for an overall debate on a future European energy policy was not a new one in the spring of 1973. The European Commission had shown a continuous effort to found and develop such a policy since the merger of 1967. Its report *First Guidelines on a Common Energy Policy* of 1969 had mentioned the necessity for such a debate. Since then, questions concerning energy supply policy had increasingly appeared on the agenda of the European communities. The Commission played an active role in preparing a debate by compiling the two October 1972 reports which are mentioned above.

Apart from these reports, the European Commission also took the initiative to deliver two proposals which were directly concerned with safeguarding supply in times of shortages. The Council worked on both propositions in the spring of 1973. The first concerned a European coordination of national measures to relieve difficulties in oil supply. The directive aimed to prevent large disparities in this field within the European communities. This concerned, for instance, legislation on price, restrictions of consumption or obligations on oil companies to supply with priority to certain categories of consumers. The responsibility for the organisation

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doubted the efficiency of such an international apportionment scheme in an emergency. Vernon, R., *Two Hungry Giants. The United States and Japan in the Quest for Oil and Ores*, Harvard University Press, Cambridge Massachusetts, 1983, p.28-37, p. 96.

[226] Published in *JOCE* N°291/154, 28/12/72; Discussion of the consequences of the maintenance of stocks and a possible financial aid at common level, see: CADN, RP-CE, côte 2399, "Aide-mémoire. Réunion des Hauts fonctionnaires du secteur pétrolier du 19 décembre 1972", Brussels, 15/1/1973.

and the implementation of measures would stay with the member states, but an expert group at common level would function as coordinator.[227]

The second proposal concerned the further development towards a common market in hydrocarbons. This directive concerned the import of hydrocarbons from outside the EC and aimed to implement safeguarding measures to secure supply when necessary. It followed the line of the earlier regulation on an improved exchange of information on the import of hydrocarbons which had been adopted on 31 January 1972. It was argued that the availability of this information could now provide a better understanding of the supply situation in the community. The new regulation on the import of hydrocarbons was proposed as a next step to safeguard supply at common level, if needed.[228] However, the slow decision-making process on the regulation on information, in 1970 and 1971, was a bad harbinger for the decision making on the new proposition. Maybe still more important was the fact that, even after adoption of the regulation on information exchange by the Council in January 1972, a significant part of the substance of it still had to be agreed on: The exact information to be produced by companies still had to be defined. Ever since the Council's basic approval, the Commission had endeavoured to convince the member states of the necessity of an overview including the *à priori* price of hydrocarbons, in other words, the price before the effective transaction. Just before 1973, on 19 December, the Commission had given a presentation on the subject to the group of oil experts which was composed of national high-ranking officials. But the institution still met opposition from the UK and, especially, the Dutch participants. Belgium was reticent, while France, West-Germany and Italy favoured the proposition.[229] For Jean-Pierre Souviron, the Adjunct General Secretary at the Ministry of Foreign Affairs, the issue clearly illustrated the persistence of the traditional differences between the European

[227] ACEU, CM2/1973 885 temp 798, COM(72)1205 " Proposition de directive du conseil concernant les mesures destinées à atténuer les effets de difficultés d'approvisionnement en hydrocarbures ", Bruxelles 10/10/1972. The proposition only concerned oil despite its misleading title.

[228] ACEU,CM2/1973 885 temp 798, COM(72)1203 final " Proposition de règlement du conseil portant établissement d'un régime commun applicable aux importations d'hydrocarbures en provenance des pays tiers " Bruxelles, le 4 octobre 1972.

[229] CADN, RP-CE, 2399, "Aide-mémoire. Réunion des Hauts fonctionnaires du secteur pétrolier du 19 décembre 1972", Brussels, 15/1/1973.

member states on a protected or a market-lead economy. In February, he considered the moment inopportune to discuss this proposition.[230]

The debate on a future energy policy was transferred to 1973 and the new Commissioner François-Xavier Ortoli continued the preparatory works of his predecessor. The maintenance of Fernand Spaak as Director General of the DG XVII energy was without any doubt an important factor which assured continuity in the Commission's work for a common energy policy.[231] He had been at that post since the origins of the DG XVII Energy after the merger of 1967. Within the Commission, though, Wilhelm Haferkamp would not be succeeded by someone passionate about energy. Henri Simonet, the new Commissioner, would write later in his memoirs that in 1973 he had been disappointed about being given the energy portfolio. He would have rather obtained responsibility on economic and monetary affairs. But that function was reserved for his predecessor Wilhelm Haferkamp who had been in energy for four years, in close cooperation with Spaak. Energy was not a completely new field for Simonet. From 1961 to 1965 he had been chief of staff of Antoine Spinoy, at the time the Belgian Minister for economic and energy affairs. Still, Simonet would be described as much less concerned than his predecessor with the theme of energy. He is described as being more and more absent, especially after 1974, preferring his post as mayor of Anderlecht, a small municipality in the Brussels region.[232]

§3.4 Preparations for the Energy Council

On 7 February 1973, the Belgian minister Renaat van Elslande, then President of the Council, proposed a Council exclusively about energy. He deemed this Council necessary to accelerate the development of a European supply policy and to provide a response to the American

[230] CADN, RP-CE, 2375, " Message a l'attention de monsieur l'ambassadeur representant permanent de la France auprès des communautés européennes ", de la part du secretaire general adjoint JP Souviron, Paris, le 15/2/1973, CE/2651, Telex très urgent.

[231] On Fernand Spaak : see chapter 2 of this thesis.

[232] Henri Simonet, *Je n'efface rien et je recommence,* Bruxelles, Didier Hatier, 1986, p. 96-97 ; Interview of the author with Philippe Loir, assistant of Fernand Spaak (1970-june 1973), 18/3/2009, à Bruxelles ; Interview of the author with Michel van den Abeele, advisor in hte office of Simonet, Minister of Economic Affaires (1971-1972), director at the office of Simonet, Commissioner for Energy (1973 - 1976), 12/1/2009 and 18/3/2009; HAEU, Interview with Karel van Miert , accessible online at : http://archives.eui.eu/en/oral_history/.

initiative for Euro-American energy cooperation. After the less official invitations in 1972, an American proposition on such cooperation had now been sent to the Council. Van Elslande proposed to meet in the first half of April. The agenda could possibly include communications from the Commission such as the two October reports and the two propositions regarding the safeguard of supply in times of shortages. Other discussion items were suggested such as problems in the field of nuclear energy and coal.[233]

The idea for an Energy Council was received positively by the Permanent Representatives a week later. They agreed that a general debate on a future energy policy was desirable only if thoroughly prepared by the Energy Group.[234] Unlike the previous year, the French response was also fairly positive. Maybe this shift can be understood from the background of the October 1972 Summit where the Heads of State and Government had given priority to a secure supply above considerations on the price. On 12 January 1973, the DAEF had reacted fairly positively on the UK and Dutch positions: *"les points de vue britannique et néerlandaise –essentiels à cause de la British Pétroleum et de la Royal Dutch –se sont rapprochés sensiblement, depuis quelques mois, de nos positions traditionnelles"*.[235] In Germany, the situation had also changed. In fact, already in May 1969, a company had been created for the exploration and exploitation of oil. It was created by eight independent German companies, but with substantial financial aid which only had to be returned in case of success. The German government had emerged for the first time as an actor in its oil market. Still, the DAEF was impatient on the changes in the German oil market.*"L'attitude allemande, en revanche, a été marquée jusqu'à présent par un libéralisme presque total."* [236] It did not know at the time, that German policy would change substantially in the spring of 1973. In May it was announced that the two sole German oil refining and marketing companies, Veba and Gelsenberg, would merge into one company with substantial governmental share. [237]

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[233] CADN, RP-CE, 2375, " Programme de travail relatif à l'établissement d'une politique énergétique communautaire ; Proposition de la Présidence " Bruxelles, le 7/2/1973, Représentation permanente de la Belgique auprès des Communautés européennes.

[234] NL-HaNA, CA, 16951, Compte rendu of the meeting on 15 February.

[235] MAE, 3004, " activités des communautés européennes à la suite de la conférence au sommet ", 12/1/1973.

[236] *Idem*

[237] MAE, 3005, "L'Allemagne et la politique énergétique de la CEE ", Paris, 30/05/1973.

The Council was set for 22 May. In the following months, COREPER and the Energy group made preparatory works. For what concerned the Commissions' propositions on legislation, only the proposition concerning the supply of cokes for the iron industry was directly agreed on for inclusion on the agenda.[238] Both October reports from the Commission were discussed and commented on in the Energy group. However, notwithstanding the range of energy problems treated in these reports, major attention was only given to a few issues. Discussions on coal, nuclear energy and oil mark the particular interest of the individual member states and their position in the international energy markets. Eventually, oil would gain most attention but also in the fields of coal and nuclear electricity, the debates reflected the various interests. Opinions differed between the member states on the exact substance of the Council. These become clear in the Energy Group meetings in the following months.

§3.5 Coal

Concerning coal, discussions centred on the use of bituminous coal, also known as black coal,[239] for the generation of electricity and the production of iron and steel. The coal industry, in competition with the low-priced oil supply in the 1960s, had diminished fundamentally in the decade before 1973. It was gradually replaced as a source for electricity production by oil, gas and, to a lesser degree, uranium. A large number of mines had been closed over the entire community, but not everywhere at the same scale. In the Netherlands this development had been rapid and conclusive after the finding in 1959 of natural gas in the Groningen province. In Belgium and France, the alternative of nuclear electricity had made possible a gradual reduction of coal production. In Italy and Ireland, production had never been large and had stopped almost entirely. But in the United Kingdom and Germany, although the coal industry had diminished substantially, it maintained an important role until at least 1973 (table 3.1).

[238] HAEU, BAC 214 / 1980, 514/73 (RP/CRS 6) " Compte rendu sommaire de la 674e réunion tenue à Bruxelles les mercredi 14 et jeudi 15 février 1973 ", Bruxelles 25/5/1973 ; CADN, RP-CE, 2375, réunion COREPER 15/2/1973 "A..S. Conseil Energie", Bruxelles, le 17/2/1973, Burin des Roziers.

[239] Discussions on coal in this paragraph concern mainly bituminous coal.

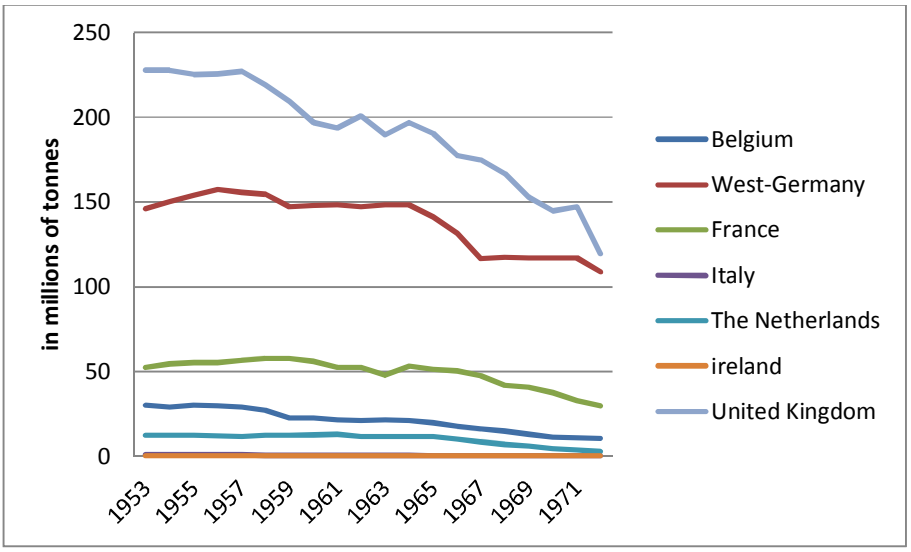


Figure 3.1: Production of bituminous coal[240]

The steel industry had tripled in the previous twenty years. Although the production process of steel had been renewed and consumed relatively less coal, it still required the continuous influx of cokes from within the community. Cokes production, however, could not be maintained without financial aid. A safety net had been construed by the CECA since 1967 and had been revised in 1970. As the last term ended on 31 December 1972, the Council urgently needed to decide on a new term. Germany, eager to secure its extensive cokes industry, was pressing for months on the renewal of the aid system. In fact, German industries were the main beneficiaries of the aid, receiving no less than 90% of the subsidies.[241] For France, after Germany the second main consumer of cokes, there was no objection to rapidly renew the aid. But Italy and the Netherlands were opposing the aid. The Italian delegation repeatedly underlined the "*caractère antiéconomique*" of the aid which "*ne saurait se perpétuer indéfiniment*".[242] The Anglo-German position was nevertheless enforced by the substantial increase of oil prices at the time (see figure 3.4). The French delegation, eager to

[240] Commission des Communautés Européennes, *25 ans …, op.cit.,* , Brussels, 1977, table 30. No statistics available for Denmark or Luxembourg.

[241] The tripling of the iron industry did nevetheless not require a simultaneous raise of coke production. The decision is made on 25 july 1973 (73/287/CECA) for 6 years including contributions by all state members relative to their consumption. " *idem*, mainly p. 27-29; 98-103, table 36 ; CADN,RP-CE, 2375, Telex from the general secretary adjoint J.P. Souviron to Burin des Roziers, CE/2651, Paris, 15 February 1973. See also chapter 2 of this thesis.

[242] ACEU, CM2/1973 887 temp 800, "T/262/73 (ENER), Bruxelles, le 25 avril 1973, Projet de rapport du goupe "Energie" au Comité des Representants Permanents".

demonstrate the advantages of nuclear energy, commented that the oil price was a less relevant reference than the price of nuclear electricity.[243]

At the Council on 22 and 23 May, prolonging the financial aid to the coke industry was on the agenda. Minister Mart from Luxembourg appealed for solidarity within the community, which in his opinion should concern wide-ranging problems, *"from cauliflowers to coal"*[244]. The Commission's proposition included a change in the member states' contributions for the aid system. Except for the German part, which was raised by 30%, most contributions were reduced substantially. Costs could barely form an inseparable obstacle for opponents such as Italy and the Netherlands. In the words of Minister Mart, the costs were equivalent to less than a quarter of the costs paid for one transaction of butter to the USSR. *"Si la communauté se montre si libérale en ce qui concerne les déficits, elle devrait également se montrer un peu moins mesquine à l'égard d'un système qui présente l'avantage de créer des emplois, de maintenir un potentiel de production de charbon au sein de la Communauté et de garantir l'approvisionnement à des conditions honorable. »*[245] Eventually, elaborate discussions resulted in closer positions, making possible an extension of financial aid for another six years.[246]

The question of cokes destined for the steel industry was only partially related to energy policy, but the use of bituminous coal for electricity production touched directly on a common energy policy. The consumption of coal in the power stations had declined substantially since 1953 (figure 3.2).

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[243] *Idem*

[244] ACEU, CM2/1973 0011 temp 53, " R/1382/73 (PV/CONS/R8), Projet de proces-verbal de la réunion restreinte tenue à l'occasion de la 244ème session du Conseil (Bruxelles, les mardi 22 et mercredi 23 mai 1973) " Bruxelles, 19/09/1974 (hereafter : PV 244ème session du Conseil). Traduction par l'auteur " du chou-fleur et du charbon ". Marcel Mart was minister *for the National Economy, transport and Energy.*

[245] *Idem*

[246] Décision relative au charbon à coke et coke destines à la sidéurgie de la Communauté – Décision 73/287/CECA du 25 juillet 1973. This decision concerned the prolongation of 6 years until end 1978. In March 1977 it was extended again until 1981. The financial aid is analysed and discussed in the European Commission's, *25 ans…, op.cit,* pp. 99-103.

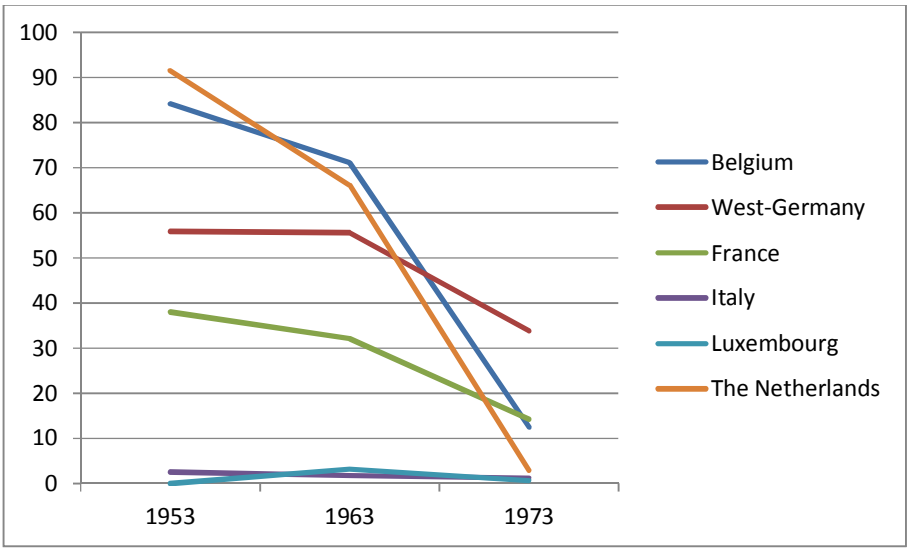


Figure 3.2: Share of bituminous coal in the production of electricity (in %)[247]

Just before 1973, the total EC share of bituminous coal had declined to 18.6%. But after the adhesion of the new member states, this share had increased again to 31% thanks to the large consumption by the new member states. In Ireland, this coal did not play a large role, but it was the dominant energy source for electricity in Denmark (35.7 %) and especially in the UK (61.4 %). At that time, in 1973, German power stations used for 33.8% bituminous coal[248]

Unsurprisingly, these three member states stressed the interest of coal for electricity production. They recalled the presence of large coal reserves when the price of oil was climbing. In the meetings of the Energy Group they repeatedly underlined the potential role of coal to secure energy supply and asked for studies to determine a safeguard potential for the community. They were however not supported by the other member states in their request to integrate this subject in the overall debate planned for the Council in May. For the French Permanent Representative such a debate would be "*ill-timed*"[249] and distracting from the essential question on long-term energy supply. Burin des Roziers, backed by his Dutch colleagues, was less convinced of a future role for coal in a common energy policy until the

[247] Source : European Commission, *25 ans …*, *op.cit.*, tabel 6 " production d'électricité.

[248] *Idem.* Ireland and Germany also consumed lignite and peat for the production of electricity ; In 1973, 25,4% in Germany, 23,4% in Ireland.. No statistics provided for the new member states in the years before 1973.

[249] CADN, 2375, " Reunion du goupe 'Energie' des 22 et 23 mars 1973, Bruxelles, le 26 mars 1973. Translation by author "intempestif".

year 1985 or 2000. In his opinion the coal question, although not unimportant, was mainly of social and regional concern and should not be discussed in a debate on a European energy policy.[250]

Although the coal question was therefore not to be an official theme for the Council's debate on a common energy policy, the British, Danish and German ministers still touched on the subject on 22 May. They stressed to the role which could be played by coal to secure the communities' energy supply. A more thorough analysis would be necessary to understand the possibilities which the coal sector had to offer. Their statements were backed by the Commission's *Necessary progress*[251] of October 1972. Also the *Priority Orientations and Actions for a Common Energy Policy*[252], presented in April 1973 by the Commission to offer a basis for the Council of Ministers, briefly called on the potentials of coal in a common supply policy. But the coal question was hardly debated at the Energy Council. Only Minister Mart confirmed that coal would always remain "*la source d'énergie la plus sûre*"[253] of the community, especially when the oil price was rising. The other participants neglected the issue almost entirely. Still, the question of coal reappeared in the conclusions of the Council. In the final Resolution, the participants placed a study of the potential role of coal in the framework of potential common policies to secure energy supply. The coal question was to stay on the communities' agenda.[254]

§3.6 Nuclear energy

The question of nuclear energy had a very different context. It concerned a relatively new source for electricity which, on the long term, had the potential to deliver electricity at a low price. All member states were proponents of further developments in nuclear alternatives. The energy group estimated, with German reservation, that an expansion of the nuclear electricity

[250] *Idem* ; MAE, 3834, no 1729-1730 "Preparation du Conseil du 22 mai" 19/05/1973.

[251] Conseil CM2/1973 885 temp 798, COM(72)1200 final "Progrès nécessaires de la politique énergétique communautaire"4/10/1972.

[252] Conseil, CM2/1973 888 temp 801 , "SEC(73)1481 final; Orientations et actions prioritaires pour la politique énergétique communautaire", 19/4/1973.

[253] ACEU, CM2/1973 0011 temp 53, PV 244ème session du Conseil.

[254] *Idem*

arsenal by 50% would save an equivalent of 100 million Tec of fossil combustibles.[255] In the short run, however, nuclear energy needed a lot of investment and long R&D projects which were difficult to realise at the national level. Recently, just before Van Elslande's proposition for an Energy Council in February, prospects for common cooperation in these fields was advanced by an agreement within the Euratom Council on the financing of a new research program after years of differences between the member states.

In preparation for the Council, most attention was paid to the project of a European facility for the enrichment of uranium. It was known for years that the main supplier, the United States Atomic Energy Commission, would not be able to cope with growing global demand after 1980. Now, the suspension of negotiations on new contracts, since December 1972, had revealed again the vulnerable European position. The old common effort to create a European facility for the enrichment of uranium gained priority in the spring of 1973. Opinions differed however on the necessity to make it a *common* project. Although prognoses for the Urenco ultracentrifuge technology were positive for production on an industrial scale, the project was not ready for production. On the other side, the French CEA had been able to develop a technique of gas diffusion for the production of highly enriched uranium, confined, for military purposes, to the production of low enriched uranium, suitable for energy use. Within a relatively short time this project Eurodif could be transformed into a production phase. The three partners in the gas centrifuge project feared therefore that the Eurodif project would obtain priority to the detriment of their project. None favoured the implementation of both projects because they deemed the consumer market too small for a large production. Bonn, especially, was reserved on this matter, but insisted persistently at bilateral level and the French succeeded in putting the issue on the Council's agenda for 22 May 1973.[256]

§3.7 Focus on oil

Oil constituted the major theme of discussion following the changes in the oil market since 1968. Supply had become less secure, and more expensive, while Europeans had become highly dependent on this energy source. For the Nine EC member states, oil took a share of

[255] ACEU, CM2/1973 887 temp 800, "T/262/73 (ENER), Bruxelles, le 25 avril 1973, Projet de rapport du goupe "Energie" au Comité des Representants Permanents".

[256] See chapter 8 of this thesis.

59.5% of total energy consumption in 1972. Nearly 97% of this oil came from OPEC countries who were increasingly taking more control over their oil.[257] The price of oil was gradually rising and the Majors' grip on production and distribution was loosening. On the eve of 1973, securing supply at low costs was already preoccupying the oil consumer states. But on 18 April, the already destabilised oil market was even more affected by American monetary, economic and foreign policy. Richard Nixon announced the abolition of quotas on the import of oil during his *Special Message to the Congress on Energy Policy*.[258] This decision resulted in an American surge for Middle Eastern oil: in the summer of 1973, imports to the USA accounted for 6.2 million barrels per day, nearly 40% more than the previous year.[259]

The international run on oil had accelerating effects on the market price, increasing it beyond the sacred, official posted price. The response by main exporter Saudi Arabia and other oil-producing states, such as Libya and Kuwait, was to, nevertheless, not increase production. *"What is the point of producing more oil and selling it for an unguaranteed paper currency?"*[260] questioned the Kuwaiti oil minister. The frail advantages of a full basket of money had already been demonstrated by the monetary developments since the abolition of the Bretton Woods system in August 1971. This monetary instability had continued, as demonstrated by the 10% devaluation of the dollar on 12 February 1973.[261]

Increasing oil sales through higher production was therefore not necessarily in the oil producer states' interest. But, conscious of the economic weight of oil in international affairs, the oil-producing states recognised its value in geopolitical affairs. Oil was an instrument for gaining political leverage in the Middle Eastern conflict, a phenomenon already well known. Following the Six-Day War in June 1967, the Americans suffered during three months of an

[257] Statistics of the UK, Denmark and Ireland are included. They would become member state in 1973. Black, *op.cit.*, pp. 165-196, p.169.

[258] The complete speech is accessible on the website "The American presidency project" from the University of California : Richard Nixon, XXXVII President of the United States: 1969-1974, "128 - Special Message to the Congress on Energy Policy."April 18, 1973. (http://www.presidency.ucsb.edu/ws/?pid=3817).

[259] Yergin, *op.cit.*, p. 591.

[260] *Idem*, cited by Yergin on p. 595.

[261] See for example Jacques Percebois, *Economie de l'énergie*, Economica, Paris, 1989.

Arab oil embargo, although without significant effect. More importance on oil supply, bore the eight-year closure of the Suez Canal by the Egyptian President Nasser from June 1967. Now, in the spring of 1973, the pending conflict on the territorial question in the Middle East was again increasingly linked to oil supply. It concerned the question of the Israel occupation of the Sinai Peninsula and the Golan heights since the Six-Day War in 1967. After February 1973, calls for more American diplomatic action in the region, from the Egyptian President, were increasingly backed by Saudi threats on oil cuts. The Arabian minister for oil, Sheikh Ahmad Zaki Yamani, broached several times the use of the oil weapon in his conversations with the American administration. Moreover, in an article in the Washington Post of 18 April, he declared that expansion of oil production would not happen until the US altered its pro-Israel stand. A month later, the 25th anniversary of the State of Israel on 14 May was commemorated by interruptions of oil production. On this occasion, only one week before the EC Council on energy, Iraq, Kuwait and Algeria halted their production for a modest hour, while Libya stopped its production for the entire day.[262] It was an alarming development for European customers who were importing 72% of their oil from the Arab OPEC countries. [263]

§3.8 The question of an internal market for oil

Securing a supply of oil became a prominent theme on the Community's agenda. For the Energy Group, oil would remain the major energy source in the following decades. Even if alternative energy sources were applied, the Group foresaw a growth of the share of oil in overall energy consumption. In 1970, this share had been 57%, but it would rise to 62% in 1985. The Energy Group was more positive about the situation in the year 2000, when oil had a share approximately 44% or 34.5%, depending on the available alternative energy sources

[262] ACUE, CM2/1973 888 temp 801, " Orientations et actions prioritaires ". R/1182/1/73 " Rapport du Groupe 'Énergie' au COREPER sur la Communication de la Commission sur les progrès nécessaires de la politique énergétique ; concernant les orientations et actions prioritaires pour la politique énergétique communautaire ", Bruxelles, 18/5/1973 ; " Politique de l'énergie – Europe "; " Memorandum from Director of Central Intelligence Schlesinger to President Nixon, Washington, April 20, 1973, in : *FRUS 1969-1976, Energy Crisis*, n° 178, p. 454-455 ; Hellema, Wiebes, Witte, *op.cit*., p. 46-47 ; Barry Rubin, " US Policy, January-October 1973", *Journal of Palestine Studies*, Vol. 3, No. 2 (Winter, 1974), pp. 98-113; Yergin, *op.cit.,* pp. 588-597.

[263] Black, *op.cit.,* 168

such as nuclear electricity.[264] For the Energy Group it was evident that Europe, "*le plus gros bloc consommateur de pétrole*"[265], had to establish a joint oil market. Interpretations differed however on the meaning of such a market. Most delegations pointed to the necessity of showing a united Europe to the external world. The French delegation stressed that such a unity first had to be realised by the establishment of a long-term supply policy. The implementation of an arsenal of measures was necessary for such a policy and exceeded the Commission's proposals.[266] Since 1928, the French government had protected its oil market through a mixture of restrictive and quantitative measures on oil imports, refinery and distribution.[267] If the Community was to play a role in the oil supply of member states, a comparable policy would need to be developed at common level. For example, the oil price had to be standardised.[268] This discussion touched again on the old debate about the role of public services and the room to manoeuvre for the energy companies. The German and Dutch delegations were reserved and described a future internal oil market vaguely as a *"forme de concertation avantageuse pour l'approvisionnement de la Communauté en pétrole brut et pour les sociétés exerçant leur activité dans ce cadre".*[269] The UK government had a very prudent approach to European legislation on oil. Since the discovery of oil in 1969 and perspectives on production in a few years, it had no interest in a strictly organised market.[270]

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[264] ACEU, CM2/1973 888 temp 801 , " R/1229/73 (ENER12) ; Rapport du Groupe "ENERGIE" au COREPER sur Comm de la Commission concernant les problèmes et les moyens de la politique de l'énergie pour la période 1975-1985 [doc R/2176/72 (ENER17) (CHAR22) (COMER393)] "

[265] Citation de la délégation française, ACEU, CM2/1973 887 temp 800 , T/203/73 "Avant-projet de rapport du Groupe "Energie" au COREPER; Communication de la Commission au Conseil sur les progrès nécessaires de la politique énergétique (doc R/2176/72 (ENER 17) (CHAR 22) (COMER 393)) "

[266] ACEU, CM2/1973 887 temp 800 , T/203/73 "Avant-projet de rapport du Groupe "Energie" au COREPER; Communication de la Commission au Conseil sur les progrès nécessaires de la politique énergétique (doc R/2176/72 (ENER 17) (CHAR 22) (COMER 393)) "

[267] André PHILIPPON, *op.cit*., p. 371-392.

[268]CADN, 2376, " A/S Réunion du groupe 'Énergie' des 3 et 4 mai 1973 ", Bruxelles, le 5 mai 1973, de la part de Burin des Roziers ; " Politique de l'énergie – Europe ", Note de la direction des affaires économiques et financières, min. Affaires étrangères, JPC/GP, 17/5/1973.

[269] ACEU, CM2/1973 887 temp 800, T/266/73 (ENER), "Projet de rapport du groupe "Energie" au COREPER (27/4/1973); concernant les problèmes et les moyens de la politique de l'énergie pour la période 1975-1985; sur les progrès nécessaires de la politique énergétique (doc R/2176/72 (ENER 17) (CHAR 22) (COMER 393)) " (italics added by author)

[270] Hamilton and Salmon, *op.cit.,* pp 19-21.

The divergent positions were tacit in the discussions on the Commission's proposition on a common regime for the import of hydrocarbons from outside the community.[271] The proposition concerned measures for surveillance and safeguarding of stocks which could be taken by public services in times of crisis. While the measures did not go far enough for the French delegation, for the Dutch and Germans they were excessive. The Dutch preferred an internal market with a *"concertation souple avec les compagnies petrolières"*[272]. The French, however, underlined the necessity to integrate this regulation within the wider judiciary framework of an internal market.[273] Without any prospect for agreement, the proposition did not appear on the Council's agenda for 22 May. But the discussion on the organisation of the common energy market would remain a central theme during the debate on a future European energy policy during this same Council of Ministers.

Only two propositions for legislation concerning the European oil market were discussed effectively at the Council on 22-23 May. Firstly, a directive on the coordination of measures to relieve the consequences of an oil shortage[274] showed awareness of the current supply risks. The necessity of a response to a potential shortage had become reality. This had already been the subject of discussions at the OECD a year previously. With unanimity, the Council of this organisation had decided that the member countries would prepare in advance plans for reducing the consumption of oil and oil-related products.[275] But in the spring of 1973 it became clear that the implementation of this decision at the European level would not result in firm European cooperation to cope with oil shortages. The UK delegation, especially, was very intent that no authority be transferred to common level.[276] They were supported by the French SGCI which deemed it far too early to invoke a more thorough oil repartition system

[271] ACEU, CM2/1973 885 temp 798, COM(72)1203 final, Proposition de règlement du conseil portant établissement d'un régime commun applicable aux importations d'hydrocarbures en provenance des pays tiers., Bruxelles, 4/10/1972

[272] CADN, RP CE Bruxelles, 2376, " Réunion du groupe énergie des 4 et 5 avril 1973 "

[273] CADN, RP CE Bruxelles, 2376, " Réunion du groupe énergie des 4 et 5 avril 1973 "

[274] ACEU, CM2/1973 885 temp 798 " COM(72)1205 Proposition de directive du Conseil concernant les mesures destinées à atténuer le effets de difficultés d'approvisionnement en pétrole brut et produits pétroliers " Bruxelles 10/10/1972.

[275] OECD, C(72)201 final, "Repartition des approvisionnement de pétrole dans la zone européenne de l'OCDE en cas de crise", Paris, 10/10/1972.

[276] ACEU, CM2/1973 0011 temp 53, PV 244ème session du Conseil

and a harmonious application of measures in times of oil crisis.[277] Responses on oil shortage would therefore remain exclusively at national level. The directive only concerned the installation of national organisations which would take care of the preparation of intervention plans and the implementation of necessary measures. During the Energy Council, the ministers reached agreement and the directive was eventually adopted on 24 July.[278] Later, during the oil shock, the European Commission would add additional proposals to make the directive more powerful.

Another proposal for legislation concerned financial aid for research and exploration for oil, a theme which had been subject to long discussions since 1971.[279] Originally, the matter concerned a wider field of measures to favour the development of a European oil industry and to encourage exploration and research for oil in the European communities. But the large differences between the oil enterprises had proved to be insurmountable. The structures of the large multinationals, the smaller independents and the state-owned companies were too dissimilar in terms of taxation, pricing policy or administrative licensing. Still, the Energy Group considered the search for new oil fields indispensable. Apart from the risks for the oil supply linked to the developments within OPEC or due to the Arab-Israeli conflict, the Group foresaw an oil shortage in the long term if no new reserves were found and exploitation technologies were improved.[280] Research for new *secure* oil reserves was however extremely costly because of their off-shore location. The French Quay d'Orsay calculated that oil exploitation costs in the North Sea Ekofisk area would be easily eight times more than in Saudi Arabia.[281] A new Commission proposal, narrowed down to only a financial aid, offered

[277] MAE, CADN, 2376, " Orientations et actions prioritaires pour la politique énergétique de la Communauté ", message à l'attention du représentant permanent de la France auprès des CE, Burin des Roziers, de la part du secrétaire général adjoint Albert Costa de Beauregard, Paris, le 9 mai 1973, CE/7711, le 10/5/1973.

[278] Directive n°73/238/CEE du Conseil du 24 juillet 1973 concernant les mesures destinées à atténuer les effets de difficultés d'approvisionnement en pétrole brut et produits pétroliers, JOCE, n°L228, 16/8/1973)

[279] See d'Amarzit, *op.cit,* p.86 *e.a*.

[280] ACEU, CM2/1973 888 temp 801 , " R/1229/73 (ENER12) ; Rapport du Groupe "ENERGIE" au COREPER sur Comm de la Commission concernant les problèmes et les moyens de la politique de l'énergie pour la période 1975-1985 [doc R/2176/72 (ENER17) (CHAR22) (COMER393)] "

a way out. Now, the laborious debate on the definition of a common enterprise could conveniently be shelved without delaying oil exploration projects. The new financial aid, which would be discussed positively on 22 May and finally approved on 9 November, concerned technological development for exploration, exploitation, storage or oil transport in off shore projects, such as the North Sea.[282]

§3.9 International energy relations, a source for debate

In preparation for the Energy Council, the new Commission delivered a relatively short report in order to provide a structure for the Council's discussion on 22-23 May. In this *Priority Orientations and Actions for a Common Energy Policy*[283] three central themes were discussed in a to-the-point style*:* a European internal market, international energy cooperation and a dialogue with oil-producing countries. The first theme has been analysed in the preceding paragraph. The following paragraph focuses on the latter two issues which concern the international relations of the European Community.

Common international relations were high on the European agenda. International policy was *de facto* an important factor in energy politics. Relations with both energy producers and consumer states were determinants for a secure supply at low prices. Moreover, international consumer cooperation was effective if not indispensable for technological development and necessary investments. This concerned, for example, deep water oil exploration and exploitation or nuclear energy. Although international cooperation concerned all energy-

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[281] Costs per baril: 0,12 $ in Saudi Arabia, 1,00 $ in Ekofisk area. CADN, RP-CE, 2376, " Politique de l'énergie –Europe ", Note de la direction des affaires économiques et financières, Min. affaires étrangères, JPC/GP, 17/5/1973.

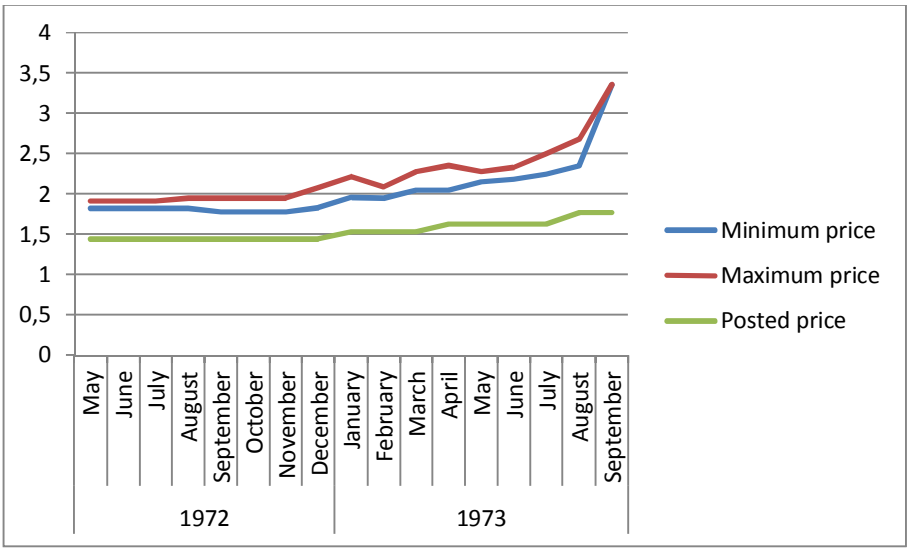
[282] Regulation CEE n°3056/73 du Conseil concernant le soutien de projets communautaires dans le secteur des hydrocarbures. JOCE n° L312/1, 13/11/1973. On this financial aid: d'Amarzit p. 59-76. See also Demagny-Van Eyseren, " L'Europe à la recherche […] ". On the exploration and exploitation of oil in the North-Sea and their funding, see: Francesco Petrini,"L'Europe occidentale et la première crise pétrolière. S'assurer l'énergie par la coopération technologique.", in: Christophe Bouneau, David Burigana & Antonio Varsori (dir) *Trends in Technological innovation and the European construction. The emerging of enduring dynamics ?,* Peter Lang, Bruxelles, 2010, pp. 123-140

[283] ACEU, CM2/1973 888 temp 801, "SEC(73)1481 final; Orientations et actions prioritaires pour la politique énergétique communautaire", 19/4/1973

related matters, the debate concerning this cooperation on 22 and 23 May mainly focused on oil.

3.9.1 Cooperation with energy consuming countries

The basic thought on cooperation with oil consumers was that it could reduce the risks of both an oil shortage as well as drive up prices by overbidding energy companies. Forecasts foresaw a substantial rise of world demand in oil in the long term and a related growth of international competition: Global consumption was estimated to double between 1970 and 1985, and was even to increase fourfold by the end of the century.[284] Recent developments had shown that national measures by large consumer states could have important global consequences such as an artificial shortage or explosive price rises caused by overbidding. For example, the monetary turmoil on the American dollar of the previous few years had been an important factor for some oil producer states causing them to put an upper limit to, or cut, their oil production. Moreover, Nixon's abolition of quotas in April had caused an accelerated increase of market prices[285] (see Figure 3.3).



[284]ACEU, CM2/1973 888 temp 801, " R/1229/73, Rapport du Groupe 'Energie' au COREPER sur Comm de la Commission concernant les problèmes et les moyens de la politique de l'énergie pour la période 1975-1985 [doc R/2176/72] ", Bruxelles 11/5/1973.

[285] CADN, RP CE Bruxelles, 2376, " Politique de l'énergie –Europe ", Note de la direction des affaires économiques et financières, Min. affaires étrangères, JPC/GP, 17/5/1973, Adelman, *op.cit.* ;Yergin, *op.cit.*

Figure 3.3: Pre-oil shock Arab light crude prices per month in US$ per barrel (May 1972- September 1973)[286]

Insistence on better international cooperation between consumer states had originated from the United States. As has been mentioned in the above, in 1972, structural changes in the oil market had prompted American initiatives at the OECD to study the possibilities for better international cooperation between consumer states. Discussions on the matter at the OECD Council were planned for June 1973. Meanwhile, voices had become louder in favour of consumer cooperation in new, still to be created bodies. This opinion was most clearly expressed by the influential American oil consultant Walter Levy.[287] But his views were contested by the oil producers. After a public presentation by Levi of his ideas in March, the Saudi minister Sheikh Zaki Yamani warned of unfavourable Arab responses in case of a creation of a united front by consumers.[288] Shortly after his presentation, Levy was engaged in April as the American consultant to the OECD Oil Committee, but the chair of this Committee, Wansink, had the engagement cancelled. Threatening to resign, Wansink insisted that Levy's appointment should have been "*cleared*"[289] with the Oil Committee before his appointment.[290] The affair informs us of American ambitions for the study on consumer cooperation which they had initiated at the OECD. The engagement of Levy must have been consciously made. It also shows the delicacy of the subject and divergence of positions within the OECD Oil Committee, a feature of which Wansink was apparently aware.

The EC Council had also been approached directly by the American administration on a possible consumer cooperation.[291] When the Council's President Van Elslande proposed to send confirmation that the European Community would act as "*interlocuteur des Etats*

[286] Source : Adelman, *op.cit.,* p. 96.

[287] Garavini and Petrini, *op.cit.,* p. 222.

[288] CADN, RP-CE, 2375, Conseil énergie.

[289] NARA, Embassy in The Hague to State, Telegram 1480 "Reaction to energy speech of Walter Levy", The Hague 1480, April 1973.

[290] NARA, Embassy in The Hague to State, Telegram 1480 "Reaction to energy speech of Walter Levy", The Hague 1480, April 1973.

[291] CADN, RP-CE, 2375, " Programme de travail relatif à l'établissement d'une politique énergétique communautaire ; Proposition de la Présidence " Bruxelles, le 7/2/1973, Représentation permanente de la Belgique auprès des Communautés européennes

Unis"[292], the French Ministry of Foreign Affairs clearly replied that this would be unacceptable.[293] As the French pointed out, the American initiatives were too vague and did not specify the substance of such cooperation. However, a new American initiative for a much larger transatlantic cooperation could not be neglected as easily. On 23 April, Henry Kissinger made an explicit appeal for energy cooperation in his notorious Year of Europe speech.[294] He publicly proposed the creation of no less than a renewed Atlantic charter, making references to the 1941 charter on post-war goals between the second world war Allies. This new charter, he said, would lay the basis for renewed transatlantic cooperation, to be established formally by the visit of the American President Richard Nixon to Europe before the end of the year. Energy was one of the few fields of cooperation that he explicitly mentioned, alongside matters such as security and monetary issues. His way of implicitly linking these fields was to be one of the major points of European criticism.[295] Although the Americans agreed to remove the linking option and also agreed to other changes, the Europeans, especially the French, never became passionate about the initiative. The Year of Europe project would preoccupy the member states at least until the end of the year. But eventually the Charter would never materialise except for a joint declaration to celebrate the 25th anniversary of NATO the following summer. Richard Nixon travelled to Europe for this occasion.

A possible international cooperation between energy-importing countries was debated within the Energy Group in the spring of 1973. The Commission's *Necessary progress* of October 1972 had raised the question of an international cooperation of energy consumers. But in the report, the proposals did not go beyond an improvement of information exchange at the OECD or the inclusion of additional countries in the existing consultation between the EC and

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[292] *idem*

[293] CADN, RP-CE, 2375, " Message a l'attention d3e monsieur l'ambassadeur representant permanent de la France auprès des communautés européennes ", de la part du secretaire general adjoint JP Souviron, Paris, le 15/2/1973, CE/2651, Telex très urgent.

[294] On this speech and the subsequent American-European discussions, see for instance: Möckli*, op.cit.*, pp.140-183; Gainar, *op;cit*; pp. 97-162; Hamilton-Salmon, *op.cit.*, 8-19, Gfeller, *op.cit*., pp. 19-57; Melandri, *op.cit*., pp. 79-96.

[295] Pour le texte du discours prononcé à New York : *http://www.cvce.eu/obj/address_given_by_henry_a_kissinger_new_york_23_april_1973-en-dec472e3-9dff-4c06-ad8d-d3fab7e13f9f.html*

the US.[296] The draft, and final, reports of reflected their conclusions on this matter. A comparison of these texts reveals a gradual change of opinion within the Group. It gives the impression that the international developments as to the price of oil and American insistence on closer cooperation were reflected in the debate. Initially, the delegations rapidly agreed on the necessity for an improved international information exchange to reduce the risks of oil price explosion or an artificial oil shortage. At the same time, such a consultation was not to appear intimidating to oil producers.[297] Gradually, however, the idea of the creation of a new international cooperation body slid into the reports. The Energy Group maintained in its draft report of 25 April that the creation of such a body could be possible if existing bodies proved to be insufficient.[298] The idea was fed by the new Commission's report *Priority Orientations and Actions for a Common Energy Policy* which was delivered on 19 April in order to prepare for the Council's debate. Prepared by the DG Energy, in cooperation with notably, the DG External Affairs[299], this document offered a much broader outline for a possible international cooperation than the Commission had suggested before. Now, an international cooperation should be shaped jointly with the US, Japan and oil-importing developing countries. To this end, a kind of deliberation body would be created wherein the national representatives for energy would meet frequently. Moreover, the Commission would make exploratory missions to these countries. The agenda of an international cooperation would include questions related to a possible oil shortage such as agreements on oil stocks and an apportionment scheme of oil supplies in case of emergency. Additionally, the Commission mentioned other fields for cooperation such as scientific and technological research, for example, in nuclear energy or deep water oil exploration and exploitation. The latter was especially interesting in relation to the discovery of large oil reserves in the North Sea.[300] Three weeks later, the final report to COREPER indicated that opinions differed on the necessity of a new cooperation and on its

[296] ACEU, CM2/1973 885 temp 798, COM(72)1200 final "Progrès nécessaires de la politique énergétique communautaire"4/10/1972.

[297] ACEU, CM2/1973 887 temp 800 , T/203/73 "Avant-projet de rapport du Groupe "Energie" au COREPER; Communication de la Commission au Conseil sur les progrès nécessaires de la politique énergétique (doc R/2176/72 (ENER 17) (CHAR 22) (COMER 393))" .

[298] ACEU, CM2/1973 887 temp 800, "T/262/73 (ENER), Bruxelles, le 25 avril 1973, Projet de rapport du goupe "energie" au comité des representants permanents".

[299] Discussion within the Commission, for example by the Chefs de Cabinet on 11 April. HAEC, BAC 259.80, COM(73) PV 249, Brussel, 18/04/1973.

[300] ACUE, CM2/1973 888 temp 801, SEC(73)1481 final, " Orientations et actions prioritaires pour la politique énergétique communautaire ", Bruxelles, 19/4/1973.

substance. Next to preventing overbidding on price, a possible system for the apportionment of oil supplies in times of crisis was mentioned as well. Without giving conclusions, the entire debate was transferred to the Council.[301]

The member states maintained different positions on this question. They all agreed on the necessity to cooperate with other oil-importing countries. They also agreed, generally speaking, on a prudent approach to the subject in order not to worsen the already delicate relations with the oil-producing states. It was imperative to avoid the supposed international consumer cooperation resembling *« une coalition de pays nantis face aux pays moins développés exportateurs de pétrole »*[302]. For some, such as the French and Italian delegations, this meant rejection of the creation of a new international cooperation. In their opinion it would be much better to intensify contacts and consultations at the OCDE. Others doubted that concrete results could be reached, within this body, on elementary issues such as oil prices and outbidding or a dialogue with producer states. In the eyes of the UK Minister Boardman, only close cooperation with other oil-consuming states would guarantee supply. The German Rohwedder stressed the growing global oil consumption. In his view, it would boil down to a harmful situation for the Community if it did not harmonise the interests of the three large oil consumer regions: the European Community, the United States and Japan [303]

For the French DAEF at the foreign ministry, another advantage of consultation at OECD level would be the maintenance of international oil relations at governmental level. The European Commission appeared to take a role which, according to Quay d'Orsay, exceeded its assigned power, especially in the absence of a European energy policy. The French rejected the idea that the Commission would undertake exploratory missions with the USA and Japan on international energy cooperation. Following the French ministry of foreign

[301] ACEU, CM2/1973 888 temp 801 " Rapport du Groupe "ENERGIE" au COREPER sur la Communication de la Commission sur les progrès nécessaires de la politique énergétique ; concernant les orientations et actions prioritaires pour la politique énergétique communautaire ", Bruxelles, 18/5/1973, ACUE.

[302] MAE, CADN, 2376, " Orientations et actions prioritaires pour la politique énergétique de la Communauté ", message à l'attention du représentant permanent de la France auprès des CE, Burin des Roziers, de la part du secrétaire général adjoint Albert Costa de Beauregard, Paris, le 9 mai 1973, CE/7711, le 10/5/1973 ; See also the hereabove mentioned (draft) reports of the Energy Council.

[303] ACEU, CM2/1973 0011 temp 53, PV 244ème session du Conseil.

affairs, just before the Energy Council in May, international energy was an affair to be handled by national governments and not the institutions in Brussels. It would therefore be necessary to specify the authority of the Commission *"afin de les limiter à ceux d'un porte-parole des États membres lié par un mandat impératif."*[304]

3.9.2 Relations with oil-producing countries

In its report on the priorities for choosing a European energy policy, the European Commission deemed that intensification of the relations of the European Community with oil-producing states would be necessary to create a climate of trust and therefore a stable supply of oil and price.[305] The recommendation was that a procedure should be created to obtain a mutual exchange of information and a dialogue with oil producer states.[306] All member states agreed, but especially the UK and French delegations underlined the need for a prudent approach towards the Arab oil producers. Such cooperation should not be included in a common commercial policy but was the direct responsibility of the member states.[307] They doubted if the oil-producing states, having oil as trump card in the negotiations, would accept a deal at the association level. Only specific contracts would guarantee supply. Moreover, relations at a common level would exceed the Commission's competences, especially with the absence of a well-developed common oil policy. This project should thus be limited, , to the domain of tariffs and quotas.[308]

As a matter of fact, Quay d'Orsay also doubted whether the nine member states would be *capable* of building, at governmental level, a coherent European policy towards the oil

[304] CADN, RP-CE, " Politique de l'énergie –Europe ", Note de la direction des affaires économiques et financières, Min. affaires étrangères, JPC/GP, 17/5/1973.

[305] AEU Conseil, CM2/1973 888 temp 801, SEC(73)1481 final, Bruxelles, le 19 avril 1973, "Orientations et actions prioritaires pour la politique énergétique communautaire".

[306] ACEU, CM2/1973 885 temp 798, COM(72)1200 final "Progrès nécessaires de la politique énergétique communautaire"4/10/1972.

[307] CADN, 2376, " Orientations et actions prioritaires pour la politique énergétique de la Communauté ", message à l'attention du représentant permanent de la France auprès des CE, Burin des Roziers, de la part du secrétaire général adjoint Albert Costa de Beauregard, Paris, le 9 mai 1973, CE/7711, le 10/5/1973.

[308] Beers, M.C. " Les Européens, le choc pétrolier et le débat en cours sur les relations internationales en domaine de pétrole ", Andreas Wilkens (dir) *Une année particulière. 1973 et les tourments de l'Europe,* Peter Lang, Bruxelles, to be published.

producers. The Europeans diverged essentially in both economic interests and political views on the Arab-Israeli conflict. On the one hand, the energy conditions varied between the member states. For example, while the French and the Italians were much more dependent on imported oil, the UK and the Netherlands could profit from their oil and gas reserves in the North Sea. For the UK, forecasts estimated a 50% oil dependency from imports. On the other hand, some states such as the Netherlands maintained a pro-Israel stance in relation to the Middle Eastern conflict. It was precisely the American political and economic support of Israel that had aroused alarming Arab anti-American threats of a potential use of the 'oil weapon'. In preparation of the Council, Jean-Pierre Cabouat, Head of General Affairs of the DAEF, recommended therefore in a detailed note : *« Nous devrons donc veiller à préserver aussi longtemps que cela sera nécessaire notre liberté d'action et la possibilité de conserver ou d'établir, avec certains des pays exportateurs de pétrole, des liens privilégiés »*[309].

Because of its political nature, , the Energy Group sent this question to the Council without much discussion.[310] On 22 May, the Italian delegation recalled a statement made at the 33rd OPEC session to link oil supply to the EC with economic development within the oil producing countries. It concerned mainly technological aid and the creation of industries. This session would have taken place just before the EC Council of Ministers. Giorgio Bombassei de Vettor, a Permanent Representative in Brussels, proposed to give a response in order to create a positive atmosphere by a declaration of intention which would announce a profound study of the OPEC proposition.[311]

§3.10 Deadlock on priorities for a European energy policy

In the few weeks prior the Council, tensions were growing about the oil market. During his annual May Day speech, Sadat was not far from promising war on the territorial question in

[309] CADN, RP-CE, 2376, " Politique de l'énergie –Europe ", Note de la direction des affaires économiques et financières, Min. affaires étrangères, JPC/GP, 17/5/1973.

[310] ACEU, CM2/1973 888 temp 801 " Rapport du Groupe "ENERGIE" au COREPER sur la Communication de la Commission sur les progrès nécessaires de la politique énergétique ; concernant les orientations et actions prioritaires pour la politique énergétique communautaire ", Bruxelles, 18/5/1973 ; CADN, RP-CE, 2376, " Politique de l'énergie – Europe ", Note de la direction des affaires économiques et financières, Min. affaires étrangères, JPC/GP, 17/5/1973.

[311] ACEU, CM2/1973 0011 temp 53, PV 244ème session du Conseil.

the Middle East. He announced a new phase in the conflict characterised by "*total confrontation*"[312] with Israel and America. On 3 May, King Faisal declared to Frank Jungers, President of Aramco, that the US government urgently needed "*to change the direction that events are taking us in the Middle East today*".[313] Aramco should endeavour to effect a change of the American government's political posture towards the Middle East problems, especially concerning its policy towards Israel.

Approaching the Council of Ministers, the different positions of the member states were revealed on the question of a secure supply for the community. At one extreme, France was underlining the necessity to develop a common energy market. At the other, Germany and the UK emphasised the need for the community to develop international energy relations. On 8 May, the English threw oil on the fire by delivering a draft resolution for the Council of Ministers which emphasised the need for the EC to build on international relations with both oil producers as consumers:

> *"Le Conseil partage également le point de vue de la Commission suivant lequel l'impératif prioritaire est d'améliorer les relations économiques et commerciales avec les producteurs de pétrole et d'assurer la coopération entre les pays utilisateurs de pétrole en ce qui concerne l'approvisionnement. Il convient, dans cet ordre d'idées, de tenir compte, dans toute la mesure voulue, des intérêts des pays en voie de développement."*[314]

The annoyed French delegation rejected the text concerning these external relations, specifying that it was prioritising the development of the internal market.[315] They convinced their European partners not to use the draft Resolution "*afin que le débat revête l'ampleur désirable et ne porte pas sur la discussions de dispositions particulières.*"[316] The affair not only illustrates the differences between member states, it also shows French's substantial expectations of the Council and the desire to have a fruitful debate.

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[312] Hamilton, Salmon, *op.cit.*,p. 23.

[313] Cited in Stobaugh,*op.cit.* p. 182-183.

[314] The resolution is entirely cited in: CADN, RP-CE, 2376, Réunion du Groupe Energie des 8, 9 et 10 mai, Brussels,14/5/1973.

[315] *idem*

[316] MAE, 3834, no 1729-1730 "Préparation du conseil du 22 mai" 19/05/1973

Concerning West Germany, oil was at the centre of current national policies. After a meeting between the oil refinement and marketing company Veba, the economic minister Hans Friederichs announced that this company would take over the exploration company Gelsenberg on 18 June. Moreover, at the same time that the Energy Council took place, Leonid Brezhnev made a five-day visit to Brandt on 18-22 May. Trade on oil and gas was one of the central themes.[317] But, apart from oil, a European resolution on financial aid for cokes was very important for the German government. The Dutch delegation had even been given the impression, during the Council, that Rohwedder had placed the acceptance for renewed aid for cokes as a condition to German support in other matters. It is included in the Dutch minutes of the meeting.[318] But the fact that this did not appear in the verbatim[319] of the Council, as described by the Commission, gives the impression that the Dutch delegation might have misunderstood Rohwedder and exaggerated the issue. Moreover, the financial aid would only be accepted by the Council a few months later, while the German delegation did not reject the common energy policy. To the contrary, it was very actively involved in the discussion about common external relations.

The Commission had provided a favourable basis for a to-the-point debate by delivering in April the paper on the *Priority Orientations and Actions for a Common Energy Policy* to undertake and secure supply in the short and long term. The three themes about the internal energy market, a dialogue between oil producer and consumer countries and cooperation between energy consumer states were presented as jointly buttressing a common supply policy. By focusing on the three most critical energy questions of the time, a sharp debate was forced upon the member states. All Nine favoured such a debate because it included urgent matters to be tackled in order to secure supply in the short and long term. Indeed, the debate on 22 and 23 May touched on the essential problems of a common energy policy. But it would nevertheless not result in fruitful conclusions. The drafting of a final Resolution laboriously took until 5 o'clock in the morning without including decisions on the

[317] Interview with Brandt in Der Spiegel, 28 May 1973, "Ich hoffe, wir bekommen mehr Erdgas und öl'; Bundeskänzler Willy Brandt über Breschnew-Besuchn Osthandel und Berlin-formel".

[318] NL-HaNA, MR, 1217, DIE-123087, " Verslag 244e zitting Raad der Europese gemeenschappen ", Den Haag, 06/06/1973.

[319] ACEU, CM2/1973 0011 temp 53, PV 244ème session du Conseil.

development of a common energy market or the external energy relations of the Community. At the Council, a division of the Nine into two "*camps*"[320] emerged. On the one hand, West Germany, the UK and the Netherlands. On the other hand, France, Italy and Belgium.[321]

All delegations agreed on the importance of an internal oil market. But the UK denounced it too rigid a system and West Germany appealed for a cautious and realistic approach in order not to block the urgent questions of international relations. Eventually, all delegations agreed on the priority of the development of common international relations, often considered to be indispensable for the safeguard of energy supply. Without these relations *« toute la politique communautaire risquerait d'être en porte-à-faux »* [322], remarked the Luxembourger Minister Marcel Mart. The French Minister Jean Charbonnel rejected the creation of a new cooperative body straight away. Instead, consultations had to continue at the OECD. He proposed to intensify and possibly reorganise cooperation within this organisation. Charbonnel gained support from the Italian and Danish delegations. The Danish Minister for trade, Erling Jensen, preferred that the OECD host a consumers' cooperation in order not to offend the oil producing countries. Giorgio Bombassei, Permanent Representative at the European Commission, referred to current discussions at the OECD relating to matters which were also important to the Europeans.[323] He proposed to coordinate a joint European position before this OECD meeting. Later in the debate Mauro Ferri, Italian Minister for Industry and Commerce, reiterated the invitation from his Italian colleague. Following Ferri, the OECD functioned already as a channel between Europe and other energy consumers. He proposed that the Europeans would coordinate their positions at the meetings and would confirm their willingness to intensify the consultations:

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[320] Formulé ainsi par Burin des Roziers, télégramme 1745-1753, au ministre du Développement industriel et scientifique, Bruxelles, le 23 mai 1973, " Objet : désaccord entre les Neuf au sujet de la politique pétrolière de la communauté ", CADN, 1233.

[321] idem

[322] ACUE, COM 2/1973, R/1382/73, " Projet de procès-verbal de la réunion restreinte tenue à l'occasion de la 244e session du Conseil (Bruxelles, les mardi 22 et mercredi 23 mai 1973) ", Bruxelles, 19/9/1974.

[323] The list is given later in the debate by the Italian minister for industry and Commerce: it includes development of nuclear energy, protection of the environment, Scientific and technological research, studies on oil supply, monetary problems and others. ACEU, CM2/1973 0011 temp 53, PV 244ème session du Conseil.

> "*Ayant fait remarquer la tendance qui s'est fait jour au sein du Comité des Représentants Permanents d'utiliser, du moins dans un premier temps, le cadre de l'OCDE pour les consultations entre la Communauté et les autres pays consommateurs, M. Ferri suggère que les Chefs des délégations des États membres qui participeront à la réunion se rencontrent à Paris immédiatement avant le début de celle-ci afin de coordonner leurs attitudes en tenant compte des travaux préparatoires effectués par les Représentants Permanents de leurs Gouvernements auprès de l'OCDE et de déclarer qu'ils sont, par conséquent, disposés à poursuivre et à intensifier les consultations relatives aux problèmes énergétiques en général et à celui de l'approvisionnement en pétrole en particulier. »*[324]

Simonet responded very positively to the idea. As a matter of fact, the Commission would already have contacted the OECD "*pour régler les détails de la procédure de dialogue avec les grands centres de consommation d'énergie*"[325]. Following Simonet, this organisation *"constitute le meilleur cadre possible pour ce genre de discussion»*[326]. At the end of the debate, Willy Claes, Belgian Minister for Economic Affairs and at the time President of the Council, took note of an agreement on Ferri's proposal to manage a coordinating meeting before the OECD Council of 6-8 June.[327] The option to maintain intensive consultations with other consumer states at the OECD had thus been accepted by all Nine.

The agreement on the OECD meeting notwithstanding, the Nine were not managing to achieve a compromise during the May Energy Council. In order to escape the impasse between the state members, Simonet proposed to agree on a *simultaneous* realisation of the three themes discussed (common energy relations with consumers, development of a dialogue with oil producers and the creation of a common energy market). In this way, the disagreement on the choice of priority for one of these themes would not be a problem anymore. EC foreign relations and the development of an internal market could be dealt with at the same time. Eight member states accepted the proposal, but France maintained its position that a European energy policy first had to be developed as *quid pro quo* before any

[324]ACEU, CM2/1973 0011 temp 53, PV 244ème session du Conseil.

[325]*Idem*

[326]*Idem*

[327] *Idem*

international energy relations for the community. The disagreement resulted in a final resolution which hardly reflected the intensive debate conducted since mid-February. In the document, the Council invited the Commission to deliver propositions on diverse themes before 31 December 1973: development of relations with oil-producing states and cooperation with energy consumer countries, the implementation and organisation of a common oil market, the promotion of nuclear energy, the future role of coal in supply in the European Community, the use and the valorisation of natural gas, the problems linked to the protection of the environment in the implementation of a common energy policy, the rational use of energy and R&D in the search for new energy sources.[328] Indeed, as Burin des Roziers concluded: « *Le dossier demeure donc ouvert* »[329].

§3.11 New directions

After the Council, the failure of the Nine to reach a compromise was generally received badly in the press. Rohwedder, for instance, had stated at a press conference that he blamed the French delegation for the disappointing results of the Council. While eight of the nine European state members had been willing to define a common policy with regards to oil-producing states and the principal consumer states, France had stubbornly maintained its demand of a market organisation prior to external relations.[330]

Despite the overall disappointment after the EC Council, within two weeks an improved cooperation between energy consuming states was taking form the OECD Council of 6-8 June 1973. The agenda of the meeting included the on-going energy assessment on a broad array of energy issues. At the request of the Americans, the assessment had also included the study on possible consumer cooperation. During the Council, all participants (European and non-European) declared that their governments were determined *"to pursue and develop close co-*

[328] *Idem* ; NL-HaNA, MR, 1217, DIE-123087, " Verslag 244e zitting Raad der Europese Gemeenschappen ", le 6 juin 1973.

[329] CADN, 1233,télégramme 1745-1753, au ministre du développement industriel et scientifique, Bruxelles, le 23 mai 1973, Objet : désaccord entre les Neuf au sujet de la politique pétrolière de la communauté ".

[330] CHAN, 5AG2/1035 (Affaires européennes -Communautés européennes): Télégramme à l'arrivée No 2558/60 de la part de Sauvagnargues aux Directeurs, Bonn 24 mai 1973, a/s/ "Pessimisme de M.Rohwedder sur la politique énergétique communautaire"

operation within OECD on energy policies".[331] Mauro Ferri, who was also the Italian delegate at this meeting, stressed, in addition, the link between EC energy policies and the OECD. The diagnosis at the basis of the EC Energy would coincide with that made by OECD. The French delegate Jean de Lipkowski, Secretary of State of Foreign Affairs, underlined the French support for the continuation and development of a concerted action within the OECD. He added that,

> "*while hoping for the definition of a Community energy policy, [he] thought that the OECD Member countries could set themselves an immediate target of full and regular reciprocal information on the trend of their medium and long-term energy policies so as to make them more effective.*"[332]

Simonet returned to Brussels very optimistically after this and a second meeting on 12 June on oil problems, this time of the OECD Oil Committee's High-level group. Focus had been on the oil problems which the consumer countries encountered. At the centre of discussions were the risks of exploding prices caused by overbidding and measures to counter supply problems. The main themes of a possible consumer cooperation, as discussed within the Energy Group and Coreper in spring 1973, were therefore treated at the OECD level. Directly after the meeting he informed of the progres "*prometteuses"*[333] made at the OECD. He saw an opportunity for rapid agreement on new propositions which would be based on the *Priority Orientations and Actions* of last May. As a matter of fact, Simonet aimed to call for a new Energy Council on the short term and no later than October. [334]

In the following month, the Commission presented its communication *Initial Implementation of the Guidelines and Priority Actions for the Common Energy Policy*[335]. In this document,

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[331] Archives HaNa, Ministerraad, 2.02.05.02, inv nr. 1218, " CES/CRC(73)15, Note on the conclusions at the meeting of the Council at ministerial level on 6th-8th june, 1973 (327th meeting of the Council)", Paris, 12/6/1973.

[332] OECD, C/M(73)15 (Prov) Annex Part II " The on-going energy assessment ", Paris, 8/6/1973

[333] HAEC, BAC 259.80, COM(73) PV 246/final, 2e partie (séance du 14 juin 1973), Réunion 256, p. 7 : " Problèmes dans le secteur de l'énergie".

[334] idem

[335] Conseil, CM2/1973 894 temp 806, COM(73)1320 La première mise en oeuvre des "Orientations et actions prioritaires pour une politique énergétique communautaire", Bruxelles, 25/7/1973.

the Commission followed the same three-pronged approach as it had done in preparation of the Energy Council of May. Firstly, the common relations with consumer states were only swiftly invoked, because of the recently intensified consumer relations at the OECD. The main theme was the issue of the risk of exploding prices by overbidding. Secondly, in the field of common relations with oil producing countries, the Commission proposed to start "*exploratory conversations*" [336] with the oil producer states. In effect, in June, the Council had given clear directives for negotiations with the Maghreb countries. The aim was to construct a liberal trade regime with these countries (Marocco, Tunisia, Algeria) and to build on economic and commercial cooperation, advantages on social security issues for inhabitants who were employed in the Community and, still to be specified, financial and technical cooperation. On oil matters, the Commission was only authorised to make an assessment in Algeria of the opportunity for the establishment of a possible relationship.[337]

The third, and main focus of the document was on the organisation of a common energy market. Six proposals for legislation were part of the Commission's communication. All six concerned hydrocarbon policy. To sum up, three proposals aimed for improved consultations within the Community on the trade of oil and gas. The first two proposals for directives[338] concerned the communications to the European Commission by member states and companies of trade details in oil and gas (quantities, duration of contract, contracting parties, and ports of loading/unloading). These communications would primarily be used by the European Commission to draft confidential overviews on oil and gas trade. The Commission had carefully avoided the delicate issue of possible communications on prices.[339] The third

[336] *idem*

[337] HAEU, Archives Florence, EN_1908, dossier de briefing.

[338] Proposition de Règlement (CEE) du Conseil portant application du règlement (CEE) [..] du Conseil du 18 mai 1972 concernant la communication à la Commission des importations d'hydrocarbures aux produits pétroliers [..] du Tarif douanier commun ; Proposition de Règlement (CEE) du Conseil concernant la communication à la Commission des exportations d'hydrocarbures vers les pays tiers.

[339] Concerning the directive on the communication of oil and gas import, A regulation on the matter had been largely disputed by the Dutch delegations in debates by the Council from November 1969 until 31 January 1972, when the regulations was eventually adopted by the Council. The most delicate issue had focused on the necessity to communicate details on prices (before and after the transaction). Now, the problem was avoided and the directive did not prescribe any communication on prices.

proposition[340] concerned an exceptionally ambitious regulation to improve mutual consultations and the exchange of information on oil and gas supply between the member states and the Commission. This proposition called for a *supply committee*, presided over by the Commission with national delegates as members. Companies could be invited to join and provide information, for instance on their trade and financial capacities. They would also need to provide information on how they would handle a shortage of supply. The member states would provide extensive information on the current national supply conditions. The last two proposals for legislation[341] concerned the monitoring of imports and exports of oil. These proposals were put forward in the context of the establishment of a common market.[342] One proposal to be decided on[343] aimed to legalise export restrictions on oil outside of the community. The export restrictions conflicted with the Treaty of Rome[344] but could serve as an instrument for controlling the supply of oil. This proposal would increase in importance three months later during the oil shock.

In June, after the OECD meetings, Simonet had counted on a rapid general consent on the proposals, but he was soon disappointed. At the beginning of September, no significant progress had been made. Speaking to Ivar Nørgaard, President of the Council at the time, he insisted on rapid deliberations on the proposal. Now, he foresaw an Energy Council for the second half of November. In the meantime, developments within the oil market made urgent a

[340] Proposition de Règlement (CEE) du Conseil portant établissement d'une procédure commune de consultation sur l'approvisionnement de la Communauté en hydrocarbures.

[341] Proposition de décision du Conseil concernant les modalités d'application du règlement (CEE) N 1025/70 aux importations d'hydrocarbures en provenance de pays tiers ; Proposition de Règlement (CEE) du Conseil concernant les modalités d'application du règlement (CEE) N 2603/69 aux exportations d'hydrocarbures à destination des pays tiers.

[342] ACEU, CM2 1973 894 temp 806, "COM(73)1320, Communication de la Commission au Conseil sur une pemière mise en oeuve des 'Orientations et actions prioritaires pour une politique énergétique communautaire. ", Brussels, 25/7/1973.

[343] Proposition de décision du Conseil supprimant certains produits de l'annexe au règlement (CEE) No 2603/69 portant établissement d'un régime commun applicable aux exportations

[344] Treaty of Rome, 25 March 1957, "Article 34: 1. Quantitative restrictions on exports, and all measures having equivalent effect, shall be prohibited between Member States. 2. Member States shall, by the end of the first stage at the latest, abolish all quantitative restrictions on exports and any measures having equivalent effect which are in existence when this Treaty enters into force.",
http://ec.europa.eu/archives/emu_history/documents/treaties/rometreaty2.pdf.

joint European position on oil.[345] Tensions were growing at different levels. Firstly, the threat of the use of the oil weapon was continuously present. On 23 May, actually during the EC Energy Council, the Aramco President and King Faisal met again. The atmosphere was affected by an earlier meeting of the king with the Egyptian President Anwar Sadat who had been pressing to gain more American political support. In his meeting with Jungers, Faisal stressed the fact that Saudi Arabia risked isolation from the other Arab oil producers because the USA did not support the Arab cause in the Middle East problem. He refused to let that happen and asked again for a company's action at governmental level. These conversations were followed by the company's pleading for a change in US foreign policy. For instance, by a public statement of Standard Oil of California on 17 June in the Washington Post and an advertisement in the New York Times on 21 June by Mobil Oil urging for improved cooperation with Saudi Arabia and Iran.[346] On 18 August, Texaco's President asked for a revision of American Middle East policy.

Secondly, in the field of oil producing countries' participation in oil production, relations between oil producing countries and oil companies deteriorated further. In Libya, nationalisations of oil concessions started on 11 June. The picture became very disadvantageous for the Majors. Confronted with a development which seemed to lead to complete nationalisation in Libya, Shell took on an active policy to attain help from its main customer countries in Europe (France, the UK, the Netherlands and Germany) and the EEC. After all, consequences for these states would be huge if Libyan oil was cut off. Europe could lose approximately 500,000 barrels per day. Moreover, a victory for Gadaffi could produce chain reactions in the "*time bombs*" [347] Iraq and Kuwait. On 30 August 1973, Michael Pocock from Shell and Commissioner Simonet had a meeting. His main concern was to reach agreement on a joint stance against the developments in Libya.[348] A week later, Exxon and Shell joined forces in an information campaign to obtain consumers' support against the Libyan policy. Apart from an understanding of their position, they would ask for new

[345] HAEC, BAC 259.80, Com (73)PV 263, séance du 11 september 1973.

[346] Cited in Stobaugh, *op.cit.,*p. 182-183. See also Rüdiger Graf, *op.cit.,* p. 189-190.

[347] SLA, SC 33/49, "Record note of meeting between Mr ; Pocock and Mr Simonet on 30/8/1973 "

[348] *idem*

legislation such as import licences to keep out "*hot oil*" [349], referring to directly purchased oil at public auctions from producers' governments. They also agreed to approach western governments on the matter of apportionment schemes for oil in times of emergency. *"[T]hey should get their allocation systems for crude oil imports agreed urgently.*"[350]

As a matter of fact, the oil companies succeeded in bringing the subject onto the agenda of the OECD Oil Committee's HLG. An additional meeting was planned for 17 October. Discussions would cover the approach of consumer governments to the Majors. Wansink, chair of the group, doubted however if the companies would themselves be invited to the meeting. Apparently, only the Netherlands and the UK consented to their presence. After the unilateral decision of OPEC to raise prices on 16 October, Wansink cancelled the meeting.[351]

In his meeting with Simonet, Pocock also benefited from the opportunity to advise the Commissioner for Energy on long-term energy policies. He listed elements for a comprehensive policy such as a more rational use of energy and the development of alternative sources. Moreover, he underlined the importance of coal as a substitute source and, as he foresaw an enlargement in the trade of this energy source, he advised on the improvement of infrastructures to process larger amounts of coal. Following Shell's minutes of the meeting "*This seemed to be a novel idea for Mr Simonet"*[352].

Thirdly, new negotiations between OPEC and oil companies started. Justified by the February devaluation of the dollar, a settlement was reached on 2 June for a 12% increase of the posted prices. Meanwhile, voices were heard within OPEC in favour of a new negotiation round because of the substantial increase of the market prices in the first half of 1973 (see figure 3.3). At the OPEC meeting on 15 September, the oil producing countries effectively decided to demand renegotiation. The first round was scheduled for 8 October in Vienna and after the Arab demand for a doubling of the posted price, the oil companies requested time for

[349] SLA, 120/46/38, "Record of a meeting with Jamieson, Campbell and Garvin (Exxon) on 6/9/1973

[350] *idem*

[351] NARA, USMISSION OECD to State, Telegram 27064 "Meeting of OECD Oil committee's HLG", 16 october 1973.

352 SLA, SC 33/49, "Record note of meeting between Mr ; Pocock and Mr Simonet on 30/8/1973 ".

deliberations with the consumer countries.[353] The consequence of such a price increase was deemed to be enormous both in monetary as well as in economic terms. The Simonet Group deemed on 16 October that it would imply additional costs of approximately 10 million US dollars and thus a negative balance of payments and a blow to the international economic equilibrium. It could also bring on inflation of more than 2% per year. For the members of the group it was evident that stability in the oil market should be maintained. The highest priority had to be given to securing supply in terms of quantity.[354] However, the participants to the meeting did not know yet that the posted price would be increased by 70% a few hours later on the very same day. The next day, destabilising production cuts would be imposed as well. The oil shock had taken off.

§3.12 Conclusions

After at least fifteen years of disagreement on the interpretation of a European energy policy, in the spring of 1973, the nine member states of the European communities saw an opening for a fruitful discussion on the matter. They were willing to have a high-level ministerial debate on the decisions to make for such a policy and the prerequisite actions needed to reach it. A year earlier, a proposition by the European Commission for a similar debate had been declined for reasons of insufficient preparation and lack of minimal consensus. But in February 1973 these arguments seems to have largely faded when the then President of the Council again launched the idea for a debate on a possible European energy policy. As a matter of fact, the debate was now relatively thoroughly prepared by two reports from the Commission offering an overview of the energy supply situation including prospects until 1985, an analysis of the problems for a European energy supply and a list of possible actions to take tackle these problems. For the French these reports did not suffice, but this was not taken as a reason for postponement of the Council this time. Instead, in the run-up to the Council, the Energy Group worked laboriously on further elaboration of the analysis in order to obtain a version which was satisfying to all member states. Basically, the preview period was extended from the year 1985 to 2000, accentuating the problems for oil supply in the long term and the solutions which could be provided by the research and development of

353 Hellema, Wiebes, Witte, *op.cit.*, p. 46; See: Adelman, *op.cit.*; Yergin, *op.cit.* 599-602.

354 CADN, RP-CE, 2376, " Réunion des Hauts Fonctionnaires energie, Bruxelles, 16 Octobre 1973.

alternative energy sources such as nuclear energy or coal. In the spring of 1973, the desire for a joint energy policy to counter these future supply problems was shared by all member states notwithstanding the perpetual differences on fundamental questions.

The changes in the oil market had started years previously and securing a European energy supply had already been a central theme since the origins of the European communities. It had also been the main objective for the Commission's invitation for a debate in 1972, but at that time the Nine had not been inclined for a debate on a joint position. This switch can be understood against the background of international developments. The debate was a result of the increasing sense of urgency to deal with the tensions in the international energy arena. In the spring of 1973, the price of oil started to climb more rapidly than in previous years. The threat of the use of the oil weapon had become more alarming when the Saudi King Faisal joined the Egyptian President Sadat in the rhetoric. American insistence on consumer cooperation became louder, within and outside the framework of the OECD. Governments had progressively searched for new sources of oil supply. The German government, though essentially liberally oriented, had become more involved in the purchase of crude oil and financing R&D as the large international enterprises increasingly lost their grip on oil and auction sales drove up the market prices. The Western governments were also influenced by the oil producers' threats of using the oil weapon in the Middle Eastern conflict. Oil companies insisted on a governmental diplomatic change in order to secure oil supply. Overall, these international developments had gradually evolved over the last decade, especially the previous five years.

The decision for an Energy Council in the spring of 1973 and the engagement of the Nine can therefore be interpreted as an outcome of a continuous search for a common policy. But only the accelerated developments in the oil market gave urgency to a debate on the foundations of such a policy. The threat of the escalation of a crisis brought the member states' perspectives closer and gave an opening for a possible joint position. The weakness was, however, that the member states individually differed in their expectancies of the Council. On the French side, the emphasis on a centrally-directed oil regime did not fade. But expectations grew that other member states were converging on the same position. These were confirmed by several incidents, such as the October 1972 Summit for the nine Heads of State and Government in Paris. The willingness of its partners to focus more on oil supply than price was for Quay

d'Orsay a sign that they were approaching the French perspective. Probably still more convincing was the new involvement of the German administration in the German oil supply. The creation of the oil exploration company Deminex dated from four years earlier. The German government had given it substantial financial aid for the exploration and exploitation of off-shore oil. Now, in the spring of 1973, the German government increased its share substantially in the German oil industries. Moreover, oil was one of the central themes during Brezhnev's visit to Brandt which was taking place simultaneously to the EC Council. Only four days earlier, on 18 May, the Russian delegation had arrived in Bonn. The increasing involvement of the German government in the oil market was promising to Quay d'Orsay. However, the question remained of how far the Germans would go in the organisation of a European oil regime. During the deliberations in the Energy Group, the German delegation emphasised its rejection from, in their view, excessive governmental control.

A similar change of position was discerned for the earlier liberal-minded UK and Dutch governments. The UK position was largely affected by the imminent oil exploitation in the North Sea. The first discovery had been in 1969 and within a few years the first oil would flow on shore. The government's policy gradually alienated any liberal proposals as it was intensifying its grip on these developments. At the same time, however, it was understood in London that a narrowly organised *common* market could impede English oil policies. In other words, despite its less liberal stance in national oil affairs, the UK delegation did not opt for a too centrally directed European policy. On the other side, the UK problems on coal could benefit from a European incentive for coal-based electricity. Boardman's statements at the Energy Council largely reflected this complex position.

The expectations of the traditionally liberally minded member states, Germany, the Netherlands and the UK, concentrated more on common *international* policies, especially in the field of consumer cooperation. A dialogue with the producers was however, for both the English and French delegations, not an affair of the European communities. As a matter of fact, considering their historically established ties with Middle Eastern countries, the UK and France did not have much interest in developing *common* relations on oil with this region. However, for the small European countries in general, comprising of fairly small diplomatic tools, the European Communities offered a vehicle for improving and maintaining their relations with these countries. These interests coincided with Germany's need to improve its

oil supply channels. Traditionally, oil supply in West Germany had been a concern for the Majors and independent oil companies. But in the context of the changing oil market, safeguarding supply and thus relations with oil producers increasingly became a focus for the West German government.

In the field of common consumer cooperation, most European member states were sensitive to the American urge for international cooperation. Reservations about transatlantic relations were mainly on the French side, fearing American dominance in the cooperation. Moreover, speaking on *common* external relations, it remained to be specified what role the European Commission would play in such relations. This supranational body had an active participating role as observer at the OECD level, but the European member states had never been given their own seat at the table. It is very probable that the European member states foresaw a similar organisation for consumer cooperation outside the OECD. It was only foreseen that the Commission might undertake exploratory missions with extra European energy consumers such as the USA or Japan. Still, the French government clearly rejected the issue, either at the level of the Energy group or at ministerial level, in May. The Italian delegation offered a way out of the deadlock by transferring the European debate to another platform. During the Energy Council in May, the Italian delegation proposed to resume discussions on potential consumer cooperation at the meetings of the European delegations before the OECD Oil committee. As a matter of fact, two weeks after the CE Council, all OECD member countries asserted their determination for close consumer cooperation. Deliberations continued on the extension of an apportionment scheme for emergencies and a general assessment of long-term energy policies.

After the Council, the Commission continued to approach the issue of a common energy policy on three levels: the common market, common international relations with energy consumers and common relations with oil producers. But its communication *Initial Implementation of the Priority Orientations and Actions* was mostly focused on the organisation of the internal market, mainly in the field of oil. The priority given to the internal market was broadly criticised, not least from the German side. Discussions on international consumer cooperation were mostly transferred to the OECD and the issue of common relations with oil producers was less explicitly treated. Still, the propositions of the Commission included sensitive topics, such as those concerning import and export issues or

the creation of a common consultation procedure on energy supply. A new supply committee would assemble national delegates, members of the Commission and interested industrial parties. These challenging propositions promised long deliberations in the autumn of 1973. However, at that time other issues would preoccupy the member states.

4 The Oil Shock: the first six weeks

§4.1 Introduction

On 16 October 1973 the oil shock began. OPEC abandoned its on-going negotiations with the large oil companies and decided unilaterally on a 70% increase to the posted price. Two months later, when the market price had exploded to $20 per barrel, the oil-producing states increased the posted price again by 130%. When this measure was implemented on 1 January, the posted price had reached a level which was fourfold its September level. The developments in the autumn of 1973 mark a fundamental change in the role of the oil majors at the negotiation table with the oil producer states. The decision of 16 October can thus be understood as an outcome of the long-term evolution of the oil market. But the decisions taken the next day by OAPEC[355] were more of a political nature. They were related to the October war which had begun on 6 October. As a matter of fact, the Arab oil-producing states made good their warnings to use the 'oil weapon' as an instrument in the Middle Eastern conflict. They decided to reduce oil production immediately by 5% and thereafter by 5% each month until the retreat of Israel from the occupied territories and Israeli recognition of the Palestinian rights. These measures would be followed by others, such as an additional 25% rebate on 4 November. The measures were variably imposed on the consuming states. Distribution to the consumer state was linked to its political role and position in the Middle Eastern conflict. This method created a source of discord between the Europeans who were facing different levels of restrictive measures.[356]

Since 1974, the oil shock has been studied and analysed thoroughly by witnesses from within the oil market, journalists and academics. A general consensus has emerged that the fundamental economic importance of the oil shock arose from the increase in the price of oil and the Majors' definite loss of control of oil.[357] No consuming state really suffered from a critical oil shortage. The embargoes foremost produced an atmosphere of high uncertainty on

[355] Members of OAPEC at the time : Saudi-Arabia, Kuwait, Libya, Syria, Algeria, Egypt, Bahrein, United Arab Emirates, Iraq, Qatar

[356] Adelman, *op.cit.*, p. 109-117 ; Hellema, Wiebes, Witte, *op.cit*.

[357] "Pivotal Year: the 1973 Oil Shock and its Global Significance." Conference, European University Institute, Fiesole (Florence), 19-21 September 2013.

supply but in reality, oil continued to flow to all consumer states, albeit in smaller quantities.[358]

Safeguarding an oil supply was nevertheless a major concern for the consumer governments and oil companies at the time. Four main policies on securing an oil supply to Europe can be discerned in the many studies on the oil shock: A distribution policy for the Majors, an application of national measures for the reduction of oil consumption[359], use of alternative energy sources for the generation of electricity, and diplomatic efforts by consumer states.[360] Strikingly absent from this list is a coordinated action at the level of the oil consumer states, either at common European level or in the wider OECD context. The preceding chapters of this thesis have revealed growing efforts in Communitarian Brussels and at the Parisian *Château de la Muette* to implement measures for securing oil supplies in emergencies. These measures included the maintenance of oil stocks, an improved exchange of information on supply and investments or the recent proposition of the European Commission for a common supply committee. Moreover, an OECD apportionment scheme for the allocation of oil had already been designed in 1960 and procedures for the implementation had recently been improved in 1972. As a matter of fact, and as a reminder, an earlier version of the apportionment scheme had been employed during the Suez crisis of 1956. Were these measures implemented during the oil shock? What role did they play in the safeguarding of oil supply?

The objective is to understand the European communities' side of the oil shock story. How did the oil shock help the progress towards a European energy policy? The emergence of a crisis laid bare the status of European energy policy on securing supply. Questions can be asked on the progress of the development of the three policies which had been at the centre of the May Energy conference: Organisation of a common market, common international relations with energy consumers and a common dialogue with oil producing countries. After the Energy Council in May, developments on these matters had not halted. In the summer

[358] The oil shock is a focus of many studies of which a selection has been listed in the introduction to this thesis. I would like to mention explicitly the study of Rûdiger Graf on the embargo imposed by OPAEC (*op.cit.)*

[359] The policies for consumption restraint benefited from the mild winter 1973-74.

[360] Although these four factors are, to my knowledge, never been listed together at once. See Graf, *op.cit*., Adelman, *op.cit.,* Prodi, *op.cit.,* Hellema, Wiebes, Witte, *op.cit*.

months, global consumer cooperation had been intensified at the OECD with participation of both European state members as the European Commission. Concerning the organisation of a common market, the European Commission had delivered six propositions on the organisation of a common market, at the end of July. Meanwhile, with the Council's consent, it had cautiously started to make an assessment in Algeria of the opportunity for the establishment of a possible relationship with the European Community on oil. This assessment was included in the larger negotiations with the Maghreb countries on a possible liberal trade regime with these countries. What effect did the crisis have on these three policies? Did the crisis provide an urgency for progress in these fields or did a standstill occur within these policies?

This chapter focuses on the first six weeks of the Oil Shock, from 16 October until 1 December 1973. In this period, the subsequent declarations by OPEC and the Arab league on the posted oil price and production cuts created an atmosphere of high insecurity.

§4.2 The 1973 October war and oil

The decisions by the Arab oil producers on immediate and repetitive oil cuts were closely linked to the conflict in the Middle East. Arab-Israeli tensions had increasingly progressed during the previous year on the question of territories in the Golan Heights and the Suez peninsula which were captured by Israel during the Six-Day War in June 1967. Now, on 6 October, Syrian and Egyptian armies invaded these territories during the Jewish holy Day of Atonement, or *Yom Kippur*. After an initial success for the Syrian and Egyptian forces, the Israelis succeeded in taking the lead in this October War. They forced back the Syrians far into Syrian territory. On the Egyptian side, the Israelis launched a successful counterattack on the west side of the Suez Canal from 15 until 17 October. The Arab decision for the oil embargo was thus made after the war had taken, for them, a disadvantageous turn.

Almost from the beginning, the American and Russian governments were engaged in the action. They supplied arms to their allies and simultaneously tried to appease the situation. Through their diplomacy, a ceasefire was declared on 22 October under the auspices of the United Nations. However, the truce was quickly violated by Israeli forces that surrounded the Egyptian third regiment on the east coast of the Suez Canal. Sadat now openly addressed the

Soviet-Union and the US to intercede urgently in the ceasefire. As the Israelis had been encouraged by Henry Kissinger to fight a little longer after the ceasefire, tensions between the two superpowers now became extremely high. Brezhnev, furious about the American role in the violation of the ceasefire, was asking Nixon directly by correspondence to press the Israelis to stop fighting. But the US government reacted dismissively to the Egyptian and Russian appeals. On 24 October, the situation became extremely tenuous when Brezhnev announced Russia's intention to unilaterally force the compliance of the ceasefire if the United States failed to convince the Israelis. In response, the Americans placed their army under the highest possible so-called "*precautionary alert*"[361] during peacetime. The situation calmed down rapidly thereafter. A new ceasefire was arranged by the UN and enforced by a UN Emergency force formed by non-UN veto powers. The October War came to an end on 25 October 1973 and negotiations began.[362]

The fact that the American government had failed to consult with the Europeans before the security alert was heavily criticised in Europe and influenced European political cooperation in the autumn of 1973. The Europeans had to all effects, only been spectators in this action, despite French and English seats in the UN Security Council. The diplomatic efforts for a cease-fire had foremost been a bilateral Russian-American affair. Moreover, the Americans had informed, not consulted, only a few of its NATO partners before setting the alert on 25 October. The British ambassador, Lord Cromer, was for instance telephoned by Kissinger in the early morning but the North Atlantic Council was only informed of the situation at noon, when rumours about the alert were already widespread. The European countries reacted furiously. They felt they had been treated, as Michel Jobert described, as *"non-personnes"*[363]. This situation would feed a more active French pro-Arab policy and the search for closer European cooperation in this field. From the French perspective, they had to avoid the Middle East becoming *« un champ clos des deux superpuissances*".[364]

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[361] Cited by Paust and Blaustein, *op.cit.,* p. 11

[362] Möckli, *op.cit.,* p. 186-188; Hamilton, Salmon, *op.cit.,* pp; 26-34, Paust and Blaustein *op.cit.,* 4-14

[363] Cited by Milza (1996) *op.cit.* 15. Hamilton, Salmon, *op.cit.* p. 26-34.

[364] MAE, 60, "Entretiens franco-allemands au sommet ", Paris, 22/11/1973

The Europeans issued a joint declaration on 13 October which demanded a cease-fire and a solution based on UN Resolution 242. But the declaration would be criticised by the Arabs for the absence of strong statements and clear-cut support for their cause.[365] Although the Europeans were mostly on the side-lines of this war, the consequences of American policy were reflected in Arab oil policy towards Europe. For instance, on 16 October, the day before OAPEC announced the oil production cuts, European embassies in Jedda received Saudi Arabian warnings on production reductions. They had to press the US to take a more balanced Arab-Israeli position in the war. At the time, the Americans were supplying arms to Israel.[366] Another example was the American-Israeli air-lift via Europe. In order to dissociate from this transport of weapons, most European member states officially banned flights over their territories or American use of their airbases. Only the Netherlands and West Germany did not join in. Just after the ceasefire the latter would also ask the Americans to stop loading arms in their territory.[367] Air transports between 12 and 14 October from the Netherlands, flying American ammunition and tank parts to Israel were organised by the American government with cooperation from the Dutch government. They were held secretly, taking place at night by Israeli Boeings that had been sprayed grey and flowing via civil flight corridors. The personnel involved were mainly cadets from the Royal Military Academy who had been informed that they were doing improvised study-related exercises. Despite all precautions, the transportations were, nevertheless, noticed by the Arab side and provided them with reasons for the oil embargo against the Netherlands.[368]

§4.3 Suspense on the oil weapon in the first two weeks

By the end of the year, new measures were announced by the oil producers. This ten-week period marked a continuing European concern about possible new oil cuts or embargoes. The first OAPEC Resolution of 17 October on the 5% oil cut did not make mention of any

[365] The content was weakened by the Dutch delegation which refused to give mandate to the English and French representatives in the VN Security Council to speak for all Nine. Maria Gainar, *op.cit.* , 2012, p. 181-184.

[366] Hamilton and Salmon, *op.cit.*, p. 29.

[367] Möckli, *op.cit.,* p.226-227.

[368] Analysis of these deliversies and the decision-making concerned within the Dutch government can be found in: Hellema, Wiebes, Witte, *op.cit.*, p. 22-35. In this same book, an analysis is made of the possible causes for the embargo against The Netherlands, one of them being the arm delivery by plane.

embargo against a consumer country but it nevertheless emphasised the variance of measures towards individual oil consumer states: *"the countries that support the Arabs actively and effectively or that take important measures against Israel to compel its withdrawal shall not be prejudiced by this production cut and shall continue to receive the same oil supplies."*[369] Although France and the UK were set in this circle of favoured countries, the Arabs did not mention their names explicitly. They were informed bilaterally of their position.[370] It was more than a month later, at the Arab summit conference in Algiers, that OAPEC decided to compile an explicit list of classifying states.[371]

The OAPEC October Resolution unequivocally made clear that support to or cooperation with Israel would aggravate the situation for the concerned oil consuming countries. The USA would be subjected to severe restrictions, it said. No other countries were named. The Arab oil Ministers explicitly *"recommend that this progressive reduction [of oil production]lead to the total halt of oil supplies to the United States from every individual country party to the resolution."*[372] Two days later, a full embargo would be imposed against the United States after they announced a new large aid program to Israel of $1 billion.[373] Also, two days later, an embargo against the Netherlands was announced. These were the only countries that suffered total embargoes. Other countries, such as Denmark, South Africa or Portugal would suffer partial or minimal boycotts imposed by individual oil producer governments. As a matter of fact, the Resolution formed more or less a *framework* for actions to be taken by the Arab oil producers providing ample room for additional measures by the individual countries. For example, on 17 October OPAEC had decided that "*each Arab oil exporting country*[374] *immediately cuts [off] its oil production by a recurrent monthly rate of no less than 5 per cent*

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[369] " Communique, conference of Arab oil ministers, Kuwait, October 17, 1973 ", entirely reproduced in : Jordan J.Paust, Albert P. Blaustein *The Arab oil weapon*, 1977, Oceana publications, New York, pp 42-43

[370] In the UK case, the government was informed on this by Saudi-Aabia, Abu Dhabi and Qatar. Hamilton & Salmon, p. 32.

[371] " Resolution on oil; Sixth arab summit conference. Algiers, November 28, 1973", entirely reproduced in : Jordan J.Paust, Albert P. Blaustein *The Arab oil weapon*, 1977, Oceana publications, New York, p 63-64.

[372] *idem*, p 44-45.

[373] Graf, *op.cit.,* 192

[374] Except Irak which did not participate in the decisions

to be initially counted on the virtual production of September […]".[375] In the days that followed, this announcement would be enforced in certain oil-producing states such as Saudi Arabia by a doubling of the announced oil cut of 5% to 10%.[376]

Table 4.1 offers an overview of the different measures imposed by individual oil producing countries in the first two weeks of the oil shock. It provides a good representation of the vulnerable position of consumer countries at risk of being notified at any time about new cutbacks or embargoes. It also shows that production cutbacks or embargoes were not imposed simultaneously. For the Dutch government it would take under two weeks before they actually knew which OAPEC member would follow the embargo. The adherence of Saudi Arabia, especially, to the boycott was of great importance for the Dutch, as this country supplied 31 million out of the 80 million tons of the total national oil consumption.[377] Earlier messages from the Saudi Arabian embassy to the Dutch government on an imminent embargo made the period even more stressful. On the 26th, the Dutch government was informed by the Saudi Arabian ambassador that his government was going to decide on an embargo unless the Dutch government denounced Israeli aggression, supported the Palestinian right of self-determination and expressed the necessity that Israel withdrew from the territories occupied since 1967.[378] Eventually, on 2 November, Saudi Arabia would finally finalise the list of embargoing countries. Only Iraq did not participate in the oil cuts or embargoes.[379] This country's government took different measures: On 7 October it had already nationalised the interests of the American Majors Exxon and Mobil in the Irakien Basrah Petroleum Company

[375] " Resolution, conference of Arab oil ministers, Kuwait, October 17, 1973 ", entirely reproduced in : Paust, Blaustein *op.cit.*

[376] NL-HaNA, MR, 1319, "974/104 , Den Haag, 13/05/1974 "Verslag over de gebeurtenissen en maatregelen tijdens de oliecrisis", Yergin, *op.cit.*

[377] NL-HaNA, MR,1237 microfiche , Nr 6187 , Ministerraad 26/10/73 ", Den Haag 26/10/1973

[378] NL-HaNA , NL-EmbParijs, 927, " olie-boycot Saoudi Arabie ", Paris, 26/10/1973

[379] Information on Egypt's participation to the oil cuts and embargoes has not been found. Apparently the Egyptian government hesitated in the end of october of joining the embargo against the Netherlands, but it is unknown what position it took thereafter. Oil production in Egypt was relatively modest. Concerning the Egypitan hesitiation, see Hellema, Wiebes, Witte, *op.cit,* p. 60.

(BPC). Two weeks later it would do the same thing with Royal Dutch Shell's 23.75% share in the same company.[380]

Date	Country	Production cutback (%)	Embargoes	
			US	Netherlands
18 October	Saudi Arabia	10		
	Qatar	10		
	Libya	5		
	Abu Dhabi		x	
	Algeria		x	
19 October	Libya		x	
20 October	Bahrain	5	x	
	Saudi Arabia		x	
	Algeria	10		
21 October	Kuwait	10	x	
	Dubai		x	
	Qatar		x	
	Bahrain		x	
	Algeria			x
23 October	Kuwait			x
	Abu Dhabi			x
24 October	Qatar			x
25 October	Oman		x	x
30 October	Libya			x
	Bahrain			x
2 November	Saudi Arabia			x

Table 4.1: Production cutbacks and embargoes imposed by Arab states in the first two weeks of the oil shock[381]

The Dutch government was officially informed of the producer countries' embargo through each country's embassy in the Netherlands or the Dutch embassy in that region. But it was not always the case that the Dutch government was the first to receive the information. Shell, especially, was very well-informed and often passed on the updated information to the government.[382] Also, European newspapers such as the French *Le Monde* or the German *Der*

[380] SLA, SC 91/a/2, "Shell and the oil crisis - October, 1973-July, 1974"

[381] Paust and Blaustein, *op.cit.,* p. 6.

[382] NL-HaNA, MR,1237 microfiche , "Ministerraad 2/11/1973"; Grünfeld writes on the information flow from the oil companies to the Dutch governments; N*ederland en het Nabije*

Spiegel figured as an instrument for the Arab oil producers to communicate their opinions and measures.[383] For example, the Dutch government was first informed of the Kuwaiti embargo by an article in *Le Monde* on 23 October.[384] Also, even after the embargo announcements it was still to be seen how far the embargo would be pushed through. Its real consequences were not known until the tankers arrived in the European ports and oil effectively flowed to the refineries. The route from the Gulf to Rotterdam normally took a month. When the Dutch Council of Ministers therefore deliberated on 25 October, it did not know the real consequences of the boycott. This was one reason why the government decided to wait with measures on restraining consumption. It also refrained from giving too much public attention to the embargo yet, as public statements had only worsened the situation. In fact, policies for consumption restraint only started when Shell's executive Director, G.A. Wagner, advised the Ministry of Economic Affairs to impose them.[385]

The Dutch Council designed a two-path strategy to secure an oil supply. Firstly, it aimed to minimise the consequences of the embargo through diplomatic actions in the Arab countries. The Dutch ambassador in Iran, Renardel de Lavalette, made a visiting tour to different Arab capitals. His voyage was organised in close cooperation with Shell which evidently held large interests in the region.[386] The other strategy focused on the cooperation within CE and OECD to secure an oil supply. After all, within both cooperative structures the issue of oil supply was already at the heart of discussions.

§4.4 First European reactions to the OPEC and OPAEC announcements

Within the preceding chapters, emphasis is placed on the fact that the decisions of OPEC and OAPEC did not come out of the blue. During the entire year, Arab threats to use the oil weapon had been numerous both in private conversations and in the media. In the same

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Oosten. de Nederlandse rol in de internationale politiek ten aanzien van het Arabisch-Israëlisch conflict 1973-1982, Kluwer, Deventer, 1991.

[383] For instance, the same day the Libyan president Muammar al-Gaddafi was giving an interview to Le Monde with rather pronounced, or even aggressive, opinions on the Western oil consumers and the OPAEC measures. See Graf, *op.cit.*, p. 195 .

[384] NL-HaNA, NL-EmbParijs 927 , telegramme " Most immediate "

[385] NL-HaNA, MR, Council of Ministers 1 november; Hellema, Wiebes, Witte, *op.cit*., p 56-63; See also Grünfeld, *op.cit.*

[386] NL-HaNA, MR,1237 microfiche , Nr 6187 , Ministerraad 26/10/73 ", Den Haag 26/10/1973. On the Lavalette mission, see Hellema, Wiebes, Witte, *op.cit.,* p. 63-66.

period, oil producers had increasingly been demanding adjustments on the posted price against the ever-increasing market prices. The meeting of high-ranking officials on 16 October, mentioned in the previous chapter, was chaired by the Commission's Director General Fernand Spaak and was primarily an exchange of experiences and national positions on current destabilising developments in the oil market such as the oil producing countries' demand for a doubling of the posted prices, the nationalisations of oil concessions in Libya and Iraq, and the consequences of the October War for oil supply and prices.[387] European supply of Arabian and Iraq crudes was affected as East Mediterranean oil export terminals in Syria and Lebanon proved to be damaged or inaccessible.[388] This mainly concerned oil supply to Italy as 24% of its import was loaded at these terminals. In order to ensure its oil supply, this country had put under licence all export of refined oil to countries outside the EC The Belgian delegate informed his colleagues that his country was preparing to do the same. At the same time, market prices were already gaining very high levels at auction sales in Rotterdam's export market. Levels of $136 per ton had been reached, which was more than double the prevailing market prices in the Netherlands (60$/ton) and three times more than the market price in France (45$/ton).[389]

The risks of exploding market prices by overbidding had become a large concern for oil consuming countries since the Majors started losing more and more control of the market. The prevention of a scramble for supplies had been a major incentive to improve international consumer relations since 1972. It had been central to John Irwin's pledge for improving consumer cooperation at the OECD in April/May 1972. It was also one of the main objectives of common relations with energy-consuming countries as discussed by the Energy Council in May. Rapidly, after the start of the oil shock, the question was deliberated within the Energy Group. The issue of exploding market prices by overbidding was, by chance, already on the agenda. But the price increases had apparently not affected the French position on the matter. Burin des Roziers received clear instructions that a prior common position in this field would

[387] CADN, RP CE Bruxelles (côte 2376), " Réunion des Hauts Fonctionnaires energie, Bruxelles, 16 Octobre 1973.

[388] NL-HaNA, MR, 1319, "974/104 , Den Haag, 13/05/1974 "Verslag over de gebeurtenissen en maatregelen tijdens de oliecrisis"; same archives, "Ministerraad 12/10/73"

[389] CADN, RP CE Bruxelles (côte 2376), " Réunion des Hauts Fonctionnaires energie, Bruxelles, 16 Octobre 1973. 1 ton of oil equivalent = 7,14 barrels. Prices in Rotterdam had thus reached an amount of approximately 18,91$ per barrel

still be a prerequisite before contacting consumer states outside of Europe.[390] The French argument ran counter to the German conviction that international action in this matter was urgent. Only a short time prior to this, in a meeting with the American secretaries Shultz and Dent, the German minister of economics had stressed the German preoccupation of avoiding price overbidding by the consumer countries. Destructive competition had to be avoided, in his view.[391]

The question of a possible Council of Ministers on energy was raised by the European Commission on 25 July after the institution had delivered its *Initial Implementation of the Guidelines and Priority Actions*[392]. But since the disappointing results in May, the member states had not shown much enthusiasm for another debate on a European energy policy. At the meeting of the high officials on 16 October, however, the perspectives for such an Energy Council seemed to have become larger than before. Two large subjects would be on the agenda: oil problems and the issue of a European facility for the production of enriched uranium. The UK delegate was sceptical as to whether this Council would yield substantial results, but deemed it necessary to have such a meeting, he said, faced with public opinion. The French delegation shared the same doubts, but underlined the necessity of further deliberations on a European facility for the enrichment of uranium. Finally, all delegates agreed on the possibility of arranging a Council meeting on 26 or 27 November. The German delegate, especially, was supportive of the idea, although he wanted to be assured beforehand of the probability of success. The memory of the Energy Council in May had not yet faded.[393] However, after the OPEC and OAPEC announcements, the probability of a forthcoming Council meeting became smaller. The Commission's President, François Ortoli, was pushing in COREPER for an early Council on energy.[394] But on 22 October, the day after the embargo against the Netherlands, Burin des Roziers received clear instructions from Paris that no

[390] CADN, RP-CE, 2376 , CE/15903 , " politique énergétique communautaire ", Paris, 22/10/1973

[391] RSC, Nixon Security Files, Reel 13, Bonn 14857 , Bonn, 13/10/1973

[392] Conseil, CM2/1973 894 temp 806, COM(73)1320 La première mise en oeuvre des "Orientations et actions prioritaires pour une politique énergétique communautaire", Bruxelles, 25/7/1973avec annexes

[393] CADN, RP-CE, 2376, COREPER, " Réunion des Hauts Fonctionnaires energie, Bruxelles, 16 Octobre 1973.

[394] CADN, RP-CE, 1324, " Coreper 18/10/1973 ", et CADN, 1324, " situation pétrolières ", Bruxelles, 18/10/1973 "

Council meeting was to be scheduled at all. This concerned both the questions on oil and a European facility for the enrichment of uranium.[395] As the latter issue had gained high priority in the previous years, and was not directly linked to the oil supply, this was a striking decision. It is probable that the French government desired to minimise EC meetings on energy, especially at the eye-catching level of a ministerial Council. It had to be avoided to give the Arabs the impression that a joint European position on the oil supply had already been taken.

The visit of François-Xavier Ortoli to The Hague, on 22 October, aroused French irritations, especially concerning his public statements of European solidarity.[396] The visit had already been planned in September and it was merely coincidence that it now concurred with the beginning of the embargo against the host country.[397] But that did not change the risk of giving the Arabs the impression that the Dutch case was supported by the European Commission. Ortoli's statements during the press conference did not help either. He had stated that "*la solidarité européenne jouerait en faveur des Pays-Bas"*[398] in case they would have to face supply problems. Likewise, the extremely long meeting of the Commission on 25 October could be interpreted as common preoccupations with the Dutch cause. This interpretation was not imaginary, all the more so because of the statements of the press agent of the European Commission. He had referred to an injustice which would have been imposed on the Netherlands and that *"le caractère même de la communauté européenne inspire par un dessein politique qui repose sur des intérêts communs commande la solidarité de tous les États membres et leur appui coordonné aux pays menacés."*[399] Burin des Roziers commented

[395] CADN, RP-CE, 2376 , CE/15903 , " politique énergétique communautaire ", Paris, 22/10/1973.

[396] CADN, RP-CE, 2399, " Reactions des milieux communautaires en presence des problèmes d'approvisonnement en petrole liés a la crise du Moyen-Orient ", Paris, 26/10/1973, 3669-3673.

[397] The details on the organisation of the visit are to be found at Nationaal Archief (2.05.313, bestanddeel 17166). The planning of the visit started in september. Information on the agenda and procedures of the day:"Programme de la visite officielle aux Pays-Bas de Monsieur François Xavier Ortoli, Président d e la Commission des Communautés Européennes, le lundi 22 octobre 1973".

[398] Cited by Brouwer, J.-W. *op.cit.,* p. 11.

[399] Following the French press agency, cited by Burin des Roziers. CADN, RP-CE, 2399, " Reactions des milieux communautaires en presence des problèmes d'approvisonnement en petrole liés a la crise du Moyen-Orient ", Paris, 26/10/1973, 3669-3673

that this "*esprit de solidarité*" could "*induire en erreur les États Arabes et impliquer la communauté toute entière dans ce qui n'est encore qu'un différend entre un seul État membre et certains pays fournisseurs de pétrole.*"[400]

The Energy Council would therefore not take place in the near future. However, cooperation in the field of European political cooperation became, on the contrary, more intensive. The aim was to deliver a new declaration on the Middle Eastern crisis at the beginning of November. As opposed to the 13 October declaration, this new statement should better support the Arab cause. The political directors accelerated their work at the end of October and delivered on 5 November a version which would begin deliberations at the ministerial level.[401]

§4.5 First deliberations within the Oil Committee's High level group at the OECD

Meanwhile, in the OECD's Oil Committee and its High Level Group, deliberations on the oil shock started with a first meeting on 25 October. A week before, swiftly after the decisions on the cut backs and price increases, Wansink had convened this extra meeting. The agenda included, among other items, deliberations on the supply situations of the member countries. Although the economies were already affected by the production cutback, most concern was expressed on the potential difficulties in the period ahead. Another point of the agenda, the issue of price increases gave impetus to lively discussion, mainly invoked by the UK delegation. Regarding OPEC's unilateral decision for price increases, Stephen Spain pleaded for an active role by the consumer countries in the situation. Oil producing countries had to be contacted by consumer governments, he said. Stability was a requisite in terms of market conditions and negotiation structures for price setting and supply guarantees. He emphasised that he did not mean to take over the oil companies' role in the field, or create a confrontation with them, but that closer relations between producer and consumer countries were to be improved. He received much support from the other delegations on the necessity to improve governmental relations with the oil producer states. But positions diverged on the necessity of *coordinated action* in this field by consumer countries. Eventually, it was agreed that consumer countries would individually contact oil producing countries, in their own way, and

[400] *Idem*

[401] Gainar, *op.cit.*, p. 184.

with their own time schedule.[402] For the American government, this UK idea was not compatible with the current efforts to reach a peace agreement in the Middle Eastern region. Nixon had already received a letter from Heath on the matter. The latter had proposed a coordinated approach from the main consumer regions (Japan, US, EC) to intensify producer-consumer relations in order to stabilise supply and prices. Kissinger transmitted a draft reply to Nixon, stating that Heath "*does not take fully into account the problems posed by the current Arab-Israeli fighting and the need to develop strategy for a longer-range solution to the oil supply problem.*"[403]

Next to a review of the current oil supply situation and the recent price increases, the agenda of the 25 October HLG included a discussion on a possible reactivation of the International Industry Advisory Board (IIAB) which had been on stand-by since 1967. This reactivation would mean that the oil companies which made up part of this body would be asked to allocate the oil in the European region following the apportionment scheme. The Dutch delegation and the chair of the HLG, who was also from the Netherlands, tried to convince the other participants of the necessity to reactivate the IIAB. But eventually the majority of the participating members were against a formal convocation of this body. It would risk provoking the Arab oil exporter countries into expanding their production cuts. Moreover, it might cause panic among the public at large. Following the American delegation to the meeting, especially the French and UK delegations had endeavoured against formal reactivation of the industrial body. The affair would be temporarily settled during the meeting by a compromise put forward by Fernand Spaak of the European Commission. He proposed a procedure wherein Wansink would request the IIAB chairman to put the organisation on alert. When necessary, then, it could be swiftly activated. The HLG agreed on these procedures and foresaw a renewed discussion on a possible reactivation of the IIAB during the next meeting, on 20 November.[404]

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[402] NARA, US Mission OECD to State, Telegram 27835 "Meeting of High-Level Group of OECD oil committee, October 25, 1973", 26 October 1973.

[403] Cited in FRUS,"220. Minutes of the secretary of State's staff meeting. Washington, October 18, 1973, 12:10 pm", note 4, p. 605. Both letter from Heath and draft reply from Kissinger where undated.

[404] OECD, PE/M(73)2, "Summary record of the 26th session, on 25-26 October 1973", Paris, 30/10/1973; US Mission OECD to State, Telegram 27835 "Meeting of High-Level Group of OECD oil committee, October 25, 1973", 26 October 1973. Central Foreign Policy files,

§4.6 Deliberations at common European level

Meanwhile, the European Commission presented to the EC Council three short-term policy propositions to handle current supply problems resulting from the OPEC and OPAEC decisions. On the one hand, the institution proposed a regular communication from the member states to the Commission on the national situation of the oil supply.[405] The information would be used to build on a system which would survey the state of the oil stocks and the exchange of oil within the community or with external parties. On the other hand, two of the propositions concerned the issue of export licences, both to third countries as well as within the EC. All three propositions were related to the earlier proposed regulations in July. The proposal of a regulation on export licences included also the previously mentioned issue of export restrictions on oil, which conflicted with the Treaty of Rome. The Italian delegate Giorgio Bombassei urged that a meeting of the Energy Council be convened where the matter could be dealt with. This proposition was of special importance to him because the Italian government had already imposed restrictions in this field at an early stage, as a reaction to the supply abnormalities in the October War. These measures conflicted however with the treaty of Rome, and the Italian authorities encountered risks of being brought to court by the oil companies. The government was thus eager to settle export restrictions at the common level.

The Dutch minister of economics, Ruud Lubbers, deemed the proposals not far-reaching enough but applauded the common approach of the oil problem.[406] For the UK delegate, these propositions were unacceptable. Their perspectives on imminent oil production had made the UK government reluctant to impose regulations which could be restrictive to their own oil policies in the near future. But regarding the proposals on information exchange, the UK delegate proposed invoking an informal procedure based on a "*gentleman's agreement*".[407] The archival sources do not give information on the reaction of the other delegations within the meeting, but it appears that eventually an informal procedure would be followed to communicate information on national oil supply to the Commission. Based on this

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Central Foreign Policy Files, 1973-79/Electronic Telegrams, RG 59: General Records of the Department of State, National Archives.

[405] CADN, RP-CE, 2399, COM(73)1835 , " Informations sur approvisionnement pétrolier communauté (prop de reglement) ", Bruxelles 25/10/1973.

[406] NL-HaNA, MR, 1262, 6201 REZ 1/11/1973.

[407] CADN, RP-CE, 2399, Réunion COREPER 25 oct, "communication d'informations sur l'approvisionnement pétrolier de la communauté", Bruxelles, 26/10/1973.

information, Simonet would regularly inform COREPER on the situation of oil supply within the community.[408]

In order to gain support for its oil supply, the Dutch government followed a dual path. Firstly, it tried to start the procedure for the apportionment of oil at the OECD, where it had failed on 25 October. A new possibility would be provided during the meeting on 19 November. Secondly, it started a campaign for support at EC level. This would not be successful either. It started off with a meeting on 29 October where the Minister of Foreign Affairs, Max van der Stoel, received national delegates from the other member states to discuss the current oil supply situation. In the discussion, he emphasised the consequences of the embargo for all of Europe. Firstly, Rotterdam had an important transit function. If no oil flowed on shore at this port, it would also have major consequences for countries such as Germany and Belgium, not only in terms of oil supply but also employment. Moreover, the absence of a joint position on oil would have disastrous consequences for European solidarity within the entire common market.[409]

The next day, the Dutch government delivered a brief message and an extensive declaration to the European Commission. The eight pages long declaration centred on the Arab decisions and the possible consequences for oil supply in the Netherlands and the entire European communities. It set the problems of the Netherlands, clearly, in the larger context of the European Communities. First, it underlined the general European problems caused by the production cutbacks. Thereafter, it accentuated the European interdependency on oil supply and the transit role of Rotterdam. Through this port and the refineries at its sub-municipality Pernis, 45% of crude oil was destined for other European states. The embargo would thus have its effects on the supply of oil and oil products to Germany and Belgium. Eventually the letter provides a list of governmental restrictive measures on energy consumption and gives information on the launch, on 22 October, of a licence system for oil export within the EC.[410] The Dutch Permanent Representative, Emmanuel Sassen, presented the declaration on 31

[408] For instance on 20 and 29 November (CADN, RP-CE,2399, " communication de M.Simonet au sujet de l'énergie. ", Bruxelles.

[409] NL-HaNA, MR,1262 , " REZ 1/11/1973 ".

[410] Both documents of 30 October 1973 (message and declaration) are to be found at HAEU: Emile Noel, 596, "suivi de la crise pétroliere" ; NL-HaNA, MR, 1319, "974/104 , Den Haag, 13/05/1974 "Verslag over de gebeurtenissen en maatregelen tijdens de oliecrisis"

October to his colleagues of COREPER, in limited session. In reaction, however, without entering into discussion on the substance of the statement, Burin des Roziers, accentuated the necessity to retain *"la plus grande discretion, et même le silence le plus rigoureux"*[411] on the matters advanced by the Dutch government. He stated that it should not leak to the outside that the Committee had even touched on this question. A possible discussion could at the most take place at ministerial level or, for example, during the already planned dinner of the Ministers for foreign affairs on Monday evening. Thereafter, the Danish President of the Council, Knud Andersen, proposed to have a meeting of the representatives with Simonet to apprehend the Commission's initiatives on export policies and exchanges within the community.[412] That meeting took place on that same evening.

During that evening, on 31 October, Simonet gave a clear overview of the current preoccupations of the Commission. On the one hand, the institution aimed to secure a good functioning of the common market. On the other hand, it cautiously wanted to avoid giving any pretext to the Arab oil producers which could extent the embargo already imposed on the Netherlands to other European member states. He thus fused skilfully together the two main opposing positions within the European communities. Concerning the Commission's propositions, Simonet recalled the initiatives on the export licences and the information exchange on oil supplies within the community. But he also added a new idea: a *"discrete concertation"*[413] between governments, oil companies and the European Commission. Discussion on this delicate matter was to be postponed to the Ministerial dinner on 5 November. The propositions on the export licences and the information exchange would be treated in more detail by the high-ranking officials, two days later, and COREPER on 5 November. Despite Italian insistence on an Energy Council to deliberate on the matter, no date was scheduled for such a meeting.[414] The meeting ended with the agreement between the participants *"d'observer sur l'ensemble de l'affaire une discretion absolue"* [415]. Indeed,

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[411] CADN, PR-CE, 1324, Declaration néerlandaise.

[412] *Idem.* These remarks of Burin des Roziers, who relates the meeting in the evening with Simonet to his remarks during the Coreper meeting, are nevertheless not included in the minutes of the Coreper meeting which were found in the dossiers of Emile Noel.

[413] " Concertation concrète " , CADN, PR-CE, 1324, Commission au COREPER: situation petroliere (reunion discrète -au soir).

[414] *idem*

[415] *idem*

discretion had become a term which had become frequently in use in diplomatic circles in Brussels.

Before these planned meetings could take place, a new announcement would be made by the Arab oil producers. After the 17 October announcement of a monthly 5% production cut, a further 25% cut was decided by the Arabs during their conference of 4 and 5 November in Kuwait. The communiqué of the conference also emphasised the earlier decision on the complete halt of shipments to the USA and the Netherlands.[416] As a matter of fact, the increased production cuts were a way of synchronizing the different cutbacks in the Arab world, especially those of the smaller oil-producing states to Saudi Arabia which had already implemented a 10% cutback two weeks previously. The embargoed volumes to the USA and the Netherlands were included in the calculation. Nevertheless, the announcement added suspense about future developments.

§4.7 The Majors' policy on oil supplies

Immediately after the declarations of OPEC and OAPEC, the European Commission scheduled for 23 October a reunion of national delegates to discuss possible national measures to tackle difficulties in case of an oil shortage, although no real measures had seemed necessary yet.[417] The creation of this new group of national delegates followed the Council's decision on the directive for a European coordination of national measures to relieve difficulties in oil supply.[418] A principal agreement on this issue had been reached during the Energy Council on 22-23 May. The objective of the new group was primarily to provide a mutual exchange of experiences and information concerning national measures on for instance consumption restraint or export licences. For this purpose, the group met regularly and produced assessments of national policies in the field. For example, an overview of 22 January gives the information that important economies had been affected on oil consumption until that date: 30% consumption reduction in the Netherlands and Luxembourg, 20% in

[416] Paust, Blaustein, *op.cit* ., p. 46.

[417] CADN, RP-CE, 1324, " Coreper 18/10/1973 " ; CADN, RP-CE, 1324, " situation pétrolières ", Bruxelles, 18/10/1973 "

[418] Directive n°73/238/CEE du Conseil du 24 juillet 1973 concernant les mesures destinées à atténuer les effets de difficultés d'approvisionnement en pétrole brut et produits pétroliers, JOCE, n°L228, 16/8/1973) *(op.cit.)*

France (mainly thanks to price increases), 15% in the United Kingdom and 8% in Germany. [419]

The national measures for consumption restraint therefore contributed to reduce the risks of oil shortage. However, it was foremost thanks to the oil Majors that no real oil shortages occurred in any consumer state. These companies were in the most inconvenient situation in between the producing and consuming countries. On the one hand it was demanded they comply with the measures announced by the Arab producing states. Their position in the oil market had already become progressively weaker. They had lost their voice in negotiations on the posted price, and the producer countries claimed larger participation in the production equity of their oil. But in reality, the question of participation was for the large part still undecided. Now, the majors risked being thrown out entirely by nationalisation. As Daniel Yergin mentions in his famous book on the developments within the oil market, pressure from the Arab oil producers was "*deadly serious*"[420]. He illustrates this case by the response of the American company Aramco immediately after the Saudi announcement of 18 October to cut 10% of the oil production. In order to maintain good relations, Aramco even decided to cut a little extra. On the other hand, the consuming countries were demanding a continuing oil supply. Maintenance of good relations with their customers and therefore not losing their market was a central objective of the companies. Therefore they decided according to the philosophy of *equal suffering*: All customers would suffer the same cutback of supply independent of their country. This policy seemed the only possibility for the international majors in order for them to cope with the diverging interests of their customers. At the same time they endeavoured as much as possible to apply the Arab embargo measures.[421]

Based on a 12.5% shortfall of oil production, as estimated on 25 October, Shell decided at the same meeting to apply this 12.5% cut to all customers. This was comparable to approximately

[419] Les autres États-membres n'ont pas fourni d'information.NL-HaNa, NL-EmbParijs, 927, " Overzicht consumptiebeperkende maatregelen benzineverbruik per 22 januari 1974 ".

[420] Yergin, *op.cit.,* p. 620.

[421] As a matter of fact, this policy was in some way a repetition of the sharing system organized by the Majors in 1967. But now the situation maintained a far larger scale and held larger risks . Yergin, *op.cit.,* p. 620-621; Stobaugh, *op.cit.*; SLA, SC 91/a/2, "Shell and the oil crisis - October, 1973-July, 1974"

500 barrels a day.[422] Two weeks later, on 16 November, this percentage was increased to a 17.5% shortfall (around 700 barrels a day). Although the shortfall was important, supply was still larger than announced by the Arab oil producers on 4 November. During that conference in Kuwait, they had agreed on a production cut of 25% off of the September level.[423]

There was a difference between the distribution policies of American and European oil companies. Robert Stobaugh showed in his analysis on the role of American oil companies in the oil shock, that the UK and France were much better supplied by the American side than Germany and the Netherlands. These states would be much more dependent on Shell and BP.[424] Considering the 60% share of the Dutch Government in Shell, it was understandable that this company would continue its supply to the Netherlands. But the relations between the Dutch government and Shell only partially explained Shell's policy at the time. On 1 November 1973, the companies' Council decided on a policy where all customers would be treated on the same bass. The reduced supply would be allocated following five policy lines: 1. Evenly applied oil cuts without taking into account profitability levels. 2. No unreasonable profits. 3. Following Arab measures as much as possible. Embargoed supplies would therefore be replaced to the maximum extent by non-embargoed crudes. 4. Supply would be facilitated through easing quality criteria; 5. If governments of consumer countries would insist on a larger supply, they would be advised to process their demand as an inter-governmental issue.[425]

The fifth policy point considering consumers' pressure to attain more supply would appear necessary. Sometimes, they went far to improve their supply situation. In this context, the meetings organised by Edward Heath to secure the oil supply in the UK have become notorious. Already on 21 October, on the same day that OPAEC imposed an embargo on the Netherlands, and two days after the United States had suffered the same fate, Heath invited

[422] SLA SC 91/a/2, "Shell and the oil crisis - October, 1973-July, 1974" p. 13-15.

[423] " Communiqué ; conference of Arabo il ministers, Kuwait, November 4-5, 1973 " in : Paust & Blaustein, *op.cit.*, p. 46.

[424] L'analyse de Stobaugh se limite à la France, le Grande-Bretagne, la RFA et les Pays-Bas. Entreprises américaines: Exxon, Gulf, Mobil, Socal and Texaco. Robert B.Stobaugh, "*op.cit.,* p. 39-57.

[425] SLA SC 91/a/2, "Shell and the oil crisis - October, 1973-July, 1974", p. 15. Decision au CMD meeting, minute 1171/2.

chairmen Frank McFadzean of Shell Transport and Trading and Eric Drake of BP to his country house at Chequers. He asked for a continuation of oil supply without cuts, but the two chairmen declined the request. Both accentuated the failure of oil consumer states to prepare an allocation program in case of crises, despite the Majors' warnings on the necessity of such a system. Now the oil companies had to manage the problems and they had no other choice than to implement an internationally equal cut. When Heath highlighted the UK share in both companies, it was not difficult for Shell's McFadzean to refuse, considering the larger Dutch share of 60% over the UK's 40%. This could however provide more problems for Drake as the UK government owned 51% of BP. Still, the chairman refused the prime minister, pointing out the repercussions the multinational would have in other countries. For example, subsidiary companies could be nationalised in other consumer countries with dramatic consequences for the minor stakeholders. Drake refused bluntly, determined not to let Heath "*destroy the company*"[426], he would later say. He told Heath that if this was meant to be a governmental order, he needed a written version of the governmental instructions. Only in that case, could the company's policy could be changed by *force majeure*. As expected, such explicit evidence of non-European solidarity could not be given and the conversations came to an end.[427]

The companies succeeded in setting up a complex distribution system by juggling the supply lines. For instance, the Netherlands received twice as much oil from Iran and Nigeria than it received before, while France received substantially less from these regions. Oil for Japan was now directed from Qatar instead of Iran. Logistics were not only difficult to manage because of the embargo measures, but also because of the differences in oil quality. Refineries were designed to process oil with specific qualities. Assignment of alternative oil crudes was thus complicated by the search for an equivalent quality for that particular refinery. It was important, because a change of oil quality could imply reduction of efficiency or even damage to the equipment. The supply of crudes from Nigeria and Iran to the Netherlands which maintained a lower level of sulphur than the usual Saudi Arabian oil shows that this was however not always possible. A third complicating factor was that prices were fluctuating depending on a variety of royalties and taxes determined by the producer countries individually. These tariffs changed frequently: "*It was impossible to know whether a*

[426] Cited by Yergin, *op.cit.,* p. 624.

[427] *Idem*, p. 623-624; Hellema, Wiebes, Witte, *op.cit*., p. 79.

calculation made on the basis of all the known facts on one day would not be overturned by a rewriting of those facts a month later."[428]

At the same time, control on compliance of the measures was not very strict. Apparently, the authorities were hardly checking as to the destination of the tankers. It was not until 5 November that Shell and France had to sign a statement for the first time agreeing that it would only deliver to France and mention the name of the harbour. Sometimes controls were however more strict. For instance, when a full tanker of Chevron returns from Saudi Arabia on 2 November, the company had to certify to the authorities that the oil would not flow into the Netherlands.[429] Possibly this event was related to the fact that 2 November was the first day of the Saudi Arabian embargo to the Netherlands.

§4.8 EPC successful, common policies on hold

By the end of October, the Dutch government had pleaded for more support from the European communities, but on 2 November it was still mainly in the dark as to what extent its pledge would be answered. During the Dutch Council of Ministers on this day, Van der Stoel expressed his doubts on UK willingness to build on an EC position concerning oil supply. He considered the European Commission and West Germany more positive on the matter, but ignored the French position. The Dutch government also did not know the real consequences of the embargo.[430] At that time, all Arab states had adhered to the embargo including Saudi Arabia. But the day before, Shell had announced its policy for an equal share of the oil shortfall. Moreover, the tankers which had been loaded after the embargo had not yet arrived in Europe.

Two weeks after OPAEC's decision, the Arab's most favoured states, France and the UK, were to choose a strategy for the supply problems. Alain Vernay, responsible for the economic section of the French journal Le Figaro, grasped the dilemma in his article: *"Le*

[428] Executive from Shell, cited by Yergin, *op.cit.*, p. 622.

[429] NL-HaNA, NL-EmbParijs, 927, 31/10/1973 , telegramme; MR, 1237, Ministerraad 2/11/1973.

[430] NL-HaNA, MR,1237 microfiche , "Ministerraad 2/11/1973".

pétrole contre l'Europe?"[431] The decision of not granting solidarity with the Netherlands would reduce the risks for Arab reprisals but would be a large blow to the common market.[432] The French government expected however that the consequences for European cooperation would not be insuperable. It esteemed that the shock would only last a short period. Moreover, Shell's recently announced policy to share the misery would guarantee a continued supply to the Netherlands. The UK government seemed to react a little more with concern for the Dutch case. It was more linked to Dutch oil policy through their mutual interests in Shell and the flow of oil to the port of Rotterdam and its refineries. But national agitations within the coal industry had made the UK economy fragile and the British government certainly did not want to risk an Arab embargo against the United Kingdom. It concluded that the Dutch case would be most supported by a joint EC position on the conflict in the Middle East. [433] Both French and UK governments cautiously avoided providing an image of a united policy on oil supply to the Arab oil producers. As a matter of fact, this position was being specified in a new declaration of EPC since the ceasefire of 22 October. Initiated by the French ministry of foreign affairs, the project responded well to French aspirations to obtain a role in the peace-making process. Firstly, the document showed a large consensus on the conflict, comparable to the 13 October declaration. But on 4 November a UK draft for a far more outspoken declaration on the conflict was introduced and would be adopted by all Nine two days later. It contained the recognition of Palestinian rights, it demanded negotiations in the context of the UN and evacuation of the occupied territories of 1967.[434]

This declaration would be adopted a day after the American 5 November proposal for peace talks. Reactions from the USA were therefore very negative, not the least because the European plea for negotiations at UN level conflicted with the American proposition.[435] Kissinger furiously accused the Europeans of cutting across his peace efforts in the region.

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[431] HaNa, NL-EmbParijs, 927, "olie boycot", 30/10/1973.

[432] *idem*

[433] Hamilton, Salmon, *op.cit.,* p. 33

[434] Gainar, *op.cit.*, p. 184-186 ; Gfeller, *op.cit.*, p. 95-96. CVCE, "Déclaration commune des gouvernements de la Communauté économique européenne sur la situation au Proche-Orient (6 novembre 1973)".

[435] *idem*

The US Secretary of Defence, James Schlesinger, said to Carrington that in the UK, policies were "*taking on the quality of 'decayed Gaullism'* ".[436]

The declaration of the Nine on 6 November signified a marker for the development of European political cooperation. The Nine had established a joint declaration which distinguished the European position from the American position. This event was related to the recurring measures of OAPEC, but is to be understood in the context of long-term developments within EPC and the Year of Europe propositions. As Daniel Möckli states in his detailed work on European foreign policy, in 1973 the Europeans were progressively building on a European identity in international politics. The foundations for this cooperation were set with the so-called Davignon report of 27 October 1970. In July 1973, the structures of the EPC organisation were further formalised in the second report on this cooperation. Paradoxically, the European search for an independent international stance would be accelerated by the American appeal for a new transatlantic cooperation in Kissinger's Year of Europe speech of 23 April.[437]

Behind the façade of the declaration, however, European unity was fragile. The declaration was largely carried by the UK and the French governments, but the German chancellor had hesitated some time before signing. He did not want to deteriorate German-American relations, even when these relations already had been affected severely by the affair of the American arms supply to Israel from German territory. Indeed, his signature would have a cooling effect on these relations.[438] At the same time, it would accusatively be interpreted by the German press as having given in to Arab blackmail.[439] Simultaneously, the Italians had preferred a declaration with a more general perspective on the conflict. Following the American embassy in Rome, Moro had esteemed the declaration too pro-Arab and would

[436] Hamilton and Salmon, *op.cit.,* p. 34.

[437] Möckli, *op.cit.*. Gfeller, *op.cit.*

[438] CHAN, 5AG2/1015: Note pour M. le Président de la République de la part de Raimond, 8 novembre 1973, a/s "partie politique du dossier pour les entretiens de Chequers.", *op.cit.* 5. Hiepel (2005) *op.cit.* 11.

[439] CHAN, 5AG2/1012: Note de la part du Ministère des Affaires étrangères, Paris 22 novembre 1973 *op.cit.* 4.

encourage "*Arabs to adopt Salami tactics with EC*".[440] The incentive for signing had been the risk of retaliation from the Arab side.[441]

The Dutch had also been remarkably inclined to assent to statements separating them from the Israelite and American perspectives. In comparison with the earlier 13 November European statement on the Middle-East, they had taken a fairly flexible position. They had only rejected, as Israel and the USA had done before, the endorsement of UN resolution 2949. This resolution recognised the rights of the Palestinians as essential to peace settlement in the Middle East. As a matter of fact, the readiness to openly take a position for the Arab cause was part of the strategy to gain support from their partners *vis-à-vis* the Arab oil measures.[442] At the reunions of 5 and 6 November, Van der Stoel endeavoured to keep the relationship as flawless as possible. This strategy concerned not only the EPC declaration but also Pompidou's proposal about the creation of regular meetings between Heads of State and Governments only, without participation of the Commission or the ministers for foreign affairs. Pompidou had sent letters to his European colleagues proposing these kind of meetings.[443]

The first was to take place in Copenhagen in December. Dutch reception to the idea was reserved. It was feared that this kind of intergovernmental reunion would decrease EC cooperation. But on 2 November the Dutch Council of Ministers still decided to go along with the proposition *"to avoid giving France arguments for taking negative positions [on common policy on oil] during the meetings on Monday and Tuesday"*.[444] This strategy, however, would fail: Prior to the dinner, Van der Stoel met with the British ministers, Douglas Home

[440] RSC, Nixon Security Files, Reel 17, Telegram from Rome 058072, to Secretary of state in Washington, "EC-9 declaration on Mid-East: Italian views".

[441] *Idem*

[442] Hellema, Wiebes, Witte, *op.cit*., p. 88-92. Daniel Möckli accentuates that this Dutch position on the Middle East conflict was not new and had been discussed already in EPC talks. But the Dutch cautiously had maintained confidentiality on these meetings. Möckli, *op.cit*.,p. 205-206.

[443] CHAN, 5AG2/1013 (Danemark) *"Lettre du Président de la République au Premier ministre du Danemark, le 31 octobre 1973."* This letter is sent to all Nine European governements and is to be found in several dossiers at the Fonds Georges Pompidou.

[444] NL-HaNA, MR,1237 microfiche , "Ministerraad 2/11/1973"; Translation by author from the Dutch language: "om Frankrijk geen argumenten te geven zich in het overleg van komende maandag en dinsdag negatief op te stellen."

and John Davies, responsible for foreign affairs and Europe respectively. He was informed of the UK and French refusal to attend to the proposals of the European Commission on oil and oil products. Almost ten years later, during an interview with political scientist Fred Grünfeld, Max van der Stoel recalled the phrase which Douglas-Home repeated several times, namely that "*the supply of crude oil to Britain has to be assured*" [445]. The English Foreign Minister threatened to decree by a so-called Order in Council against distribution of oil which was destined for the UK, to other countries. This decree would never be realised but the English position had now been clearly revealed. [446]

Indeed, during the evening, after long deliberations on the French proposals and the joint declaration on the Middle East, Douglas-Home declared that there was not much time left to speak about other questions. Before, the political committee had agreed on the elaboration of a common declaration on oil supply and the functioning of the common market in the afternoon of 5 November. But now it was decided that the issue could not be discussed. Giving Arab oil producing countries the impression that they had been deeply preoccupied with a European position on the oil supply problems should be avoided. This fear was shared by most other delegates. In fact, the Dutch case was only supported by those countries which were supplied through Rotterdam: Germany, Belgium and Luxemburg. But when these countries decided to draft the document ensuring the functioning of the common market, the French minister for foreign affairs actively objected.[447]

The meeting on Tuesday 6 November with Simonet marked the tacit understanding between the Nine and the European Commission to maintain absolute discretion on all questions related to the oil situation.[448] The Commission would monitor the situation and frequently *orally* report on it to COREPER. The three propositions of the Commission to cope with the actual supply problems were not decided on. Two days later, Ortoli pushed for another meeting on these propositions concerning export licenses and an exchange of information. He wrote a letter to the Permanent Representatives, pleading for a swift discussion on the

[445] Grunfeld, *op.cit*, p. 76.

[446] *Idem*, Hellema, Wiebes, Witte, *op.cit.,* 88-90 .

[447] *Idem*

[448] CADN, RP-CE, 2376), "Communication de M.Simonet au sujet de l'énergie.", Brussels, 29/11/1973.

Commission's proposals. In his opinion, the exchange of information was necessary in order to make an overview of the supply situation within the community before the end of the month. At that time, the effects of the production cutbacks and the embargo would be known as the oil tankers would have arrived and the oil companies would have implemented their supply policy. But only Giorgio Bombassei responded in favour of swift discussion on the issue of export licences as it would legalise its already implemented policy which, in fact, contradicted the treaty of Rome. The response of the delegates was confined to deciding on a date for the next meeting with Simonet which would include an update by the Commissioner on the oil situation within the Community.[449]

No integrated community approach on oil supply emerged therefore on 5 and 6 November. The question of the oil problems was only indirectly tackled at the level of political cooperation. This political approach to the Middle Eastern conflict nevertheless proved to be effective for oil supply: in appreciation of the EPC declaration, OAPEC decided on 18 November to cancel the 5% cutback for December. Within the British government, overall consensus existed that this was the best way to handle the supply problems, including those of the Netherlands. John Davies stated in the Cabinet meeting of 8 November that the declaration provided Britain and France with "*a firm community position on which to base their efforts to persuade the Arab states to moderate their embargo on oil supplies to Holland.*"[450] But the effect of the 6 November declaration on the embargo against the Netherlands was nevertheless difficult to measure. The organisation did not formally change its policy on supply to the Netherlands, although several countries such as Saudi Arabia and Kuwait made known that tacit supply of oil to embargoed countries would be considered beyond their jurisdiction. It was not to say that these statements were connected to the 6 November declaration. Instead the Dutch ambassador had been informed in Paris that they had been effectuated by French diplomacy.[451]

[449] CADN, RP-CE, 2399, status 3 proposition commission échange pétrol.

[450] Cited in Hamilton, Salmon, *op.cit.*, p. 33

[451] NL-HaNA, NL-EmbParijs, 927, " Journal officiel de la république français. D "bats parlementaires. Assemblée nationale, CR intégral -78é séance, 23/11/1973.

§ 4.9 European search for a dialogue with the Arab countries

Meanwhile, the Energy Group of the EC Council developed into an informal forum to discuss the on-going oil problems. The advantage of this platform was its low profile. Unlike an Energy Council at ministerial level or the Simonet Group, assembling high-level officials, the Energy Group provided an opportunity for the exchange of ideas on the current situation and a discussion on possible joint actions regarding the oil problems without stirring the media or Middle Eastern diplomacy. This Group came together three times (18 October, 29 October and 15 November) and thereafter handed over an overview of the different national positions to COREPER.

Within this group, the Commission's *Initial Implementation of the Priority Orientations and Actions*[452] were discussed. Issues concerning middle and long-term policies, invoked by the report, were discussed against the current background of the oil shock. The focus of the meeting was therefore sometimes on current policy questions and short term policies. The UK delegate, for instance, took the opportunity on 29 October to advance their ideas on a coordinated consumer approach towards the oil producing countries. The ideas were similar to the English statements at the HLG, four days earlier. The risks of exploding prices by outbidding would be relieved by a coordinated consumer approach to the principal oil-exporting states. The idea was supported by the German delegation. From the French side, however, it was reasoned that European credibility in such a dialogue would depend on the organisation of a common market.[453]

The UK initiative concerned a consumer-producers dialogue at *governmental* level. The European Commission also informed the group as to developments towards possibly *common* relations with the oil producing countries. In fact, since August, the European Commission had undertaken several talks with the Maghreb countries concerning possible association or preferential relations. As requested by the French delegation, the mandate for these negotiations had not included oil as trade product, but the Commission had still been granted the possibility to inventory the possibilities in this field. It had appeared that Algeria was very interested in relations with the European communities on oil. But within the energy group,

[452] See also the last section of chapter 3 of this thesis.

[453] ACEU, CM2/1973, 896 temp 808, "T/573/73 (ENER) 2ème avant-projet de rapport du groupe "energie" au comité des representants permanents", Brussels, 29/10/1973.

France maintained its initial position that common relations with oil-producing countries on oil were not a competence for the Commission. After Algeria had shown its interest, this position did not ease. Instead, the French rejection of these external relations of the community appeared to harshen during the meetings, while other delegations expressed their wish for more concrete propositions on this issue. The Commission answered that it would communicate propositions when the moment was opportune, such as was the case for Algeria. Within the debate on this topic, a clear distinction was visible between the countries which had established bilateral relations with oil producing countries (France, United Kingdom and Italy) and the countries which had not. Germany, for example, had changed its oil policy in September and had started only recently to build on bilateral relations with Iran.[454]

A third debate concentrated on the proposition for the creation of a *supply committee*. The propositions of the Commission of 25 July had included the installation of this consultation body for member states, the European Commission and oil companies. Unsurprisingly, this proposal would appear too ambitious for the delegations. Although all delegates supported the idea of an improved consultation procedure, this proposal touched on various delicate issues. It implied at once a thorough communication to the Commission on diverse aspects of energy policy, the creation of a new body presided over by the Commission but attended by national delegates and an explicit and active role for oil companies in European policy making. Moreover, this Committee was thought to gain a role in a dialogue with oil producers.

Following several reservations by all delegations, the proposition would be substantially simplified. On 15 November, it had become much vaguer on nearly all delicate matters, such as those concerning the obligations of member states to deliver information on their energy situation or the role of the companies. It did not mention any further role for the supply committee at international level.[455] As a matter of fact, within the Energy Group an idea had

[454] ACEU, CM2/1973, 896 temp 808, "T/573/73 (ENER) 2ème avant-projet de rapport du groupe "energie" au comité des representants permanents", Brussels, 29/10/1973; Same archives, 895 temp 807, " T/542/73 (ENER), Avant-projet de rapport du groupe "energie" au comité des representants permanents, Brussels, 18/10/1973, Same archives, 897 temp 809, " T/60873 (ENER) Projet de rapport du groupe "energie" au comité des representants permanents ", Brussels, 15/11/1973. A comprehensive overview of the developments of these common relations with oil producer counties has been elaborated by the European Commission is to be found at: HAEU, Archives Florence, EN_1908, dossier de briefing.

[455] *Idem*

developed that, instead of the creation of this supply committee, it would be much simpler to alter the status of the already existing Simonet Group to an official common forum. This would provide an opportunity to avoid further cumbersome debates on the subject and give an opportunity of swift discussion through a consultation body which would have to meet regularly. Quay d'Orsay, however, maintained its reservations on the presidency of the Commission.[456]

On 15 November, the Energy group delivered its propositions to COREPER for further deliberation. It would be decided that they were to be discussed at the next Energy Council. This ministerial meeting would not take place in the near future, however. On 16 November, COREPER decided to delay an Energy Council until after the Copenhagen summit, which was planned for 14-15 December.[457] This delay was probably related to European relations with the oil-producing countries. The risks of repercussions from the Arab's side had not tempered. By the end of October and at the beginning of November, Germany had been threatened by the Libyan side with an embargo. In fact, 25% of the German oil supply came from this country.[458] On 17 November, Saudi Arabia and Kuwait warned the Italian government after having accepted the sixth American fleet on its territory.[459] But at the same time, visible changes were occurring in Euro-Arabic relations. By now, rhetoric from the more moderate members of OPAEC had changed. The governments from Saudi Arabia and Kuwait voiced regret on being obliged to use oil as a weapon to gain political support. They positioned themselves as mere victims, having no other choice than to implement the embargo.[460] At the same time on 18 November, the Arab countries decided to cancel the 5% production cut for December in appreciation of the EC Declaration on the crisis in the Middle East. Although the embargo against the Netherlands did not alter in real terms, it was still a clear sign that European diplomatic efforts brought on positive effects on their supply situation. Two days later, the Nine would decide on further EPC actions towards the Middle East.

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[456] CADN, RP-CE, 2376, " Politique énergétique communautaire " de Albert Costa de Beauregard à Burin des Roziers, Paris, 22/10/1973.

[457] CADN, 2376, Bruxelles, 16/11/1973, "Echanges pétrol";

[458] Graf, *op.cit.*, p. 195 and 202.

[459] RSC, Nixon Security Files, Reel 17, "Threats oil embargo to Italy (nov 1973) -Saudi-arabia + (unofficial) Kuwait".

[460] Graf, *op.cit.*, p. 192-194.

§ 4.10 Searching for a Euro-Arabian cooperation within EPC

The atmosphere during the EPC meeting of 20 November seems to have been more strained than the previous meeting, on 5 November. Max van der Stoel was less conciliatory and had responded to a general French and UK *I'm alright Jack* –posture with a warning "*that Holland would not be the only EC member state to pursue communitarian policy."*[461] This threat reflected a debate about the oil supply, the week before, in the Dutch Lower House. The Dutch economy minister Ruud Lubbers had stated that the Netherlands had no other choice than to defend its own interests if the European Cooperation could not help out. He had not only aimed at oil policy. "*I shall involve natural gas in this*"[462], he had added. In fact, Dutch gas from the large Groningen gas field was at the time exported mainly to Germany, France and Belgium. Within the Dutch government, opinions were issued about using the Dutch favourable gas position either to obtain more oil in return or gain financial benefits. Lubbers was investigating linking the price of gas to oil.[463] But a more direct threat to the European oil supply was the Dutch policy on the oil flow from the port of Rotterdam. This Dutch port had an important transit function for European oil supply. In 1972, only 54% of the offloaded crude oil was flowing to Dutch refineries and was thereafter largely exported to other countries. The other part of the crude oil went by transit or re-export to other countries, mainly Belgium and Germany. Some of this latter, *foreign* oil was stocked in the neighbourhood of Rotterdam, in the Botlek area. Indeed, these stocks were related to the European jurisdiction on the maintenance of reserves equivalent to 65 days of oil consumption. Already on 23 October, the Dutch government had applied a licence system to the export of oil products within the European communities. Only export to Belgium had been excluded from this system as it would go against the Benelux treaty. But on 14 November, Belgium was also included after this country had also applied licences on its own exports within the Benelux. These licences were automatically granted, but could serve to reduce exports when needed. Since 23 October, the export of oil products had declined by 40% in comparison with the previous year. Other member states had also applied a licencing system but the Dutch case was special because of the large flow of oil concerned. Moreover, apart

[461] RSC, Nixon Security Files, Reel 13, Europe meeting, 26/11/1973.

[462] Cited in Hellema, Wiebes, Witte, *op cit*., p. 167.

[463] Hellema, Wiebes, Witte, *op.cit.,* p.170, Eventually, the Dutch government would raise its gas prices later in the 1970s. See Beers, *op.cit* , 2014, pp 170-177.

from the licences, opinions developed within the Dutch ministry of economic affairs of profiting from the available *foreign* oil reserves in the Botlek area.[464]

This attitude was linked possibly to the meeting at the HLG which took place on the same day. The historians Duco Hellema, Cees Wiebes and Toby Witte recognised a hardening of the Dutch attitude on national oil supply after the failure to gain support in the EC or OECD.[465] At the 20 November HLG meeting, the question on the reactivation of IIAB for the apportionment of oil was discussed again. Just prior to this, Wansink had given alarming information on the supply situation provided to him informally by the oil companies. He informed the delegations that until 15 November, European supplies would be reduced by 15 to 20%. Forecasts viewed a worsening of the situation to 25%. Stocks of oil had been maintained at a level equivalent to 25 days of consumption. During the meeting, the Dutch delegation again pushed to activate the IIAB and was backed by the Germans. The French and UK positions had not changed and were enforced by alignment with the Italian delegation. Eventually, the issue was forwarded to the OECD Council for further discussion. Alongside these issues the delegations provided an overview of their supply situation and forecasts for the period until March. They also informed their colleagues as to the national measures taken for consumption restraint.[466]

During the above mentioned EPC meeting of 20 November, not only the Dutch minister was tense. Alec Douglas Home remarked grudgingly, "*we bloody well need to get as much of the dark stuff as possible and then we have to redistribute it*".[467] He was therefore averse to showing solidary with the Dutch case. But an EPC approach to the oil producing countries' might eventually support overall European oil supply, including that of the Netherlands. The English had been pushing for some time on an EPC approach to the oil producers' countries in order to realise their much desired coordinated consumer approach. After the 6 November

[464] Hellema, Wiebes, Witte, *op.cit*., 165-170.

[465] *idem*, p. 170.

[466] NARA, US Mission OECD to State, Telegram 30091 "Meeting of High-Level Group of OECD oil committee, 20 November 1973", 23 November 1973; same archives, US Mission OECD to State, Telegram 29552, "Meeting of OECD Oil committee HLG", 16 November 1973.

[467] NARA, US Mission OECD to State,Telegram 081147 from Bonn to secretary of state in Washington " EC ministerial : follow-up on Mideast declaration ", nov 73.

declaration, the English delegation had proposed further common action towards the oil-producing states. Its idea to write a joint letter to the Arab governments was nevertheless rapidly declined within the Political Committee. It could be negatively interpreted as an attempt to put pressure on these states. Moreover, it risked arousing too much publicity. Instead, after 13 November an idea for a joint approach gained much support. It concerned a joint *demarche* where per Arab capital one European embassy would contact the government of that country. The intention was to show European willingness to finding a peace settlement in the Middle Eastern conflict and improve the European oil supply situation.[468] During the EPC meeting of 20 November, the Foreign Ministers decided on the steps to be taken.

During the 20 November meeting Douglas-Home found support from Michel Jobert who stressed the need for joint political action in the Middle East. He proposed a joint diplomatic effort in the region in the following week in order to assess Arab opinions on potentially closer Euro-Arabic ties. Although the French initiative did not meet serious opposition, some European partners were less enthusiastic. During the meeting all delegations agreed on joint action in the Middle East. Scheel and Van der Stoel, however, emphasised the necessity of similar action towards Israel. The German minister for foreign affairs, Walter Scheel would repeat this wish in a meeting on 26 and 27 November with his French colleague.[469]

After the 20 November CPE meeting, the project steadily developed. From 21 until 26 November the Nine approached the governments of the Arabic countries in order to assess their reaction to the initiative. These countries responded very positively; an Arab summit took place in Algiers from 26 until 28 November. In the communiqué of the summit the participating countries announced their "*sincere readiness to cooperate in the efforts being undertaken within the framework of the United Nations to establish a just peace in the area.*"[470] Furthermore, at the summit it was decided that four ministers from Algeria, Tunisia, Sudan and the Arabic Emirates would travel to Europe and further deliberate on the matter with European governments.

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[468] Möckli, *op.cit.*, 206.

[469] MAE, 60, "Entretiens franco-allemands au sommet ", Paris, 22/11/1973 Hellema, Wiebes, Witte, *op.cit.*

[470] Paust, Blaustein, *op cit.* . p 58. The entire decision of the summit is reproduced in this book.

The political motives of the French government to initiate a better European political cooperation with the Arab countries have been studied thoroughly by Aurélie Gfeller.[471] She showed that the French government's desire for a larger political role in the region was not new, but linked to older French foreign policy. Now, against the background of the Middle Eastern crisis, the ambitions for stronger ties with the region were being fed by the development during the October War, especially the attitude of the American government in neglecting the role of the European countries. The Europeans had not been given a say in the Middle Eastern conflict and most of them had not been informed of the American high security alert on 24 October. The oil shock offered an opportunity for France to gain support for its foreign policy from the other European member states.

Jean-René Bernard, General Secretary of the French inter-ministerial committee SGCI[472] and important advisor to Pompidou, would recall a year later that oil policy was not the objective of French policy in the Middle East. The objectives just coincided.[473] Still, oil questions were not totally neglected either. In his conversation with Abdellasam and Yamani, on 26 November, Jobert insisted asking if the oil supply would be guaranteed with such a relationship.[474] Moreover, a link between oil policy and geopolitics was made by Jobert and Messmer on several public occasions after 21 November.[475] Public opinion probably played a

[471] Gfeller *op.cit.* Daniel Möckli (*op.cit.*) also studied on the subject.

[472] The Secrétariat Général du Comité Interministériel (SGIC) treated affairs of the European Community Anne de Castelnau "Le SGCI: une réponse administrative aux défis européens" dans: Jeannesson Badel et Nicolas Piers Ludlow (dir) *Les administrations nationales et la construction européenne. Une approche historique (1919-1975)*, Bruxelles, 2005, Peter Lang Euroclio 31 307-335, 333. On the close collaborators of Pompidou, see : Sandrine Bula, Janine Irigoin et Caroline Obert *Archives de la présidence de la République; Ve République; Georges Pompidou (19 juin 1969- 2 avril 1974),* Paris, 1996, Editions Graset & Fasquelle. Roussel, *op.cit.,* 2004, p. 303.

[473] FCO, 96/273, Summary of the discussions of the Western European study group second meeting: "The impact of the energy crisis upon West European foreign policies: convergence/divergence in foreign policy among Western industrial states", Paris, 15-16 May 1975; Aurélie Gfeller (*op.cit.)* concluded that oil policy did not play a role in the French initiative. Françoise de la Serre (*op.cit.*) attributes a larger role to oil issues in her analysis .

[474] MAE, 56, Conversation Jobert -Abdessalam et Yamani, 26/11/1973.

[475] Jobert makes statement on the matter in his addres to the assembly of the WEU on 21 October and in his address to the French Sénat on 30 November ; Messmer invokes the matter on 1 December during a press conference in Sarrebourg. They are described by the Dutch ambassador De Ranitz in two telegrams to the Dutch Ministry of foreign affairs: NL-

role in these addresses too. It was understandable that the government could not neglect the issue of energy problems when talking publicly about the Middle East. But Jobert also talked about it with the Dutch ambassador to France during a dinner in honour of the Commission's President Ortoli. In the opinion of the minister of foreign affairs, it was time for the European governments to take over the place of the Majors at the negotiation table with the oil producers.[476]

During the sixth Arab summit conference in Algiers, it was announced that a list would be compiled, classifying consumer states into three categories: "*friendly countries; neutral countries; and countries supporting the enemy*"[477]. A committee composed of the ministers of foreign affairs and oil from the Arab oil-producing states would review the list and see whether states were to be promoted or degraded in status, depending on their political line. If a state was to be promoted to the friendly category, it would receive similar quantities as the country had imported in 1972. Since 17 October, France and the UK already qualified as friendly states. In December, Belgium would obtain this status as well. Although the Arab countries had reacted very positively to the 6 November declaration, the 'oil weapon' was therefore still a threat. As a matter of fact, on 8 December OPAEC would announce a supplementary oil production cut of 5% for the month of January. The situation would be appeased somewhat when this production cut was cancelled on 25 December. Two days before that date, however, OPEC had announced its fourfold increase of oil prices.

§4.12 Conclusions

The OPEC and OAPEC announcements of October 1973 confirmed at once both the changes which had occurred within the oil market in the previous years and the Arab willingness to use oil as instrument in the Middle East conflict. The indications for both decisions had been numerous as we have seen in the previous chapters. But the oil producers' measures on production cuts, embargoes and price increase had still shaken the consumer world. The

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EmbParijs, 927, 3/12/1973 " betrekkingen Europa-Midden Oosten " and, same archives, 7/12/1973, Telegram "Energie", ref 976.

[476] *Idem*

[477] Paust, Blaustein, *op.cit.* P. 63. The entire resolution is published in this book.

shock, for that matter, was not limited to these two announcements. It referred to a whole series of measures announced by the oil producing countries.

Production cutbacks and embargoes were announced or were threatened to be imposed. During the first six weeks, an atmosphere of insecurity as to oil supply and prices continuously reigned on the consumer side, despite the oil companies' decision to opt for a philosophy of equal suffering. They distributed the available oil among all contracted parties, irrespective of their *status* given by the Arab states. Thanks to their policy in combination with national measures for consumption restraint and the use of alternative energy sources in the electricity power stations, no shortage occurred in the consumer states.

The Commission of the EC endeavoured for a common policy to cope jointly with the oil problems, but it did not succeed. Neither were accepted ambitious proposals, such as those concerning a supply committee, the creation of a common scheme for the apportionment of oil in times of crisis or the establishment of a common cooperation for the setting and implementation of national measures to reduce the effects of supply problems. Nor were other proposals discussed which concerned merely improved consultations or exchanges of information. A discussion on the matters at ministerial level was out of the question for the French and UK governments. The propositions were never included on the agendas of ministerial meetings.

The OAPEC measures on production cuts and embargoes had a very divisive effect on the Nine as they were imposed at different scales to the Europeans. From the start, the Arab countries made a clear distinction between, what they called, *friendly* countries and other countries. But until 28 November, the Arab countries remained vague on the assignment of a status to a country. The first declaration of 17 October did not specify the *friendly* countries, although it was very clear that these countries would have substantial advantages. This contributed highly to the insecure atmosphere, all the more so because some European governments were sometimes warned of a possible degradation of their status.

After 17 October, each European government tried energetically to keep or, even better, improve their status of relations with the Arabs. This Arab policy of *divide and rule* interfered

fundamentally with both European cooperation at the EC level and oil consumers' cooperation within the OECD's oil committee.

To begin with European cooperation, a division clearly emerged between EPC and Common policy. Mainly the French and UK governments stressed the importance of avoiding any possible image of European solidarity to the Arab world. This had consequences at different levels. Firstly, the Dutch appeal for a joint European position to counter the supply problems was not answered by the Council nor by the CPE. Secondly, the Energy Council which had been planned for November was adjourned and would eventually take place after the summit in Copenhagen. This delay affected decision making on some important matters such as the pending decision on a European facility for the enrichment of uranium, or the legislation of export restrictions to third countries on oil. The latter issue had become urgent, mainly for Italy, as member states protected their internal market by these kind of restrictions. Thirdly, oil problems were not to be discussed any more except at ministerial level. No minutes were made from the meetings and Simonet's briefings on the supply situation were only provided orally. After Sassen's declaration on the Dutch supply situation on 31 October, Burin des Roziers cautiously prevented discussions on the matter, not only within COREPER but also in the Simonet group, where high-level officials resided.

Striking, in this respect, are the discussions maintained within the Energy Group at the EC Council. Probably its low-level base and its usual preoccupation with middle- and long-term common energy policies were advantageous for liberal discussions on the ongoing oil problems. Still, the group dealt with part of the decision-making process as it prepared the work of COREPER, by discussing the Commission's proposals, to provide national perspectives on the proposals and to seek out possible agreements.

In the autumn of 1973, its discussions on the Commission's proposals for middle-term policies in relation to the current oil problems resulted in concrete, realisable ideas. Notably, the ambitious proposals from the European Commission to create a supply committee with extensive responsibilities and a prescribed role for oil companies was now transformed into a less ambitious initiative which was acceptable to all and responded directly to the current needs of intensive consultation within the community.

The Group also offered another forum to bring forward ideas on tackling the oil problems. The UK delegates again underlined the necessity for a coordinated governmental approach towards the oil producing countries. At the same time, the delegate of the European Commission grasped the occasion to bring up the matter of common relations with these countries. The members were informed that the Algerian government had shown great interest in commercial relations including oil with the community. The French position, however, did not change on this topic. Instead it seemed to harshen.

Within the OECD, an extra meeting of the HLG was swiftly organised after the announcements of OPEC and OPAEC. The Group would reassemble nearly once every month beginning on 25 October. But the effect of the only recently, in June, enforced consumer cooperation was weak. Firstly, divisions between the Europeans blocked the road to the employment of the OECD system for the apportionment of oil supplies in an emergency. The IIAB was not reactivated because of the divided interests of the member countries and the notion that their position could be changed at any time by the Arabs. The HLG served mainly for the exchange of information on oil supply. When the UK delegate proposed on 25 October to undertake a cohesive consumer approach to the oil producers, the other delegates were divided on the strategy. They did not succeed in combining forces. At the European level, nevertheless, the UK government succeeded in a joint approach to the oil producing countries. The EPC policy of approaching the oil shock from a political point of view proved to be effective in moderating the production restrictions to the European member states. Only the supply to the Netherlands was not moderated, at least not officially. In an informal way, the Nine arrived at a joint declaration on the Middle Eastern policy with a far more pro-Arab stance than the earlier 13 October declaration.

5 Changing relations

§5.1 Introduction

This chapter continues with research on the oil shock. Six weeks after the beginning of the oil shock, the atmosphere and relationships between the Nine began to change. They had begun to understand the consequences of the embargo announcements of 17 October. Although the Arab measures had been implemented by most members of OPAEC, at the same time it appeared that the consequences were less dramatic than dreaded at first. At the beginning of November, the oil majors decided on an equal share in the circumstances. Moreover, the production cuts were moderated after pro-Arabic actions within the European political cooperation.

However, it would be an exaggeration to say that, by the end of November, the situation had really calmed down. The European countries still appeared on the Arab lists for embargoes. Oil supply in December and January was predicted to be critical in some European states. Oil prices were reaching higher and higher levels at the auction sales and European countries were attempting to secure their oil supply through, for instance, bilateral deals with the oil producer states. The Nine had neither reached a joint position in their common policies nor at the level of European political cooperation. Within this EPC, despite their joint diplomatic approach to the Arab governments, the Europeans maintained different positions on the substance of a possible cooperation with these countries.

As regards to a common response for an oil supply, the different European viewpoints had by now become clear but the Nine had not really had a debate on the issue and no decision, either positive or negative, had been made yet. Alongside the member states, the European Commission tried to accelerate the decision-making process on a common policy to handle the oil problems. Its actions seemed to harden by the end of November when preparations were made for the Copenhagen summit of the Heads of State and Government and an imminent Energy Council on 17 December 1973.

The second stage of the oil shock would have very different characteristics than the first six weeks, not least because of the famous American initiative for an international energy action

group. While at the Copenhagen summit the Nine restated their commitment to consumer cooperation at the OECD, their joint position in this matter was already shaken by Kissinger's proposition for a new international cooperation, just two days previously. This chapter focuses on the second part of the oil shock, which began at the end of November.

§5.2 Ambitious propositions to handle supply problems

By the end of November the European Commission had developed nine proposals for legislation or policy which were presented during the COREPER meeting in the afternoon of 29 November. Henri Simonet was attending the meeting and provided the overviews on the European supply situation orally, based on the information provided by the member states. In addition, he also enumerated the nine proposals to reduce the economic damage of the oil shock. These included the three proposals of 25 October which had still not been discussed. The other six proposals covered sensitive issues. For instance, Simonet launched the idea of creating a *Comité directeur de l'approvisionnement en énergie*, presided over by the Commission and consisting of national delegates. This committee would advise the Council and Commission on all questions related to supply and consumption of energy in the EC. It had the right to invite companies for consultation on the supply situation. This proposal resembled the earlier proposal on a supply committee, submitted on 25 July. This idea of a supply committee had been thoroughly discussed within the Energy Group. Voices to substitute the Commission's proposal with the much simpler change of status of the high-level Simonet Group had become louder. Now, on 29 November, Simonet seemed to again launch the contested idea of a supply committee. As a matter of fact, this new proposition seemed to be even more ambitious: The President of the *Comité directeur de l'approvisionnement en énergie* would have the responsibility to channel the joint European position on oil to the OECD, he said. Simonet also proposed to implement a system for the apportionment of oil in times of emergencies, similar to the one which existed at the OECD. This would give it a more "*charactère commune*"[478]. The creation of an industrial body, similar to the IIAB, was also included in the plan. The fact that European states from outside the EC joined in the OECD system could be resolved later. As a matter of fact, Simonet had preferred as well to ask for a common demand at the OECD Council for the reactivation of the IIAB. At the HLG

[478] CADN, RP-CE, 2376, "Communication de M.Simonet au sujet de l'énergie.", Brussels, 29/11/1973.

meeting of 20 November, the issue had been transferred to the OECD Council. But in a preparational Commissioner's meeting on 28 November, his colleagues had blown the whistle and after long discussions he had to withdraw this idea[479].

Another ambitious proposal concerned the establishment of a common objective for consumption restraint to be maintained by the member states. This proposal was related to the directive, adopted by the May Council on national measures to reduce the effects of supply problems. At the time, to remind the reader, the UK government had insisted that this directive could not have any jurisdiction concerning national policies. But now, on 29 November, Simonet proposed exactly such a measure. The other Commission's proposals concerned an improved consultation procedure, exchange of information and cooperation in supply to reduce the effects of the oil problems.

After Simonet, the English delegate Sir Michael Palliser was the first to take the floor. He reacted furiously to the Commissioner's presentation. Apparently Simonet had already spoken to the press of his intention to give a series of proposals to counter supply problems. This, said Palliser, was a straight violation of the engagement which the Commission had taken on 6 November. On that day, the participants to the ministerial meeting had agreed to maintain secrecy on all questions relating to the oil situation. Moreover, he bluntly told Simonet that there was no need for the proposals because there was no real situation of shortage in the community. Moreover, the UK government would refuse to talk about these proposals to the Council at the beginning December. Thereafter, the other delegates thanked Simonet for his proposals but at the same time did not criticise Palliser's remarks.[480]

After the incident during the meeting of COREPER on 29 November, the European Commission continued to insist on a common policy to handle the oil supply problems. The next morning after the meeting, Simonet met with his colleagues at the European Commission. He had been criticised by the Permanent Representatives, especially from British side, for having given a public statement on a common oil policy. But, still he esteemed that the Permanent Representatives had generally approved a further discussion on

[479] HAEC, BAC 259.80, Com(73) PV 274 final, 3e partie (séance du 28/11/1973).

[480] CADN, RP-CE, 2376, " Communication de M.Simonet au sujet de l'énergie. " Brussels, 29/11/1973.

the Commission's propositions on which he had given orally information to them. The Commissioners decided Simonet would again give an oral exposure of his propositions at the EC Council of 3 and 4 December.[481] Main focuses of the Council were political and economic consequences of the oil crisis. It was attended by the European ministers of finances, ministers of economics and the Foreign Ministers. During this Council, Simonet presented again his proposals which he had already orally transmitted on 29 November. Now he was supported by Helmut Schmidt who, on his own behalf, stressed the need for a common policy face to the current oil problems. The German finance minister pledged for better consultation between the nine governments within a supply committee, the communication of information on oil supply by the European member states to the Commission and the creation of a pooling system for the apportionment of supplies. Schmidt had taken by surprise his colleagues who felt unprepared for a debate on the oil problems. But he gained nevertheless immediate support from Dutch, Danish and Italian side to include these issues on the agenda for the meeting of the Heads of State and Government in Copenhagen, ten days later. Still, it was understood, as emphasised from British and French side, that the proposals would not be specified in writing.[482]

§5.2 Kissinger's proposition for an International Energy Action Group

The American government was very negative about the European diplomatic effort to the Arab governments. It feared that these developments would endanger the peace process in the Middle East. On 12 December, Kissinger warned the British Prime Minister not to start a European-Arabic dialogue without the participation of the USA.[483] On the same day, in an address to the Pilgrim's Society in London, he offered the Europeans an alternative to such a dialogue: An international high-level energy action group which would aim to solve the energy crisis and assure a secure supply at a reasonable price. "*There is no technological*

[481] HAEC, BAC 259.80, PV 274, 30/11.

[482] Dok. 399, "Botschafter Lebsanft Brüssel (EG) an das Auswärtige Amt, Betr: 265/266 Ratstagung am 4.12; hier: Erdölkrise.", 4/12/1973, in: Ilse Dorothee Pautsch, Matthias Peter, Michael Kieninger, Michael Ploets, Mechthild Lindemann, Fabian Hilfrich,. *Akten zur Auswärtigen Politik der Bundesrepublik Deutschland 1973,* 3 volumes, Oldenbourg Verlag, 2004.

[483] Möckli, *op.cit*., p. 242.

problem that the great democracies do not have the capacity to solve together – if they can master the will and the imagination."[484]

His objective was not to build an exclusive consumer body, he said. "*The producing nations should be invited to join it from the very beginning with respect to any matters of common interest. The problem of finding adequate opportunity for development, and the investment of the proceeds from the sale of energy sources would appear to be a particularly important area for consumer–producer cooperation.*"[485] The group would have the mandate to rapidly create an "*Initial Action Program*"[486] on fields related to energy conservation, exploration for new energy reserves, consumer-producer relations and tighter cooperation in the area of technology.

Kissinger spoke during the annual lunch of the Pilgrims society, a private organisation which aimed to encourage good Anglo-American relations. He was therefore preaching to the choir when he pleaded for the improvement of consultation mechanisms between Europe and the United States. He spoke extensively of the transatlantic relations and the failure of the *Year of Europe* project. In fact, his appeal for an international energy action group only concerned a fifth of the discussion. He warned against further deterioration of the "*Special relationship*"[487] between the United Kingdom and the USA.

His opinion was not new: since his call for renewed transatlantic cooperation in his *Year of Europe* speech of 23 April,[488] Kissinger had repeatedly complained that the Europeans had

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[484] LMA/4637/D/01/173, "Address by United Secretary of State Henry A. Kissinger to the Pilgrims at the Europa Hotel, London, December, 12, 1973". Kissingers address could not be found in the consulted archives as it never was circulated after the meeting. I am grateful to the London Metropolitan Archives for helping me with the search of this document.

[485] *Idem*

[486] *Idem*

[487] *Idem*

[488] For analyses on the Year of Europe, see for example: Aurelie E. Gfeller *Building a European identity. France, the United States and the Oil shock, 1973-1974,* New York, Bergbahn books, 2012; Ine Megens "The December 1973 Declaration on European Identity as the result of team spirit among European diplomats", Jan van der Harst (ed), *Beyond the Customs Union: The European Community's quest for deepening, widening and completion, 1969-1975,* pp 317-338; Mockli*, op. cit.* On the American reaction to the European identity

been preoccupied with stressing their differences from the Americans instead of their similarities. For instance, the declaration on 6 November had clearly demonstrated the political unity of the Nine European member states, independent from and even profoundly damaging to transatlantic relations. In fact, to Kissinger's exasperation, the Declaration on a European identity was maybe the only tangible result of the *Year of Europe* rhetoric.

In September 1973, the Nine had decided to draft a paper on their joint identity which would provide a basis for the talks on the proposed transatlantic cooperation. Later in November, the Nine decided to transform the identity paper into a public statement which would be ceremonially adopted by the Heads of State and Government in Copenhagen on 14 December. But the Americans gradually had become more and more irritated with this identity project in the autumn of 1973 when the emphasis on European unity coloured the discussions about a European-American declaration. Eventually a joint declaration was created for the celebration of the 25th anniversary of NATO on 26 June 1974, but its content did not meet the earlier expectations announced in the *Year of Europe* speech.[489]

The Pilgrim's speech, however, was placed within an optimistic rhetoric: "*So let us rededicate ourselves to finishing the task of renewing the Atlantic Community,*"[490] Kissinger said. His opinions on the developments within the *Year of Europe* context were known in Europe, but his idea for an international Energy Action Group was new. The initiative would be criticised for serving American foreign policy objectives by reaffirming its international leadership while taking advantage of European contemporary economic and monetary weaknesses and the division of the Nine in energy related issues.

The idea was indeed launched at a turbulent time within the European communities, not only in the field of energy. At the monetary level, the devaluation of the dollar in February and the

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project: Pascal Winand *"*Loaded words and disputed meanings: the Year of Europe speech and its genesis from a American perspective*,* Van der Harst*, op. cit.,* pp 297 -316.

[489] Beers, M.C. "L'identité gagnée, l'identité perdue. Étude de la Déclaration sur l'identité européenne du 14 décembre 1973", Mémoire de master recherche, université de Cergy-Pontoise, 15 September 2006 ; Same author "European Unity and the Transatlantic Gulf in 1973", Giles Scott-Smith and Valérie Aubourg *Atlantic, Euratlantic, or Europe –Americ?* Paris, Soleb, 2011, pp 486-505.

[490] LMA/4637/D/01/173, "Address by United Secretary of State Henry A. Kissinger to the Pilgrims at the Europa Hotel, London, December, 12, 1973".

increase of oil prices had made unstable the construction of the so-called *snake in the tunnel*. France was at the threshold of leaving the tunnel, on 19 January 1974, and joining the UK, Italy and Ireland, who had left already. The situation was even more precarious because of the uncertainties in the developments concerning oil prices. At the time of the Pilgrims' speech the posted price had not been raised to its fourfold level yet, $11.65 per barrel. The members of OPEC would make this decision 10 days later, on 23 December. But the prices in the market had already reached $17 per barrel at the government sales in Iran on 10 December. In the same month, this would be followed by bids of up to $20 per barrel for direct sales in Nigeria and Libya.[491]

If, indeed, Kissinger desired to lure the Europeans into an American-led international system, he certainly had chosen an attractive bait. In his speech he touched on exactly the issues which were at the centre of European interest. First, he made an explicit allusion to a direct dialogue with the oil-producing nations. His statement on closer cooperation has already been mentioned above. Secondly, he emphasised the American willingness to "*contribute our particular skills in such areas as the development of the deep sea bed*"[492]. This technology was one of the spearheads of European R&D projects, tightly linked to the oil exploration and exploitation in the North Sea. It was one of the main focuses of the new research program within the EC which was currently being developed.[493] Thirdly, another matter of priority for international consumer cooperation would, in Kissinger's opinion, be the field of the enrichment of uranium for the use of energy production. He proposed cooperation in the field, although he stayed vague about the substance of this cooperation.[494] Finally Kissinger also

[491] On the changes in the oil market and the oil shock, see for example Adelman, *op.cit.*

[492]. LMA/4637/D/01/173, "Address by United Secretary of State Henry A. Kissinger to the Pilgrims at the Europa Hotel, London, December, 12, 1973".

[493] At the summit of October 1972 in Paris, the Heads of State and government had demanded the commission to develop an outline for a research program for the community. The Commission delivered on September 1973 a report "Recherche et Development". In January 1974, the Council of Ministers had decided for the creation of CREST which would coordinate the research programs.

[494] "We know that European Countries and Japan will wish to have their own facilities to produce at least part of their needs for enriched uranium; Such plants require huge capital investment. What could be more sensible that we plan together to assure that scarce resources are not wasted by needless duplication?" LMA/4637/D/01/173, "Address by United Secretary of State Henry A. Kissinger to the Pilgrims at the Europa Hotel, London, December, 12, 1973".

gave a financial incentive: "*The United States is prepared to make a very major financial and intellectual contribution to the objective of solving the energy problem on a common basis*".[495]

The Europeans reacted ambiguously to Kissinger's idea for an international action group. On the one hand, they assumed that Kissinger aimed for a leading role in international energy and political issues and wanted to reduce direct relations between the European and Arabic countries. But on the other hand, they recognised considerable advantages for their energy policy, such as in the field of technological cooperation and accelerated research for new resources.[496] The proposed cooperation was in the interest of the UK with its oil potential in the North Sea, but also for the other Europeans who aimed to participate in the exploitation of the oil fields. France was not reluctant to an international consumer joint effort, but preferred to find such cooperation within the OECD. Pompidou explained to Kissinger in their private discussion on 20 December that he feared that the oil-exporting countries might interpret the proposed Action Group as a "*syndicat des pays consommateurs*"[497].

After Kissinger's address, a long silence followed from Europe about its content. Even the communique of the Summit of Copenhagen, which took place two days after the Pilgrims' address, did not mention the speech. Following a French account most delegations had wished to include the issue in the document. However, at the insistence of the French delegation, it provided on this question the European countries solely with a mandate to continue consultations with other consuming countries within the OECD.[498] The HLG would provide the first forum for deliberation on Kissinger's address, one week after he gave it.

During its meeting on 19 December, the proposition was discussed at length. The French delegate was the only participant who did not strongly support the American initiative, but he did not reject it either. He referred to the Copenhagen communiqué and demanded that the

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[495] *Idem*

[496] MAE, 3789, telegramme, Luxembourg, le 21 décembre 1973 "a/s entretients avec MThorn et Wurth reunions de Copenhague et de Bruxelles, proposition de kissinger sur l'énergie ; "

[497] Entretien Pompidou-Kissinger, le 20 décembre 1973. Roussel, *op.cit.*, p. 609.

[498] MAE, 3789, "Réunion présidentielle de Copenhagen des 14 et 15 décembre 1973 ; Questions économiques –énergie.", télégramme de F. Puaux aux ambassades, Paris, le 18 décembre.

initiative of an Energy Action Group be integrated in the OECD. He was backed by his European colleagues. Spain explained to Armstrong that the reference to the OECD in the Copenhagen communiqué had been a crucial matter, in French eyes, for European policy. He and his European colleagues did not want to breach the European joint position recently reached at the summit.[499]

§5.3 The Copenhagen summit and the Energy Council

The Copenhagen summit took place from 14 to 15 December 1973. When Pompidou had taken the initiative for the meeting, on 31 October 1973, he had imagined a private meeting *"au coin du feu"*[500] where the European leaders could discuss in a more or less confidential atmosphere.[501] He certainly had not aimed for a large summit. The year before he had already remarked "*J'ai constaté à la Haye que c'est au dîner que l'on a avoué*".[502] His proposition concerned a small meeting without participation from the European institutions, nor the ministers of foreign affairs.

This idea would however raise opposition from the other member states. All eight refused a conference without participation of the President of the European Commission. For governments of the smaller European countries, the presence of representatives of the supranational institutions would guarantee a better consideration of the overall interests of the community. Moreover, the proposed absence of the ministers of foreign affairs mainly met with opposition from the governments of the countries of the Benelux and Italy. Following the Dutch government, their national constitutions did not provide a mandate to the prime minister for such a meeting without the Foreign Ministers.[503] Eventually, in December, the

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[499] NARA, telegram 32515, "Discussion of energy action group proposal at December, 19 meeting of OECD oil committee's high level group".

[500] CHAN, 5AG2/1012: Note de la part du Ministère des Affaires étrangères, Paris 22 novembre 1973 *op.cit*. 2.

[501] CHAN, 5AG2/1013 (Danemark) *"Lettre du Président de la République au Premier ministre du Danemark, le 31 octobre 1973." ;* CHAN 5AG2/1015: Premier entretien entre le Président de la République et M.Heath, 16 novembre 1973, *op.cit.* 1-2.

[502] Cité par Gerbet, *op.cit.* 60.

[503] CHAN, 5AG2/1015: Premier entretien entre le Président de la République et M.Heath, 16 novembre 1973, *op.cit.* 3. CHAN, 5AG2/1012: Second entretien entre le Président de la République et m.Willy Brandt, le 26 novembre 1973 -17 heures, *op.cit.* 2-3. CHAN,

Commission's President Ortoli would assist at all meetings except the one regarding to EPC matters. The European ministers of foreign affairs would only meet on the margins of the conference. Energy would be one of their central preoccupations.

Georges Pompidou wished to have a more conceptual discussion at Copenhagen, such as concerning the decision-making process within CPE. He wanted to be assured of an overall willingness to build on a joint policy without a constant danger that their unity could easily disintegrate.[504] The German chancellor Willy Brandt highlighted more the institutionalisation of regular meetings about CPE. [505] Edward Heath, however, aimed for discussions about current international problems in the Middle East. In his opinion, firm decisions had to be taken on CPE policy in this region. [506] The UK government aspired to show to the English public that the European Community was able to make real decisions face to the growing economic problems. The oil supply problems had largely aggravated the economic conditions within the UK which, by now, were worsened by mines strikes. He would however be disappointed that the Council did not have real discussions on the peace settlements. Willy Brandt and Joop Den Uyl, apparently, had less interest in treating the matter.[507] As a matter of fact the German and Dutch governments had maintained from the start a more cautious approach to the peace settlements in the Middle East.[508]

5AG2/1012: Note de la part du Ministère des Affaires étrangères, Paris 22 novembre 1973 *op.cit*. CHAN, 5AG2/1036: Note pour M. le Président de la République de la part de Raimond, Paris 10 décembre 1973, a/s "Partie politique du dossier pour les entretiens de Copenhague" *op.cit*. 1. CHAN, 5AG2/1035: "Initiative européenne du Président de la République", 12 novembre 1973, *op.cit*.

[504] CHAN, 5AG2/1036: Note pour monsieur Balladur de la part de Lucet, 11 décembre 1973, a/s "Position britannique a Copenhague: Energie et Proche-Orient".; CHAN, 5AG2/1036: Note pour M. le Président de la République de la part de Raimond, Paris 10 décembre 1973, a/s "Partie politique du dossier pour les entretiens de Copenhague" . CHAN, 5AG2/1015: Premier entretien entre le Président de la République et M.Heath, 16 novembre 1973.

[505] CHAN, 5AG2/1036: Note pour M. le Président de la République de la part de Raimond, Paris 10 décembre 1973, a/s "Partie politique du dossier pour les entretiens de Copenhague" *op.cit*. 4.

[506] CHAN, 5AG2/1036:Note pour monsieur Balladur de la part de Lucet, 11 décembre 1973, a/s "Position britannique à Copenhague: Energie et Proche-Orient".

[507] MAE, 1581, "Sommet Européen –Moyen Orient ", Télégramme de l'ambassade française à Londres, le 19 Décembre 1973.

[508] See also chapter 4 of this thesis.

Just before the summit, public and governmental voices in the Netherlands became louder claiming more European solidarity in the field of oil supply. Rumours circulated in the press on a potential Dutch veto at the Copenhagen summit or at the EC Council which followed to the summit. Although the government of the Netherlands would swiftly deny that it considered using its veto right, the affair had illustrated the grudging ambiance in the Netherlands. At this time, oil supply reached its lowest level. The English government was however convinced that approved relations with the oil producing countries would improve the oil supply conditions for all member states. As a matter of fact, this was sustained in a way by the visit of four Arab ministers to Copenhagen: Abdelaziz Bouteflika of Algeria, Mohamed Masmoudi of Tunisia, Mansour Khaled of Soudan and Adnane Pachachi of the Union of Arab Emirates. As convened during the summit of the Arab League in Algiers, more than two weeks before, they came to Copenhagen in order to have exploratory talks with the nine governments.[509] A meeting was swiftly arranged for the Arab ministers with their European counterparts on the same evening after dinner. Following the report from the Council's President, the ministers pleaded for a larger European role in the peace settlement of the Middle Eastern conflict; *"Tous les ministres ont souligné qu'il ne suffisait plus de faire des déclarations, mais que le monde arabe attendait que l'Europe passât maintenant à l'action pour jouer le rôle qui lui revient dans la question du Proche-Orient."*[510] They desired European participation in the peace conference in Geneva. They also expressed their wish for a close cooperation in the field of economics, technology and culture.[511] This meeting can be understood in the context of the joint European diplomatic approach to the Arab countries after 22 November and the conference of the Arab League in Algiers in the end of that month. In January 1974, within the context of their political cooperation, the Nine would start to elaborate on a memorandum on a future Euro-Arabic dialogue.

Concerning the development of a *common* energy policy, the Europeans were divided on the necessity to implement short-term policies. The French and English governments refused to a

[509] NL-HaNA, NL-EmbParijs, 927 , 7/12/1973, télégramme 'énergie' de De Ranitz à la ministère des affaire étrangères à la Haye, ref 976. Möckli, *op.cit.,* p. 240.

[510] AEU Conseil, CM2/1973 0127 temp 21, "Rapport du ministres des Affaires étrangères du Danemark aux Chefs d'État ou de gouvernement sur la réunions des ministres des Affaires étrangères des Neuf avec les ministres des Affaires étrangères, M Abdelaziz Bouteflika, d'Algerie, M. Mohamed Masmoudi, de Tunisie, M.Mansour Khaled, du Soudan, et le ministre M.Adnane Pachachi, de l'Union des de Emirats arabes, le 14 Décembre 1973."

[511] *Idem*

common response to the current oil problems. They rejected the creation of a European apportionment system for oil, which had been proposed by Simonet with explicit backing from Helmut Schmidt since the beginning of December. But they could not completely ignore avoid the question as the other member states were much more in favour of the Commission's proposals on short-term policy. In the field of the communication of supply information to the European Commission, Pompidou and Heath agreed at the summit in Copenhagen to provide the necessary information. This concerned confidential information on oil supply which would serve for the compilation of an overview of the economic situation and the effects of the oil supply on economic and monetary conditions. The English government would complain thereafter that it had made a large concession in this matter. In the end of October, Palliser had rejected the proposal and had preferred to make it a more voluntary act to pass this information on to the Commission. With regards to the oil exploitation in the North Sea, the British government did not favour jurisdiction which might set a precedent for future constraining legislation on oil. This position had also counted in the British rejection of another proposal of the European Commission which concerned the creation of a supply committee. The original objective of this committee, in July 1973, had been the improvement of mutual consultations and the exchange of information on oil and gas supply between the member states, oil companies and the European Commission. The initial proposal, which had appeared too ambitious, had changed of character in November within the Council's Energy Group. Now, the idea had developed to change the status of the already existing high-level Simonet Group into an Energy Committee which would guarantee an improved and regular exchange of information on different aspects of energy policy between the member states, European Commission and the EC Council. At the summit in Copenhagen, the nine delegations still had not agreed on the precise role of the Commission in this committee or on its role in international consumer cooperation at the OECD's oil committee, but the fundamental issue of the creation of this Energy Committee was decided on and was explicitly mentioned in the communiqué of the summit. Further settlement on the question was on the agenda for the EC Council which would take place on 17 and 18 December.

On 29 November, the President of the European Commission, François-Xavier Ortoli had sent a letter to the Heads of State and Government wherein he gave a few reflections on matters to be discussed in Copenhagen. Concerning energy issues the theme of oil supply had been cautiously avoided. Only the importance to build on common relations with oil producing

countries had been touched. Disagreement had persisted within the Nine on the role of the supranational institutions in such cooperation. On the long term, the English government aimed at cooperation in terms of price, industry and finance in order to guarantee oil supply. At the Copenhagen summit it was revealed, however, that the French position had not changed since the Energy Council in May concerning the need for the establishment of a coherent European oil market as condition for such an international cooperation.[512] A desired cooperation with oil producers would be referred to in the communique of the summit without, for that matter, details on the structure for such cooperation.

In his letter to the Heads of State and Government, Ortoli had also enumerated some specific themes of middle and short term policy: the creation of a European facility for the enrichment of uranium, the diversification of energy sources, necessity for more independence from imported sources and an intensification and coordination of research in energy.[513] All these themes were related to the reduction of a dependency on imported oil, a theme which had progressively become a main preoccupation of energy consumers on energy. The question was not new and had appeared in the reports of the European Commission of October 1972 and April 1973. Simultaneously, at international level, the OECD Council had unanimously decided, in October 1972, that the member countries would prepare plans for reducing the consumption of oil and oil-related products. The organisation had started an overall assessment of long-term energy problems which included themes as the growing demand of energy, availability of natural resources, a search for technological innovation to have access to these resources or the necessity to maintain a more rational use of energy.[514]

At EC level, the discussion of these topics of middle and long-term energy policy in Copenhagen was in fact a revival of earlier discussions which had taken place during the Energy Council of May 1973. At the time, delegations had discussed the importance of nuclear energy or coal as an alternative for oil. Moreover, the communiqué of the Council had

[512] MAE, 3789, Position Grande-Bretagne sur l'énergie.

[513] ACEU, CM/1973 0127 temp 211, S/30911 Lettre d'Ortoli a Pompidou, Bruxelles le 29 Novembre 1973.

[514] OECD, C(72)201 final, "Repartition des approvisionnement de pétrole dans la zone européenne de l'OCDE en cas de crise", Paris, 10/10/1972. OECD, C(72)123 final, Documentation for the Council of 24-26 May 1972, Long-term Energy Policies and related questions", Paris, 15 May 1972. See also chapter 3 of this thesis.

included a themes related to the search for alternative energy sources and energy conservation: for a common energy policy which were related to the promotion of nuclear energy, the future role of coal in supply in the European Community, the use and the valorisation of natural gas, the rational use of energy and R&D in the search for new energy sources. Now, the European Heads of State and Government urged the Commission to give in short delay, before 28 February, a study which would promote the use of domestic European sources, R & D for the exploitation of new energy sources and the development of new production capacities, especially in the field of uranium enrichment. By asking the Commission to make this assessment, the Nine seem to have made the definite choice to focus on the middle and long term policy. At the same time, however, the communique of the summit calls for swift proposals on "*tendant à résourdre de manière concertée les problems que pose l'évolution de la crise actuelle de l'énergie*."[515]. Indeed, as the French political director François Puaux would relate a few days later, the communiqué was a result of long deliberations without really giving issue on the question.[516] This ambiguity would be reflected in a dual approach of the Commission of a common energy policy from January 1974.

§5.4 Developments of a common energy policy

Matters concerning EC energy policy were discussed by the Council of Ministers of Foreign Affairs directly after the Copenhagen summit. Based on the recommendations made by the Heads of State and Government, they agreed, without major difficulties, on a working programme for the development of a middle and long term energy policy.[517] The Foreign Ministers ask the Commission to present this program before 28 February 1973. A precise schedule of the Commission's output for the next two months is rapidly drafted during the Council. The planning included propositions on the enrichment of uranium, a report on the consequences of the oil shock on the energy situation in the community, and propositions on restraint of consumption.

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[515] MAE, 3789, Communique final Copenhague dec 1973, Bruxelles, 11/1/1974.

[516] MAE, 3789, "Réunion présidentielle de Copenhagen des 14 et 15 décembre 1973 ; Questions économiques –énergie.", télégramme de F. Puaux aux ambassades, Paris, le 18 décembre.

[517] CADN, RP-CE, 2376, Telex 21/12/1973 de Burin de Roziers aux Directeurs, "Conseil du 17 et 18 décembre, questions de l'énergie".

Meanwhile, the development of a European energy policy was affected by the British economic problems. In the UK, an economic recession and the coal mine strikes had attributed to a growing anti-Europe sentiment. Implementing the Regional Policy had become one of the favourite negotiation topics of the Heath government in order to respond to the needs of its electorate. During the Energy Council, Foreign Minister Sir Alec Douglas Home would stress the importance of this policy for the UK government by stalling on all decisions in the field of energy before any significant progress of the regional development policy.[518] This decision of the UK government had its consequences on the issues of the creation of an energy committee and the communication to the Commisison of information on oil supply.

First, as demanded by the Heads of State and Government, the Foreign Ministers treated the theme of the to-be created Energy Committee[519], but no decision was made on the structure of this committee. The debate centred on the question whether this committee would be part of the Commission or the Council. Eventually, on 30 January the EC Council had made the decision. The committee would be presided by the European Commission, but the secretary would be from the Council. The committee would regularly come together, approximately once per month, starting on 7 March 1974.[520]

However, on the question of the energy balances, the Foreign Minister could not reach agreement. The English delegation was very reluctant to provide confidential supply information to the European Commission. As a matter of fact, during the meeting of the energy committee on 7 March, it would appear that the UK government has not provided the necessary information. Within that meeting, the English delegation is demanded to contact the Commission and provide more precise details.[521]

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[518] CADN, RP-CE, 2376, "Conseil du 17 et 18 décembre, questions de l'énergie". Telex 21/12/1973 from Burin de Roziers (Bruxelles) to Directeurs (Paris).

[519] ACEU, CM2/1974 981 temp 1006, " Proposition d'une décision du Conseil portant création d'un Comité de l'énergie ".

[520] ACEU, CM2/1974 981 temp 1006, " Decision du Conseil du 10 janvier 1974 portant création d'un Comité de l'énergie " ; HAEC, BAC 28/1980 463, X/439/74 (CENER 5), " Reglement interieur provisoire du comité de l'énergie, Bruxelles, 10/4/1974.

[521] HAEC, BAC 28/1980 463, S862/74, " Aide-mémoire de la première réunion du comité de l'énergie tenue à Bruxelles le 7 mars 1974 ", Bruxelles, 20/3/1974.

Almost a month after the EC Council, the Commission presented new proposals for jurisdiction to the Council. These were six proposals for decision, recommendation and regulation on the measures to take in the context of the current energy crisis in the community.[522] As a matter of fact, these proposals were for a large part related to the earlier proposals of the Commission in July and October 1973 concerning the oil trade within the community and to external parties, energy consumption restraint, communications to the Commission on the import of oil products. New was the proposition for a regulation for a common and temporary structure to control oil products. In the following months, the propositions would be debated by COREPER but no agreement could be attained by the Nine. In contrast to the progress made on a middle and short term policy of the community, a common policy in response to the current oil problems could not be reached.

§5.5 Relations with oil producing countries

Just before the summit in Copenhagen, Pierre Messmer and his colleague Michel Jobert had distinguished two large themes to be discussed by the Heads of State and Government: The necessity of a common energy policy and the replacement of the Majors by consuming states at the negotiation table with the oil producers. Following Jober, these enterprises would have largely lost their strength in the negotiation.[523] As a matter of fact, during a meeting with the Majors on 17 November, the oil producers had openly showed to accept suggestions from the oil company's part, but no negotiations on their policy. The decisions on the oil price and the quota's were taken by the oil producing states only.[524] *The era of unilateral agreements* had begun.[525] This opinion of the French ministers was not new. Messmer had already publicly announced his ambitions in a press conference of 1 December.[526] As a matter of fact, the day

[522] ACEU, CM2 /1974 990 temp 973, COM(74)40 final, communication de la commission au Conseil sur les mesures à prendre en aison de la crise actuelle de l'énergie dans la communauté ", Strasbourg, 16/11974.

[523] Conversation with the Dutch ambassador De Ranitz during a diner in honor of Ortoli.; NL-HaNA, NL-EmbParijs, 927, 7/12/1973, télégramme 'énergie' de De Ranitz à la ministère des affaire étrangères à la Haye, ref 976.

[524] NL-HaNA, NL-EmbParijs, 927, 7/12/1973.

[525] "L'ère des accords unilatéraux ", translation by author; Expression emprunté de Jacques Percebois, *op.cit*, notamment pp. 428-470.

[526] NL-HaNA, NL-EmbParijs, 927, 3/12/1973 " betrekkingen Europa-Midden Oosten " de De Ranitz au ministère étrangère des Pays-Bas (BEB).

before, a bilateral agreement had been adopted by the French and Saudi Arabian governments on oil supply. In January substantial contracts for supply were closed with ELF and CFP for the delivery of 27,6 million tons of oil over the next three years[527]. These developments caused much polemics from American and European side, especially from Helmut Schmidt who opposed to this kind of scramble for supplies for its potential consequences on the market price of oil.

At the same time, the political committee of CPE worked on the document on the Euro-arabic dialogue. Started in January, they arrived relatively rapidly at a consensus on 7 February 1974. The only thing what was left to do was the agreement of the nine Foreign Ministers.[528] In the process it was decided that the European Commission would join in with the dialogue. The works of the institution could now be integrated in the CPE plan. As previously mentioned, the Commission had contacted Algeria in the summer of 1973 (with a mandate provided by the Council) to see if the country was interested in relations with the CE. The Algerian government had responded positively but the French government had refused to give the Commission a mandate for further deliberations.[529] Now, at the insistence of the Dutch and German governments, the Commission had joined the EPC in the Euro-Arabic dialogue project.

But the energy conference in Washington, from 11 until 13 February, delayed the meeting of the foreign meeting and their agreement on the project for a Euro-Arabic dialogue .During the conference, Kissinger rejected vigorously the proposed dialogue. He told Jobert that such a dialogue would not take place "*over my dead body*"[530]. Still, on 4 March, the European Foreign Ministers agreed on the project. From that moment, the atmosphere became frosty between both sides of the Atlantic Ocean, a situation which continued for seven weeks until the so-called gentleman's agreement at Gymnich in April 1974. At this occasion the Europeans agree on the procedures of consultations with allied states, such as the USA, on

[527] Menderhausen, *op.cit*., 72-73; Messmer, Pierre M. "Un premier ministre dans le premier choc pétrolier (octobre 1973-mars 1974), *Mémoires de l'Académie nationale de Metz 1994,* Académie nationale de Metz, 1995, p. 31-40, p.33.

[528] Detailled analyses on the elaboration of the Euro-Arabic dialogue are given by Maria Gainar, *op.cit*., 2012, pp. 191-196 and Daniel Môckli, *op.cit*. pp 255-279.

[529] See Chapter 3 of this thesis.

[530] Möckli, *op.cit,* p. 283.

foreign policy issues. it was unofficially agreed on by the Europeans that the American government would be informed on European decisions if the issue was related to American policies.[531] In the meantime, the dialogue seems to have changed of character. Oil is no longer part of the agenda, except for fields concerning technological and industrial cooperation.

§ 5.5 The OECD's High Level Group and the Washington energy conference

After the American initiative at the Pilgrim's society, the idea of an international energy action group was kept alive by Henry Kissinger. On 27 December he made another statement on the matter and on 3 January he announced, during a press conference, the imminent invitations from Richard Nixon to an international conference.[532]

Four days later, Earl Sohm, minister at the American embassy in London, was briefed about the FCO's position about the idea by two officials from the British foreign office. They were Oliver Wright, deputy under-secretary in charge of European Community and economic affairs, and Jock Taylor, assistant secretary in charge of energy affairs. The American initiative responded to the British wish for a coordinated approach to the oil producing countries. Different from October, when, within the HLG, Spain had proposed a joint consumer communication with the oil producing countries, the British were now less preoccupied about securing an oil supply. The cutbacks of the oil producers had significantly been reduced after the cancelation of the December production cut, on 5 December.

In fact, in the beginning of January , OPEC had announced no more production cuts for at least six months. A minimum oil supply was now assured, Wright said. But by now, the increase in oil prices had emerged as a primary concern. Just six days earlier, the increase to a fourfold of the posted prices had been implemented. In his opinion, the oil producing countries had to be discouraged from increasing their prices any further. [533]

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[531] Gainar, *op.cit.*, 2012, p. 155-157, 195-196 ; Möckli *op.cit.*, p. 286-289, 316-322.

[532] CADN, RP-EC, 2376, SEC(74)68, "Coopération avec les États-Unis dans le domaine de l'énergie".

[533] NARA, London 00244, "British views on secretary's proposal for Energy Action Group", 7 January 1974.

Following Wright and Taylor, only the OECD could provide the "*appropriate vehicle for formally initiating EAG*"[534]. For the FCO, the urgency to found an international energy action group made it undesirable to re-enter cumbersome European discussions about the community's international relations. The debates during the Energy Council of May 1973 were still fresh in their minds. Considering the French reluctance about international consumer cooperation outside the OECD, Wright, who was *though* in charge of the European Community at the FCO, strongly advised against approaching the European Community on this matter.

Following Sohm, in a telegram to Washington, Wright stated that *"time was short and no European Community position could be arrived at fast enough to allow EC to play prominent role in EAG [Energy Action Group] exercise. He also intimated French might be serious obstacle to progress in EC context*"[535]. In a separate meeting on the same day, Jock Taylor maintained a similar opinion. He emphasised that a "*Kick-off*"[536] of the energy action group should be handled at OECD level. The EC Commission could nevertheless be invited in order to satisfy the smaller member states, he said.[537] It would appear two days later that the FCO had fundamentally underrated the response of these smaller states. When Nixon sent an invitation to an energy conference to be held in Washington in February, he only addressed the members of the HLG, including the European Commission. The governments of Belgium, Luxembourg, Denmark and Ireland did therefore not receive an invitation to the conference. The Danish Permanent Representative, Niels Ersbøll, immediately protested within COREPER. Apparently, "*sur un ton assez solennel*"[538], he declared that the European Community should have been invited as a joint community and that the issue should be dealt with within the Council. A similar opinion was put forth by the Belgian Foreign Minister van Elslande in a letter to the Council.[539] The European Commission seemed to have anticipated an American approach via the HLG for the organisation of the energy conference. On 9 January, it delivered a brief one-page report on the question of the Euro-American

[534] *Idem*

[535] *Idem*

[536] *Idem*

[537] *Idem*

[538] CADN, 2376, DK (Ersboll) en B (Van Elslande), Bruxelles, 10/1/1974.

[539] *Idem*

relationship on energy.[540] In this report, the institution stressed the necessity of providing a common response to the American initiative. It called for the safeguarding of the European identity, recently announced at the summit in Copenhagen. A European position should be agreed before any contact with the American government on the issue would be made. Within these European deliberations, the Commission would be included and would provide propositions on substance and organisation.[541] The German representative, chairing COREPER at that time, proposed the development of a European position in the field. Palliser was disappointed that no immediate positive response could be given to the Americans, but agreed.[542] The Council would discuss Nixon's invitation to the conference, on 14 January.

The EC member states which had received an invitation from Nixon, except for France, seemed to prefer a swift response to the American government. In their opinion, this was not to become a second cumbersome EC decision-making process on a joint response to the American government in the style of the European answer to the *Year of Europe* propositions.[543] It does not seem to have surprised these states that the invitation was only sent to members of the HLG. This is well illustrated by the British position discussed above. Also the fact that the Dutch government had, on 2 January, given instructions to its Permanent Representative at the OECD, instead of the EC, for a Dutch response to Kissinger's initiative showed that this organisation had become an important forum for international energy consumer countries. It was for these states a more logical than surprising choice for the American government to send the letter to the members of the HLG, despite the fact that not all European member states were participating in this group, since it was the highest level meeting place for discussions on current oil questions within OECD.

§5.6 The Nine divided

In his letter, Nixon seems to have sought for persuasive arguments to get the Europeans on board. His propositions responded largely to European concerns for a coordinated approach to

[540] CADN, RP-EC, 2376, SEC(74)68, "Coopération avec les États-Unis dans le domaine de l'énergie"

[541] *Idem*

[542] NL-HaNL, MR, 1581, REZ 10/1/1974.

[543] *Idem.* This opinion was expressed during the Dutch Council of Ministers on 10 January1974.

the oil producing countries and the problems of the Least Developed Countries (LDC). He expressed his intentions to "*work in concert, developing enlightened unity and cooperation for the benefit of all mankind -producer and consumer countries alike.*" [544] A first step to reach this cooperation would be made by the Foreign Ministers of the invited governments. During the energy conference, they would analyse the situation and the work to be done. Moreover, a task force would be formed by consuming countries to formulate a consumer action program which would include the issues of the explosive demand for oil, a consumer position on new producer-consumer relations and the question of the weakened position of the LDC.

Although his letter did not specify his ideas in detail, he was still very clear about the organisation of a conference between oil producing countries and consumer countries, an initiative much desired by the European side. This conference would take place within ninety days after the intended Energy Conference in Washington. Relations with the oil producing countries would respond both to the interest of these countries and assure supply for a reasonable price.[545] The organisation of this energy conference was also announced by Nixon in his letter to the member countries of OPEC.[546]

On 14 January, the Foreign Ministers and members of the European Commission assembled to discuss a European response to Nixon's initiative. Differences emerged on the interpretation of the invitation. The French government had not revealed its precise position on the matter, neither at the COREPER meeting of 9 January, nor during the meeting of the political committee on just thereafter. But now Jobert informed his colleagues about the French position. He presented a declaration from the French government.

First, the concern was expressed that Nixon's invitation maintained a fundamental political character and aimed for American leadership in international affairs. This interpretation was fed by the idea that only a meeting of Foreign Ministers was announced. Moreover, if a meeting of the HLG had been the objective, why would it take place in Washington instead of Paris? As Jobert pointed out, a study of the energy problems was already handled by the

[544] NL-HaNA, MR, 1460, invitation Nixon.

[545] *Idem*

[546] NL-HaNA, MR, 1460, brief van Nixon aan de leden van OPEC.

OECD. Cooperation within this organisation on energy questions could possibly be deepened. Concerning a conference of oil-producing and consuming states, in the opinion of the French, the United Nationals offered a more appropriate forum because there would be less of a risk of meeting resistance from the oil producing countries and no country would have a leading position. In fact, Jobert showed a letter from the French President Georges Pompidou to the UN's secretary general, Kurt Waldheim, urging for a swift organisation of such a conference.[547]

Moreover, the idea of an international energy action group could damage the current process within the EC concerning a future common energy cooperation, for instance in the field of technological cooperation. The American initiatives risked upsetting the developments within the European communities. Just one month previously, the Council had decided on a clear agenda for the development of an energy program and 11 February would be too soon to have finalised such a program. Opinions differed however on the necessity of establishing this European program before the imminent energy conference in Washington. If the participants could decide on an international energy action group, the substance of its cooperation would probably be discussed later.

Jobert emphasised the need for the Nine member states to act jointly, preferably through one representative. Their international position on energy could then be enforced in this way. He underlined the asymmetric positions of oil importing Europe and the United States, "*premier producteur de monde de pétrole*".[548] Douglas-Home objected to this idea and preferred an approach comparable to the OECD where all members could participate, while not losing sight of the interests of the other EC member states.[549] Eventually the Nine agreed on the representation of the CE by both Presidents of the Council and the Commission, and the participation of all member states.

[547] NL-HaNA, MR 1460, "Annexe 3: Texte de la letter addressee à Monsieur Waldheim"

[548] CADN, RP-CE, 1237, Bruxelles, le 7 février 1974, télégramme adressé diplomatie Paris, "Délibération du Conseil des Communauté au sujet de la Conférence de Washington".

[549] CADN, RP-CE, 1237, Débats conseil sur réponse à Nixon ; NL-HaNA, MR, 1294, Report Council 14-15/1/1974.

A reply was sent to Richard Nixon informing him of the European interpretation that the Nine had been invited jointly.[550] In order to ensure a joint approach, they decided on the formulation of a mandate for a European position during the conference. This mandate would be elaborated on by the Council on 4 and 5 February. It was thought to be the basis for discussions with the American government on the substance of the conference and the possible creation of an international energy action group. Table 5.1 shows the rise of the posted prices and the consequences for the (average) West European oil price for consumers.[551]

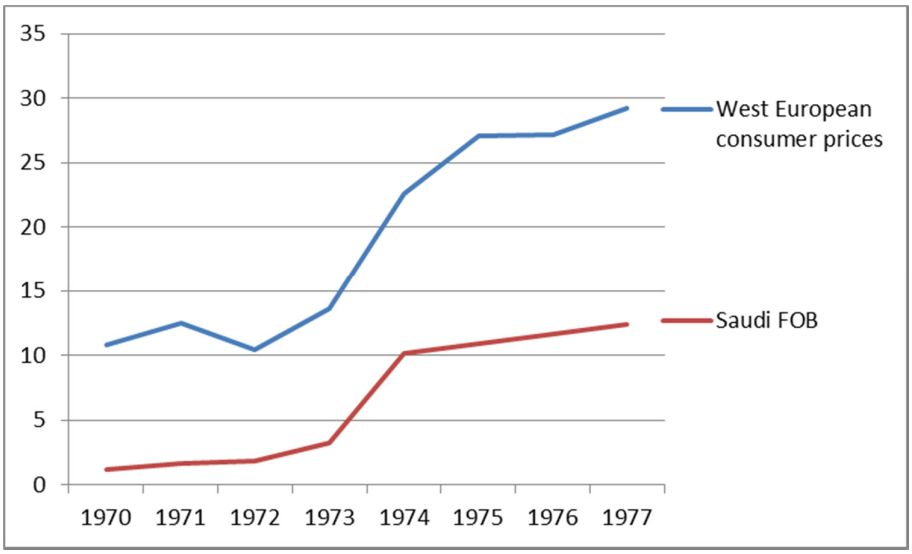


Table 5.1: Crude oil price and West Europen Consumer oil price, 1970-1977 ($)[552]

The continuous changes of the American proposals for energy cooperation are interesting. Nixon had focused solely on the question of oil supply in his invitation to the conference on 9 January. But oil supply had only been one of the many issues invoked by Henry Kissinger in his address to the Pilgrim's society almost a month earlier. Other points for cooperation had been raised about the field of technology for oil exploration and exploitation, and R&D projects or nuclear enrichment. Now, in the first days of February, Nixon introduced the question of monetary and financial problems as an important issue to be discussed during the

[550] ACEU, CM2/1974 979 temp 959, "Relevé des décisions prises par les conseil lors de sa 272ème session: Problèmes de l'énergie", Bruxelles, 15/1/1974.

[551] *Idem*

[552] Adelman, *op.cit.*, p.149.

conference. These variations on American proposals gave rise to European suspicion that the essence of the initiative was for an American effort to enforce its global international leadership in different fields.

This matter touched on a pivotal international preoccupation of the time. Since the beginning of the 1970s, the monetary problems of the American dollar and the fall of the Bretton Woods system had caused large international economic problems. Its consequences had been reflected in European monetary developments. The Europeans had tried to keep control of the monetary situation through the introduction of a so-called *snake in the tunnel*. In the autumn of 1973, the exchange rate of the dollar had improved as a consequence of the increase in oil prices and the oil consumers' growing demand for dollars. Still, the Americans refused to accept an increase in the price of gold, as demanded by states such as Germany and France. For instance, in December, the price of gold was 40$ per ounce while the market price was 100$. This difference was felt by the European states which had to settle irregularities within the snake with gold reserves. Now these reserves could only be sold at prices which equalled 40% of the market price.[553] At the same time, the situation was worsened by the growing one-way flow of dollars to the Middle East from the oil consuming countries. The surpluses of the balance of trades in the oil-exporting counties had increased in 1973 from $12 to $35 million and this process was expected to continue.[554] There was worldwide discussion on the question of global circulation of these dollars by different possible financial structures. This major international concern was discussed globally by various organisations. In January 1974, the IMF, for instance, had proposed the introduction of a new facility to handle the problems.[555] At the European level, monetary problems were getting worse. In 1973, the UK, Italy and Ireland had already left the snake. On 19 January 1974, France also left the snake.

On 4 February, the monetary committee of the CE met and discussed the problems. Concerted international action in the field was deemed a necessity, concerning, for instance, international borrowing of money or searching for solutions for the problems of the LDC, or agreements for the prevention of exchange rate depreciations by individual states. The committee was

[553] NL-HaNA, MR, 1262, REZ 6/12/1973 Minutes of the meeting.

[554] *Idem*

[555] NL-HaNA, MR, 1262, Resume discussion monetary committee on preparations Washington conference, 4/2/1974.

therefore not adverse to Nixon's proposal of putting financial problems on the agenda for the energy conference.

The reactions of the EC Council of Foreign Ministers, in the beginning of February, however, were more diverse. The European reactions varied between rapid acceptances of the propositions by the German government, to French indignation about the proposals. Nixon had proposed that the national ministers for financial affairs participate in the conference alongside their colleagues on foreign affairs. For the French government, these changes were a further example of the American objective for a conference which exceeded the field of energy. The political character of the American proposals had been revealed clearly by the new proposals for the conference's agenda, Jobert declared. Now, finally, everyone invited could "*prendre ses responsabilités en connaissance de causes*"[556]. In fact, the French government's suspicions as to American intentions were shared by their European counterparts and the European Commissioner for Energy.[557] But at the same time they deemed that cooperation with the United States was necessary to cope with the current economic and oil problems. For instance, faced with its deteriorating economic situation, the British government could not afford to rebuff the American initiative.

The search for a common position for the energy conference was finally tackled at the EC Council on 4 and 5 February. It was an important Council meeting, attended by national delegations which included not only Foreign Ministers, but by some member states, also ministers of finance, economics or energy affairs.[558] The agenda for the energy conference which was proposed by the American government in the first days of February showed an ambitious program with a few plenary sessions and four smaller, concurrent, meetings. These workshops would concentrate on the possibility of institutionalising new consumer cooperation, economic and monetary questions, energy issues and possibilities of cooperation in the field of R&D. It showed the American intention for a conference on global problems which transgressed energy issues. It also showed its ambitions to continue these international deliberations after the conference and to imbed its structure. The French government, which

[556] CADN, 1237, Préparation pour la conférence à Washington , 2/2/1974.

[557] Möckli *op.cit.,* 262

[558] ACEU, CM2/1974 980 temp 960, 276ème Conseil: Communication à la presse (liste répresentants), 5/2/1974; NL-HaNA, MR, CR Conseil 4-5/2/1974.

was outspoken against the institution of such a new international cooperation, was fairly negative about this agenda.

The Nine agreed on a mandate for the representatives of the Community, based on a French proposal[559]. It stipulated amongst other things that further international discussions would take place in ad-hoc workings groups at the OECD. [560] This mandate would be important because of the wide disagreement between the Nine at the Washington conference, one week later. But sources give the impression that most serious issues had been avoided during the creation of the mandate. During the Council, debates were held on details for the conference, but no real conclusions seem to have been reached by the closure of the Council.[561]

It would however appear that the Council of 4 and 5 February and the mandate could not secure a common position at the energy Council in Washington. From the Americans, there was a skilful approach to the Europeans to gain support, as has been formidably described by Daniel Möckli. In order to gain support from the Europeans, the Americans did not avoid persuasive arguments such as those concerning American military engagement in Europe. Richard Nixon, for instance, ended his first address during the dinner hosted by the USA government by stating that "*security and economic considerations were inevitably linked, and energy cannot be separated from either*"[562].

The conference would be characterised by discord within the Nine which was mainly tainted by a conflict between the German minister of economics Helmut Schmidt and the French Foreign Minister Michel Jobert. The issues of discordance were not new, but the open escalation at the conference was mainly due to American perseverance to make the conference a success and assure continuation of established consumer cooperation. The day before the conference, the tone was already set by two meetings which Kissinger had with the German ministers Scheel and Schmidt separately. He convinced them to support the American initiative for an energy action group.

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[559] CADN, 1237, " CR conseil 4/2/1974: Washington (Mandat aux representants communauté) ", 5/2/1974.

[560] NL-HaNA, MR, CR Conseil 4-5/2/1974.

[561] (see Nl CR 1416).

[562] Cited by Möckli, *op.cit.,* p. 275.

§5.7 Perspectives on further development

The Energy conference in Washington is mainly known for the split which occurred between France and the other eight European member states. It contrasted fundamentally with the reassertion by the Nine Heads of government of their identity and their willingness for joint action. But apart from the quarrels between the Nine, the energy conference was important for the presentation of a new American energy program.

Just recently, Richard Nixon had announced a five-year program with the telling title *Project Independence* which aimed at energy self-sufficiency at the end of the decade. In his address on energy to the American nation, on 7 November 1973, he had given an impression of the ambitions of this high budgeted project by comparing it to the large and successful American *Manhattan Project*, that after large investments and commitment had founded the development of nuclear bombs in the 1940s.[563] The central place of this new project within discussions on energy in Washington showed that a new era had started for energy policy which aimed at a reduction of dependency on imported oil. Themes such as energy conservation, search for alternative sources, diversification of energy sources were by now recurring themes in the energy consumer countries. The same themes had been central as well to the discussions on energy by the Heads of State and Government in Copenhagen. They would reappear on the agenda of the international action group on energy which was created at the energy conference in Washington and which would lead to the International energy agency at the end of the year.[564]

In the first months of 1974, within the European communities, draft outlines were prepared for new policy lines. The objective to reduce dependency on imported energy, especially oil, had become a central focus of the DG Energy at the Commission. On 29 May, the Commission would deliver its report *Towards a new energy policy strategy for the European Community*[565]. It would give a basis for the debates within this year on the policy to follow.

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[563] At several occasions since June 1973, Nixon had refered lightly to this Project Independence but in his 7 November address he elaborated more on the subject.. RSC, Papers of the Nixon hite House, part 7 : President's personal finels, 1969-1974, " , Energy speech," President's reading copy, the White house, November 7, 1973 .

[564] The cooperation within ECG and the development towards IEA has been studied in chapter 6 of this thesis.

[565] ACEU, CM2/1974 996 temp 979, COM(74)550 final.

The report included four central objectives: The reduction of the growing energy needs; the reduction of oil imports; A change of supply structures; A change of consumption structures. The report was general positively received its general policy lines are already on 17 September agreed on by the EC Council.[566] They would form the basis for the long-term goals to which the Council would adhere to in its Resolution of 17 December 1974. Noteworthy were the ambitious objectives of a 10% reduction of imported energy sources within 10 years. The main goal of the policy was to secure supply and improve the European vulnerability on energy in the global world.

§5.8 Conclusions

This chapter has revealed the efforts within the European Commission to solve the short term oil problems within the community. Despite the fact that the role of the Commission in the European decision making was minimised by the Council, the Commission did not remain apathetic towards the oil problems during the oil shock. The institution developed with a rapid pace new proposals for jurisdiction on short-term oil policy. Within the Commission and involving several of its Directorate generals, several committees and groups were created, and existing committees met more regularly. These developments occurred within the DG Energy but also within other Directorate Generals. They give the impression of a European Commission where officials worked closely together.

The appeal by Helmut Schmidt, on 4 December, for a pooling mechanism for oil within the community would in fact be the first response on Simonet's proposals, which had included such an apportionment system for oil. Thereafter, the issue was set on the agenda and would be discussed by the Heads of State and Government in Copenhagen. The discussions on the proposals of the Commission revealed a divergence within the Council concerning the focus of current debates on a common energy policy. While some member states, such as Germany and the smaller European states, emphasised the need for an adequate common response to the oil problems. Other countries, mainly France and the UK, rejected such a short term policy and focused solely on the middle and long term. Although the apportionment system for oil was rejected by the French and English leaders, the summit did give a large impetus for

[566] AUE, Commission, BAC 8/1980 465, R/2391/74 "Résolution adoptée par le Conseil le 17 septembre 1974" Bruxelles, 18/9/1974.

the development of a middle and long term energy program for the Community. This program aimed at the reduction of dependency of imported energy and would eventually be started after the Council's resolution on 17 December 1974. Meanwhile, the themes which were central to this program, such as diversity of energy sources, a more rational use of energy or the search for new sources, were simultaneously central themes at global level, for example at the OECD or in the ECG. The ambitious American *Project Independence* acquired much attention from the European member states for its R&D programs in these fields. The Nine could however not agree on their position towards the American initiative for an international action group. While this conflict came to the forefront at the energy conference in Washington, even before this conference the disagreements among the Nine were clearly there.

6 The International Energy Agency

§6.1 Introduction

On 15 November 1974, the International Energy Agency (IEA) was established as an autonomous body within the framework of the OECD. The creation of this agency is often linked to the oil shock which started in October 1973. After Kissinger's pledge for an international energy action group in December, the agency evolved via the February international energy conference in Washington. Most participants in Washington had agreed on an international action program to face the international energy problems. The ECG, an international Energy Coordinating Group, was formed to coordinate and lead this program.[567] During the regular meetings, problems were analysed and possibilities for further international cooperation debated. In July 1974 the USA proposed to the other ECG members a more institutionalised cooperation including a scheme for the apportionment of oil supplies in an emergency. It was this international energy program (IEP) that, with small amendments, formed the basis for the establishment of the IEA in November.

A direct line can therefore be drawn from the oil shock to the establishment of the IEA via the international energy conference of February 1974. In historiography, this development is often only hinted at and studies of the creation of the IEA are very rare. The aspects of potential technological cooperation were researched by the political scientist James Lester in 1976.[568] Very recently an archival study has been made on the period between the Washington conference and the actual creation of the agency. The historian Henning Türk relies in this study on German and OECD primary sources. He provides insight into the content of deliberations at the ECG and the differences between American and European standpoints.[569]

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[567] ACEU, CM2/1974 979 temp 959, Traduction de la Communiqué final de la Conférence de Washington sur l'énergie, Bruxelles, le 21 février 1974, R/510/74.

[568] Lester, *op.cit.*

[569] Türk, H. "Anti-OPEC or neutral consumer organization? The founding of the International Energy Agency in 1973/1974", published on H-Net Discussion Networks as part of the 1973 Energy Crisis Discussion, http://h-net.msu.edu/cgi-bin/logbrowse.pl?trx=vx&list=H-Energy&month=1402&week=c&msg=yHNxxIy0KSo5BVS3 peuQEA.

In this case study I focus on the creation of the IEA and its implications for European cooperation. The road that led to the agency was not without complications for the EC. First, when the International Energy Agency was created on 15 November 1974, only eight of the nine members of the European cooperation participated in this new organisation. France did not adhere to the new organisation although the European Commission was a member as an active observer. I aim to gain more understanding of the French absence from this organisation and the development towards the IEA. As far as I know, the debates within the French administration on possible membership have not been the subject of primary research before.[570]

This case study also focuses on the motives of the other European member states (EC-8) for continuing the efforts of international consumer cooperation without France. In the previous year, French refusal to participate in the international relations of the community with other consumer countries had a blocking effect. But now, the agency had been created without French membership.

Thirdly, the IEA provided the EC-8 with an alternative platform, alongside that of the CE, to discuss energy policy. Pessimists said that this would block development of a joint European policy on energy. Just after the Washington energy conference, Michel Jobert emphasised the potential conflict between a new international institution and the CEE.[571] Others emphasised the progress at EC level which could be made through international cooperation. For example, Henry Simonet later implied that agreements at IEA level had served to obtain joint positions at the EC level. In his opinion, the IEA would therefore provide a new impetus for EC energy policies. Simonet, however, does not specify the issue.[572] Robert Black reaffirms this through a similar statement in his article on the search for a common energy policy, but neither give

[570] The cooperation in areas of technology has been studied by Lester, *op.cit*. Cooperation within the Energy coordination group has also been studies by Richard Scott, *op.cit,* 3 vols. However, no analysis has been found of the debates within the French administration on possible membership to the energy coordination group or IEA.

[571] To the French national assembly. NL-HaNA, NL-EmbParijs, 949, French AFP press report of the declaration of Jobert before the French national assembly. Same archives, "Franse afwezigheid bij vergadering permanent coordinatie-comité te Washington op 25 februari a.s. " Paris, no date.

[572] Simonet, H. *op.cit.*

specifications.[573] It is this chapter's third objective to analyse the relationship between EC and IEA. How were relations between the EC and the IEA? Linked to this issue is also the question of the judiciary. At the end of 1974 the European Commission would be accepted as an active observer in the IEA. How was this arranged in judicial terms and why did France agree to this situation?

The chapter starts with an outline of the structure of the Energy Coordination Group. I will then study the French position towards this international organisation and its relations with it. I will analyse the internal debate on possible adhesion. Thereafter I will make a study of the relations between the European Communities and the ECG up until November 1974.

§6.2 Structures of the Energy Coordination Group (ECG)

Only two weeks after the energy conference in Washington, its participants, except for France, created the Energy Coordination Group (ECG) and agreed on its procedures.[574] Consisting of high-ranking officials from its twelve participating countries, the group came together regularly, approximately once per month. It directed and coordinated the development of an action program which was to find a joint consumer response to different problems on the global energy situation.

Their discussions concerned a broad array of themes related to the international energy situation, ranging from economic and financial matters to energy-specific technical themes. The chair of the ECG was the Belgian senior diplomat Roger Ockrent until he suddenly passed away on 9 April 1974. Ockrent had been head of the cabinet of Paul-Henry Spaak, the Belgian minister of foreign affairs, and had gained much experience at the OECD as ambassador and chair of the organisation's Executive Committee. The appointment of an expert in multilateral diplomacy, and not one who focused specifically on global economic,

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[573] "*What the Nine have been unable to do in the Communities, the Eight have achieved in the IEA. The Commission led by Simonet […] has been able to use this effectively to drag the Communities along with the steps taken by the Eight in the IEA, when they have been congruent with community proposals*." Black, *op.cit*., p. 187.

[574] 12 members : EC-8, the US, Japan, Canada, Norway. AEU Conseil, CM2/1974 979 temp 959, Traduction de la Communiqué final de la Conférence de Washington sur l'énergie, Bruxelles, le 21 février 1974, R/510/74.

energy or monetary problems, revealed the political character of the ECG. This is probably even better illustrated by the background of his successor, Etienne Davignon. Davignon was senior Belgian General Director in foreign policy and had been one of the designers of the European Political Cooperation since 1970.[575] Indeed, the heads of delegates to ECG seem to have been sent by the twelve ministries of foreign affairs, and did not come from the ministries on energy nor economics. For instance, head of the US mission was William H. Donaldson, Undersecretary of State for international security affairs. After a few months, Thomas Enders took over his post. He was Assistant Under Secretary of State for Economic and Business Affairs. The political undertone of the international consumer's organisation was therefore continued after the Washington energy conference.

Eight themes were central to ECG discussions which were mostly based around the output of existing or new international workgroups, such as the OECD, International Monetary Fund (IMF) or the International Bank for Reconstruction and Development (IBRD, World Bank) (see Figure 6.1). It concerned areas for potential energy cooperation, such as in the enrichment of uranium, R&D and in an accelerated development of conventional energy resources.

Other themes concerned policies towards the oil producing countries, both from the viewpoint of consumer countries, as well as the changing role of the international oil companies in the oil market. Two other areas related to measures designed to limit the consequences of oil shortages. Firstly, an apportionment scheme for oil supplies in times of emergencies was in process. Secondly, long-term policies on conservation and demand restraint were formulated and potential cooperation was sought. These seven fields were specifically energy related. In its discussions, the ECG relied on preparatory work done by three ad-hoc groups at the OECD Oil Committee. These focused on energy conservation and demand restraint, the accelerated development of conventional energy sources, and an apportionment system for oil supplies in case of emergencies. Concerning issues on uranium enrichment, the role of oil companies and

[575] More information on Davignon (including an extended interview with Davignon): Găinar, M., *op.cit*., thèse de doctorat , 2011.

R&D, three new ECG sub-groups were created. They were composed of senior officials with expertise in the concerned areas.[576]

The eighth theme focused on the economic and financial problems related to the oil crisis, especially the imbalance between the accumulation of dollars in the oil producing countries and the related shortage of this currency in the consumer states. This subject was already being discussed in several organisations such as the OECD, IMF and IBRD. The ECG mainly followed the work being undertaken in these organisations and aimed to give impetus to further elaboration. Eventually the high-ranking officials were tasked to search for an integrated consumer position on the problems and eventual solutions. For example, a new international institution might be installed to facilitate long-term investment by the oil-producing states.[577] The ECG therefore maintained an overview of the work done at international organisations on economic and monetary problems. But it held a very different character than a forum such as the G5 which met several times in the same period to discuss these global issues at the highest governmental level. The ECG had a technocratic character, as it was constituted by high-level officials.

[576] NL-HaNA, MR, 1309, "Kort verslag van de te Brussel op 13 en 14 maart 1974 gehouden vergadering van de 'energy coordinating group' " Brussel, 14/03/1974; See also the publication of Lester, *op.cit.*

[577] *Idem*; Eventually, the incomes of the oil producers would rise in 1974 from 33$ billion to $108 billion. An initial aim of ECG was to establish of an integrated approach to the dollar problem, such as the institution of a new international institute to stimulate investments by oil producer countries. This objective would nevertheless not be attained. Credit facilities would be offered separately by the IMF and the OECD. Moreover, individual Western banks would play a large role in offering deposits for oil producers and lending to western states. See: Herman van der Wee*, op.cit.* p. 494-496.

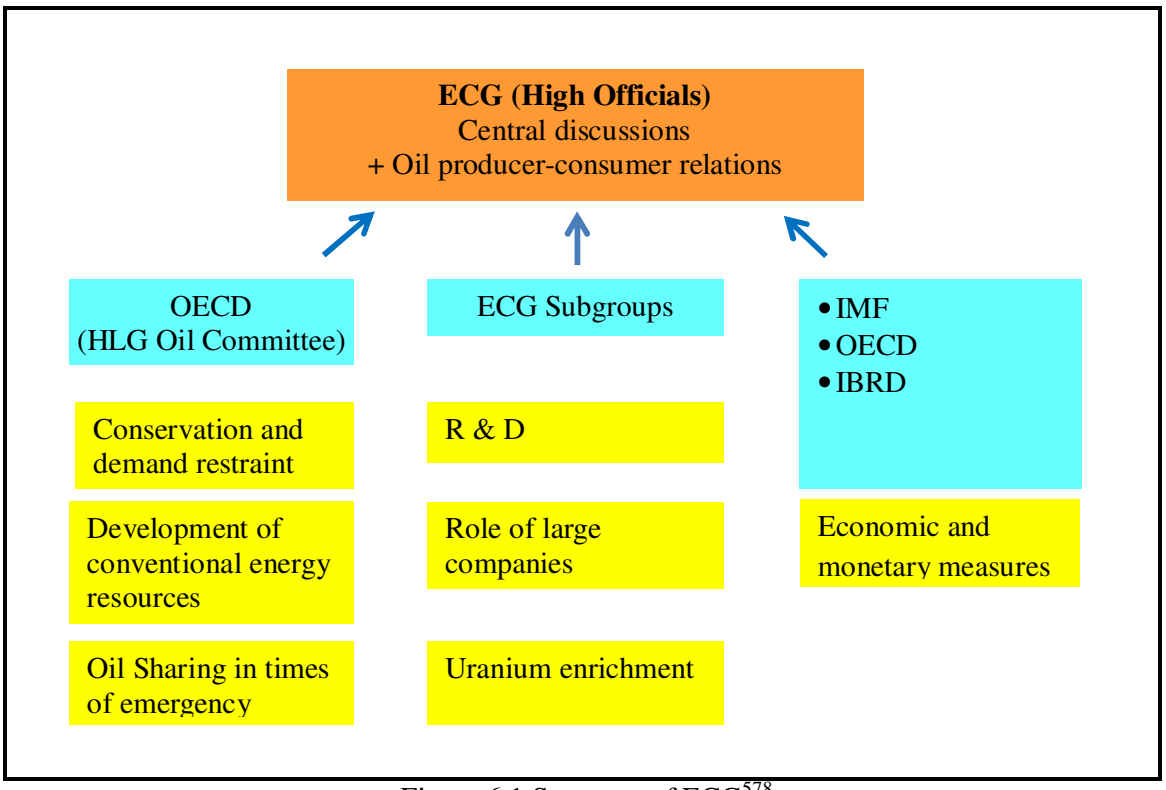


Figure 6.1 Structure of ECG[578]

Although no date was set for its expiration, the ECG was from the start destined to be contemporary and would produce the action program for the follow-up of the cooperation. It also had to organise, as prescribed in the communiqué of the Washington's energy conference, an oil producer-consumer conference *"as soon as possible"*[579]. The priority given to such a dialogue, including the developing countries, was mostly European. Such a dialogue was expected to found a stable oil supply by agreements on long-term prices. Agreements at bilateral level were often seen as a risk for raising prices.[580] But this dialogue was not desired from the American side. From the first meeting, they advocated waiting out the developments on the market before making steps towards such a conference. On the one hand, they were positive on imminent reductions in oil prices brought on by American diplomacy in Saudi

[578] Compiled by author on basis of source: NL-HaNA, MR,1309, "Des-76451 De energieconferentie in Washington en het vervolg daarop", 29/3/1974.

[579] *Idem,* Citation is from source: ACEU, CM2/1974 979 temp 959, "Communiqué final de la Conférence de Washington sur l'énergie", 22/2/1974.

[580] NL-HaNL, MR,1460, "De ministeriële energieconferentie in Washington", preparatory document for the Council on European affairs (REZ) of 1/2/1974. See also chapter 4 of this thesis

Arabia. On the other hand, they were afraid that such initiatives might only enforce the oil producer's cartelisation. Before taking any steps, the consumer countries should firstly prepare a statement on a joint position. The Europeans, however, advocated a more cautious approach towards the oil producers. The ECG members decided to check bilaterally on oil producers' positions regarding a consumer/producers dialogue. A good opportunity for this inquiry was the extra session of the UN's General Assembly on raw materials and development, beginning on 9 April. The oil producing countries' responses ranged, however, from cold to lukewarm.[581] "*En fait, qui souhaite réellement une conférence entre producteurs et consommateurs?*"[582], remarked Kissinger to the French minister of foreign affairs Jean Sauvagnargues. The issue would lose its priority within ECG.

During the 10 months, approximately, of ECG deliberations, all eight themes would be studied in the workgroups and discussed within ECG. Progress was however mainly made in the institutional part and in the development of a scheme for repartition of oil in times of emergency. After an American proposal at the end of May, the International Emergency Project (IEP) was established which would serve as a basis for the new agency. The organisation included a permanent secretary at the OECD but with a separate Council and a majority voting mechanism. This structure answered both to a European preference for an OECD based organisation and the American determination for a more efficient decision-making structure. The participants agreed to a repartition scheme that would automatically be activated in case of a political embargo against one or several participants. The burden of a supply shortfall was to be shared among all participants. The details of the schema were to be specified later. Japan and the European participants hesitated on a system which could disrupt their oil supply if the USA was to meet a serious shortfall.[583] For France, this scheme and the organisation structure at the IEA was unacceptable. But the French government had been negative on the whole cooperation from the start.

[581] NL-HaNA, MR, 1309, Energy Coordinating Group 13-14/3/1974, 14/3/1974; Türk, *op.cit.*

[582] Archives Nationales de France (AN), 5AG3/982, " "Entretien entre le ministre et le secrétaire d'état américain, 4juillet 1974, après le dîner" Très secret " Paris, 4/7/1974, Ministère des affaires étrangères, le directeur des affaires politiques.

[583] Mason and Conant, *op.cit*. p. 199-223. Lester, *op.cit.*

§6.3 ECG and France

During the Washington conference, Pompidou's choice of not joining in the ECG was mainly motivated by two arguments. The first was based on the observation that European and American interests diverged significantly. The Europeans were much more dependent on oil imports than the US, which was still the first world's oil producer. Preserving an independent European decision-making body was therefore considered important to enforce on the organisation the European position. Secondly, Pompidou feared a confrontation with the oil-producing states if the consumer countries gathered under American leadership. The embargo against the United States was only lifted on 18 March.[584]

But Pompidou's objection to the organisation did not automatically imply a rejection from Giscard, as well. As a matter of fact, it was expected that the latter would maintain a less negative position, because he held liberal economic ideas and was not opposed to transatlantic cooperation. But adhesion to the ECG was hindered for a large part by the Gaullist faction in his government. Following his very slight victory over the socialist candidate François Mitterand in the elections of 19 May, Giscard had been obliged to form a government with the majority Gaullist party at the national assembly. This internal political situation has often been put forward, by France, as a major reason for French abstention to membership of the ECG or the IEA. Still, after his election, pro-ECG opinions were getting louder within the French administration. Jean Blancard, the General Delegate on energy at the Ministry of Industry and Research complained in June that France did not contribute to meetings which brought on consequences for its own energy policy. The discussed matters would have a crucial importance at the national and European level.

At the same time, others pointed out the inhibiting effect on the progress in CE energy policy. For instance, Jean-Pierre Cabouat, head of general affairs at the Quay d'Orsay, accused Germany, England and the Netherlands especially of having found in the ECG « *un excellent prétexte […] pour se cantonner dans l'attentisme* »[585]. This especially concerned cooperation in the field of R&D and uranium enrichment. At the European level, the debate on the creation of a common capacity for the enrichment of uranium had still not come to an end but

[584] CHAN, 5AG3/885, " Note : La France et le Groupe de Coordination " de J.P.Cabouat 14/6/1974, HV/SW.

[585] *Idem*

the French gas diffusion technology was the favourite choice, if a choice had to be made.[586] Therefore, support for a European facility had been minimal in Germany, France and the UK. Cabouat's frustration was based on the fact that these three countries exactly had designed the objectives for the ECG subgroup on enriched uranium. However, it should be added that it was doubtful from the start whether this subgroup would yield concrete results. The terms of reference were far from challenging[587], but could probably not be pushed any further. Supply of enriched uranium had become a more and more delicate theme in international energy policy since the beginning of the 1970s. Illustrative of the sensitivity in this field was the fact that the US government, while abstaining from chairing other groups within the ECG, had assumed the presidency of this one.[588]

Although France did not participate in the ECG, it was not completely separated from the preparatory works. French delegates participated in two of the three OECD ad-hoc working groups which prepared discussions at ECG level (the apportionment scheme for oil supplies, and, conservation and energy demand restraint). Even participation of the ECG study groups was not necessarily limited to the twelve ECG members. The French government was invited to join these sub-groups, for instance, despite its overall absence from the ECG.[589] But it rejected the invitation by insisting that such an international cooperation should be maintained within the framework of existing organisations such as the OECD. Besides, in the field of uranium enrichment, an international cooperation should in French opinion also include

[586] Le 28/12/1973, la RFA, le Grande-Bretagne et les Pays-Bas ont proposé de participer à la réalisation en France d'une unité d'enrichissement par ultracentrifugation. À la mi-juin 1974, les rencontres des industriels ont pu s'ouvrir et pour la fin du mois de septembre des nouvelles conversations sont prévues. CHAN, 5AG3/933, " Rencontre franco-allemande au sommet des 8 et 9 juillet 1974. A/S: Point 2 de la liste des thèmes proposés par la RFA Politique énergétique (Aspects nucléaires) ", 27/6/1974.

[587] "I. Review in detail proposals for intergovernmental discussion on such areas as uranium exploration, supply and demand projections for enriched uranium and rationalization of supply. II Identify the type of information and cooperative mechanisms which might be useful in helping the producers and consumers coordinate their requirements and plans. III. Develop and recommend general principles that might guide the installation of new enriching capacity in various countries. NL-HaNL, MR, 1309, "Kort verslag van de te Brussel op 13 en 14 maart 1974 gehouden vergadering van de 'energy coordinating group' " Brussel, 14/03/1974.

[588] See chapter 8 of this thesis.

[589] NL-HaNA, MR, 1460, "De ministeriële energieconferentie in Washington", preparatory document for the Council on European affairs (REZ) of 1/2/1974, 30/1/1974.

producers of natural uranium such as Australia and South Africa.[590] Still, the themes discussed at the ECG were of primary interest to France. Nuclear energy and R&D were a main focus of the new French energy plan on which the government had decided on 5 March. This plan Messmer is largely known for its large electronuclear program for the construction of thirteen nuclear power stations in the next six years. It also included a focus on exploration and exploitation of North Sea oil, an accelerated search for conventional sources such as gas and coal and a more intensified international R&D cooperation.[591] It was thus in France's interests to be well informed of developments within the ECG.

The French administration was kept up-to-date on the developments within the international cooperation by Davignon, on behalf of the ECG. The latter provided the French administration with relevant documents being discussed at that time. He also made two visits to Giscard's Secretary General at the Elysée, Claude Pierre Brossolette, on 11 July and 9 September. Both by visit, and by correspondence, he tried to convince Brossolette of French participation in the international cooperation. He also offered to intensify the exchange of information on the ECG developments by maintaining regular *"contacts discrets"*[592] with French officials.[593] But this idea does not seem to have been taken up by the French administration.[594] Maybe Giscard did not want to show interest in such an open and official way. He could not afford to antagonise the Gaullist faction in his new government but at the same time, the French had played a role in securing a continuous flow of information through

[590] CHAN, 5AG3/933, " Rencontre franco-allemande au sommet des 8 et 9 juillet 1974. A/S: Point 2 de la liste des thèmes proposés par la RFA Politique énergétique (Aspects nucléaires) ", 27/6/1974 . Australia had decided not to cooperate in a consumers organisation being mainly self-supplying energy producer. FCO 96/271, Lantzke, " The international energy agency ".

[591] CHAN, 5AG2/67, Décisions du Conseil restreint français du 5 mars 1974 sur l'énergie.

[592] CHAN, 5AG3/88, " Note pour le President ", Paris 9/9/1974.

[593] idem ; CHAN, 5 AG3/ 885, " Lettre de Davignon à Brossolette ", Bruxelles, 12/8/1974.

[594] No sources with the refusal has been found, but archival sources point that way: Firstly, after Davignon's first mentioned this exchange of information on 11 July, he had to repeat it again on 9 September. After this meeting, Brossolette wrote in his note to the president in a positive way on the proposition forwarding Brunet of the economic department at Quay d'Orsay. But in the archives concerning Brunet's department no sources have been found on such meetings.

the recently created Energy committee at the European communities.[595] The European Commission itself was not represented at the ECG meetings, but the participants to the energy committee, being high level officials were often part of their national delegation. The Energy committee could therefore assure a link between the ECG and the CE as intermediary.[596] This situation had developed during the first committee's meeting on 7 March. The agenda for this meeting had included an enquiry on the position of all member states towards the institution of the sub-groups at the OECD. The motivation for this discussion was that only five European state members participated in the HLG of the Oil Committee while France, a member of this group, did not participate in the ECG.[597]

After this first reunion, the coordination of a European position on the ECG became customary in the energy committee. As a matter of fact, this went both ways: The Nine discussed ECG matters at the Energy committee in order to obtain a common stance before ECG meetings. The Community sought for examples to coordinate a common attitude on the American proposal for an oil apportionment system.[598] In reverse, results of the ECG subgroups were reported at the energy committee. For instance, on 17 July, the study on the role of the international companies was provided by the Italian representative, Ugo Ristagno, general director of the Energy department at the Italian Ministry of Industry, who was chairing this ECG subgroup.[599]

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[595] Blancard (cited by Cabouat) : *" Malgré nos efforts pour animer le Comité de l'énergie de la CEE et pour transférer à l'OCDE les tâches que s'est assigné le Groupe de Douze […] " (underline added by author)* CHAN, 5AG3/885, " Note : La France et le Groupe de Coordination " de J.P.Cabouat 14/6/1974, HV/SW.

[596] ACEU Conseil, CM2/1974 1018 temp 995, " Note sur les travaux du comité de l'énergie ", Bruxelles, le 25 mars 1974.

[597] HAEC, BAC 28/1980 463, " Aide-mémoire de la première réunion du comité de l'énergie tenue à Bruxelles le 7 mars 1974 ", 20/3/1974.

[598] The item is included in all meetings of the energy committee from 7 March until .. 1974. ACEU, CM2/1974 1018 temp 995.

[599] CHAN, 5AG2/67, 1/ 3/1974, ACB/MCL, "Note: politique communautaire de l'énergie", du Premier Ministre, Comité interministériel pour les Questions de Coopération Économique Européenne; Secrétariat Général". Avis français : ACEU, CM2/1974 1019 temp 996, " S/573/74 (CENER11) " S/914/74 (CENER14) Aide-mémoire de la 5ème réunion du Comité de l'énergie tenue à Bruxelles le 17/07/1974 ", 31/7/1974.

The absence of France from the ECG was regretted by the other European member states. Belgium, Germany and Italy, especially, hoped to convince France to participate.[600] At the request of Belgium, being a participant in the Eurodif project, meetings of the ECG sub-group on R&D would only start after Belgian consultations with France.[601] France decided not to participate in these ECG-subgroups despite its interests in these fields. As an alternative, it proposed a new energy agency at European level which would concentrate on R&D issues.

§6.4 The French (counter) proposition of a European energy agency

Yet in February, the French inter-ministerial committee for the issues on European economic cooperation had agreed on a particular interest in international technological cooperation.[602] Contrary to their preference for OECD as context for ad-hoc working groups on questions related to energy, they preferred a more intensive cooperation in R&D. At a COREPER meeting before the Washington energy conference, the French delegate isolated this issue from other potential fields of cooperation. No less than an action programme on R&D should be formulated at the Washington energy conference, he said. And, if successful, this program could eventually develop to « *une certaine concertation industrielle dans le domaine nucléaire »*[603]. The OECD might be an appropriate organisation to shield such cooperation as its member states had already agreed on the importance of such R&D cooperation[604]. But it might as well take place in other, new institutions.

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[600] CHAN, 5AG3/933, " "Rencontre franco-allemande au sommet des 8 et 9 juillet 1974 a/s: Point 2 de la liste des thèmes proposés par la RFA Politique énergétique (Aspects nucléaires) " 27/6/1973 ; CHAN, 5AG3/885 " Note : Plan d'urgence en cours d'élaboration au Groupe des Douze " par Jean-Pierre Dutet, Paris, 19/7/1973.

[601] Compiled by author on basis of source: NL-HaNA, MR, 1309, "Des-76451 De energieconferentie in Washington en het vervolg daarop", 29/3/1974.

[602] CHAN, 5AG 2/174, Note, de la part du Comité Interministériel pour les Questions de Coopération économique Européenne; JPC/Bda, Paris, 1/2/1974.

[603] NL-HaNA, MR, 1460, " Aide-mémoire " Paris, 15/1/1974. AEU Conseil, CM2/1974 979 temp 959, Rapport COREPER R/290/74 " Recommandation de la Commission pour une position communautaire à prendre lors de la Conférence de Washington le 11 février 1974 ", Bruxelles, le 1er février 1974.

[604] During the OECD Council at ministerial level in June 1973. This agreement was made in the context of the on-going energy assessment. NL-HaNA, MR, 1218, "CEC/CRC(73)15, Note on the conclusions at meeting OECD 6-8 June 1973", Paris 12/6/1973.

After the French refusal to participate in the ECG, the French government sought out alternative possibilities for international R&D cooperation. In March, the French Ministry of Foreign Affairs already advanced the idea of a European Energy Agency. Burin des Roziers expressed the idea to Spaak to call it "*EURENERGIE*"[605]. The official proposition followed at the Council on 1 and 2 April. The agency would stimulate and coordinate programmes in the field of energy consumption reduction and the development of alternative sources. During its first years, other programs could be included such as uranium enrichment, breeder reactors or, if possible, deep water oil exploration and exploitation.[606] This idea for a better R&D cooperation is related to the CE search for a common energy policy. In January, the Council of Ministers had decided on the creation of CREST.

Notwithstanding the overall interest in R&D cooperation, the French initiative had only a lukewarm reception. First, it was criticised for its intergovernmental composition from outside the European institutions. Jean-Louis Gergorin, at that time chief deputy of the service for analysis and outlook at the French Ministry of Foreign Affairs, explained to the Dutch ambassador that the search for optimal efficiency was a reason to keep the agency out of the services of the Commission. It was felt necessary to have a light agency of about sixty managers and scientists, partially from the industry. Germany, especially, rejected such a structure outside of the common institutions. In April, the Commission proposed a similar agency but within the supranational context.[607] Thereafter, the Commission's proposition would be debated by the Council in the summer of 1974.

Secondly, some Europeans questioned the compatibility of an energy agency at European level with the rising transatlantic energy cooperation in the ECG. In their opinion, the French

[605] A first version of this proposition for a " EURENERGIE " in conversation RP Frankrijk-Spaak maart 1974 in: archives Florence, EN-2419.

[606] NL-HaNA, NL-EmbParijs, 949, 18/3/1974 " Document de Travail " ; ACEU, CM2/1974 996 temp 979, " Intervention sur la politique énergétique communautaire faite par la délégation française lors de la session du conseil des 1er et 2 avril 1974 ", Bruxelles, le 4 avril 1974.

[607] Dans le projet pour sa proposition " Vers une nlle stratégie de pol énergétique pour la Communauté (doc soumis au Comité de l'Energie pour sa réunion du 5/04/1974) ACEU, CM2/1974 1001 temp 980, COM(74)550/projet

initiative might well be an attempt to thwart the international energy program.[608] Within the French plan, Michel Jobert had added during the process a rather ambitious mission for the agency, as it would be « *le représentant unique de l'Europe des Neuf vis-à-vis de l'extérieur pour ce qui est de la concertation technologique en matière énergétique »*[609]. Moreover, the proposed agency would consider the subjects of R&D and uranium enrichment which were also on the ECG agenda. The subject would be consider at the EC Council of July.

The proposal was abandoned in the summer of 1974. In July, the Nine were drafting a Resolution on the objectives of a common energy policy and the UK refused the inclusion of this agency. At this time, the UK tried to consolidate their grip on their energy supply and an agency at common level with rights to the whole of the Community was unacceptable.[610] That same Council would be important for the French decision to waive an adhesion to the ECG.

§6.5 Results of ECG and the issue on international apportionment of oil supplies

Opinions within the French administration were divided mostly between Jean-Pierre Cabouat, director of economic and financial affairs at the Ministry of Foreign Affairs, and the general delegate Jean Blancard of the Ministry of Industry and Research. Although they agreed on the advantages and disadvantages of membership to the ECG, their priorities differed. Blancard favoured membership because it would be better to participate in discussions which had substantial consequences for French policy. The fact that France was in some way participating in the background, through the EC energy committee or the OCDE ad-hoc working groups, did not suffice in his opinion.

Cabouat was however more cautious. In his opinion, joining the ECG would damage the reputation of the French government both at national level and in relation to the oil

[608] NL-HaNA, NL-EmbParijs, 949, 30/3/1974 " agence européenne de l'énergie ", télégramme de Paris à La Haye.

[609] NL-HaNA, NL-EmbParijs, 949, 18/3/1974 " Document de Travail "; Cette " mission " de l'Agence avait été ajoutée par Jobert au document de travail. NL-HaNA, NL-EmbParijs, 949, 30/3/1974 " agence européenne de l'énergie ", télégramme de Paris à La Haye.

[610] PREM 16/86, EEC Energy policies, de Eric Varley, Secretary of State for Energy, London, 24/6/1974; HAEC, BAC 8/1980 465, R/2391/74 "Résolution adoptée par le Conseil le 17 septembre 1974" Bruxelles, 18/9/1974.

producers.[611] In a note to Giscard d'Estaing of 3 July, the President's technical advisor Gabriel Robin seemed to side with Blancard. He added the argument that the ECG meetings *« tendent à vider de tout contenu les travaux de la communauté en matière énergétique »*[612]. Besides, he wrote, creating inconveniences for both the Americans and the other CE state members should be avoided. A loss of reputation could be avoided by convincing the ECG participants to import this cooperation into the OECD organisation. The Americans, who criticised the inefficient procedures of this organisation, could possibly be persuaded by arrangements, such as the creation of a sort of G5 in the field of energy.[613] Besides, the idea of transferring the international cooperation in energy to the OECD was not an isolated one. Spaak had raised the idea, as well, during the 6 June US/EC consultations with Arthur Hartman, American assistant Secretary of State for European and Canadian affairs.[614] Moreover, the European delegations in the ECG also pushed for a transfer to the OECD, probably also as a means to bring in the French government.[615] As a matter of fact, perspectives for such a transfer quickly became positive. Already in June, Cabouat remarked that « *Les récentes sessions du Conseil et du Comité du Pétrole de l'OCDE permettent d'espérer que ce transfert pourra s'opérer progressivement au cours des prochains mois. »*[616].

At the end of May 1974, the United States proposed a program on long term energy cooperation. It included themes such as joint consumption reduction, an R&D effort for the development of new energy sources and, most importantly, a scheme for repartition of oil in times of emergency.[617] With the exception of Norway, by and large, the members accepted the plan. They would interpret it, following Blancard, as an *"OTAN énergétique"* which

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[611] *Idem*

[612] CHAN-5AG3/885, " Note a.s. Groupe de coordination en matière d'énergie (Groupe des Douze) de Robin le 4/7/1974.

[613] *Idem*, Henry R. Nau *op.cit.,* p 148.

[614] NARA, US Mission at the EC, Brussels to State, Telegram 3921, "Energy: uranium enrichment" , Central Foreign Policy files.

[615] Türk, *op.cit.,* no page numbers.

[616] CHAN, 5AG3/885, " Note : La France et le Groupe de Coordination " see note 44.

[617] *Idem*

would help them in times of crisis with American oil.[618] But for France, the plan was unacceptable. The organisation included a voting mechanism with qualified majority. The participants agreed to a repartition scheme that would automatically be activated in case of a political embargo against one or several participants and when its supply was reduced by more than 5%. The burden of such a supply shortfall was to be shared among all participants.[619]

The American plan gave urgency to the question of possible French membership to the ECG. French absence from this cooperation could paralyse all progress in European energy policy. At the same time, however, French participation to the international cooperation could make CE energy policy dissolve within a larger context. On the eve of the Council of Ministers on 22 and 23 July in Brussels, Robin and technical advisor François de Combret saw opportunities for a compromise through the apparent German objections against the organisation structure of the proposed agency as this would have a permanent secretary.[620] The time therefore seemed ripe for convincing the other European member states to import international energy cooperation into the OECD. The technical advisors also optimistically estimated that the other European member states might be convinced of opting for more rapid development of a common energy policy and leave the ECG. At the European level, the Nine were focusing, in the summer of 1974, on the adoption of a resolution on a common energy policy. Giscard was however much more reserved on negotiating French membership to the ECG. Before the Council he ordered that there should be no hint of possible adherence but to wait instead. The subject was only to be touched *« lorsque des mesures d'urgence auront été adoptées et uniquement dans cette hypothèse. […]. L'administration participera à un examen*

[618] CHAN, 5AG3/885, " "Note. Groupe des Douze. Programme de coopération dans le domaine de l'énergie dit "plan intégré américain". Du l'adjoint au Délégué Général à l'Énergie.", 15/7/1974.

[619] The details of the schema were to be specified later. Japan and the European participants hesitated on a system which could disrupt their oil supply if the USA was to meet a serious shortfall. Willrich and Conant , *op.cit.,* p. 199-223; Lester, *op.cit.*

[620] CHAN, 5AG3/885, " Note pour le président.; Objet: relations internationales dans le domaine de l'énergie " de la part de F.de Combret, Paris, 5/7/1974.

éventuel au sein de l'OCDE si des mesures y sont mises à l'étude par les Douze, le moment venu et une fois que la politique commune de l'énergie aura été remise sur ses rails. » [621]

At the time, Giscard's position on the development of a common energy policy as *quid pro quo* for external EC energy relations did not differ substantially from that of his predecessor. Still, he would place much less emphasis on a European organised market inspired by the French regime based on the 1928 law.

The July Council of Ministers was a failure for the development of a European energy policy. The United Kingdom refused to adopt a resolution on the common energy policy and the creation of a European energy agency. The drafting of the European resolution had taken a long time in the summer of 1974 especially because of British opposition to potential interference with its own energy policy. After the Council, an inter-ministerial reunion[622] of the Prime Minister's cabinet resulted in a joint perspective on the politics to be followed. They suggested maintenance of an *"attitude d'attentisme actif et ouvert"*[623] towards the Group of Twelve. For the time being, it would not be opportune to adhere to the cooperation. First, the American apportionment scheme was not advantageous for France. But it was still to be seen if they could be pushed through the parliaments of the (potential) oil producing states as UK and US. After all, the possible realisation of the plans in times of crisis could imply national sacrifices. Moreover, possible cooperation in other fields such as R&D had not been detailed yet. Still, programs could be developed with particular interest for France. They could concern nuclear programs, stimulation of production and research etc. At the same time, it might be advantageous to maintain contact with other consumer states for the conclusion of bilateral contracts with oil producing countries, such as Saudi Arabia.[624]

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[621] CHAN, 5AG3/885, " "Directive donnée par le Président de la République concernant l'attitude de la France sur la coopération en matière d'énergie et les problèmes du Groupe des Douze (19 juillet à 1_ heures 30) ".

[622] Assembling representatives of the ministries of foreign affairs, economy, finances and industry. CHAN, 5AG3/885, " Note pour Le President de la République. Objet Problèmes internationaux de l'énergie ", 30/7/1974.

[623] *Idem*

[624] *Idem*

The disillusioned French advisor Jean-Pierre Dutet advised Giscard d'Estaing to abandon all ambitious ideas on the organisation of the energy market.[625] Until the signature, on 17 September of a European Resolution on a common energy policy the issue, had lost its priority in the French administration. However, ECG efforts on the side were made to change the French perspective. On behalf of the ECG, Davignon sent a letter to Brossolette, accompanied by relevant ECG documents, insisting again on the necessity of French participation to the international cooperation. According to his opinion, the works were proceeding and would be finished within a month. The final decision would be made in October. Without France, he said, the EEC would be disunited and the energy policies of the EC-8 would be more influenced by the US than if France participated in the cooperation. Moreover, other OECD members who did not participate in the ECG[626] had shown interest in the upcoming agency.[627] Davignon repeated a similar argument during a meeting with Brossolette on 9 September. But the French General Secretary to the President responded that for France, the question was more of an internal political nature. Besides, it was decided that the most substantial output of the ECG, the apportionment scheme for oil supplies, would not be used in the near future.[628]

Now, a final decision had to be made on membership of the latter to the IEA. If France did not participate, a situation would exist where an external international cooperation, without French membership, had an influence on French and European energy policy.[629] For Giscard d'Estaing it was however impossible to join the twelve ECG members in the constitution of a new agency. He had to cope with counterforces from the French political environment.

A structure was chosen of French abstention from the international cooperation without opposing the participation of the other EC members**.** It was in France's interest to have good

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[625] *Idem*

[626] That were : Sweden, Australie, Austria, New-Zealand.

[627] CHAN, 5AG3/885, " Lettre de Davignon à Claude Pierre Brossolette ", 12 /8/1974.

[628] CHAN-5AG3/88, " Note pour le President ", Paris 9/9/1974.

[629] CHAN-5AG3/885 " Note pour monsieur le president de la Republique. Objet entretien avec MM.Fourcade et Sauvagnargues: Préparation de la réunion conjointe des Ministres des Affaires étrangères et des Finances de Washington (28 septembre) ", Paris, 20/9/1974. CHAN-5AG3/885, "Note pour le Président" de la part de Claude Pierre-Brossolette, Paris, 21/9/1974;

relations with the future IEA. In a preparatory note to the meeting of G5 on 28 September, Claude Pierre Brossolette gave an overview and called on three main arguments to improve the relations with the twelve ECG members: Firstly, blunt refusal of the cooperation would harm the relations of France with its European partners who attached great importance to the international energy cooperation. It risked hampering European integration in general and specifically energy policies. Secondly, any form of pressure on the oil producers' countries was welcome to France, since it was a major oil consumer. Thirdly, it would be in French interest to maintain good relations with Western countries who had control over large energy reserves and to have as much influence as possible on their policies. These countries were the US, the UK and West Germany for coal; Norway, US, Canada and eventually the UK for oil; the Netherlands for gas.[630]

On 15 November 1974, the international energy agency (IEA) was established as an autonomous body within the framework of the OECD. The organisation included a permanent secretary at the OECD but with a separate Council and a majority voting mechanism. This structure satisfied both a European preference for an OECD based organisation and the American determination to build on a more efficient decision-making structure. Three days later, the IEA members signed the International Emergency Project (IEP) which would form the basis for the cooperation. The European Commission was also authorised to participate in the IEA, as an active observer, that is to say without a voting right or financial obligations.[631]

The creation of the IEA closed an era of indecision on the French position in relation to other energy consumers. The period 1975-78 is characterised by the implementation of national and European energy politics to reduce dependence on imported energy. The new configuration of the oil market stayed, however, to some extent chaotic. A small number of oil-producing countries formed a kind of oligopoly without being able to quickly agree on their policy. Saudi Arabia, the dominant exporting country advocated a more moderated sales policy while other states such as Iran favoured, until May 1977, a more aggressive price policy. Besides, next to the OPEC agreements on posted prices, individual countries imposed additional taxes and royalties on their sales. As a matter of fact, the oil companies had lost control over the

[630] *Idem*

[631] CADN, RP-CE, 2377, "Note pour le cabinet du ministre : Commission communauté et accord sur l'énergie", Bruxelles, 12/11/1974 ; Scott, *op.cit.*, p. 151-154.

price setting of oil, but OPEC did not control it either. The absence of a predictable and unambiguous price policy was reason enough for large insecurities on the side of the oil consumers. Even though, eventually, the posted price was only increased twice after 1974, the theme of oil prices was central to international discussions. OPEC raised the price in 1975 from $10.84 to $11.46. In December 1977 it would be raised to $12.70. In fact, as Daniel Yergin notes, the oil price in 1978 was 10% lower than in 1974 if inflation was included in the calculation.[632]

§6.6 CE-IEA relations

The IEA developed rapidly as an international actor. Paradoxically, this happened during the Conference for International Economic Cooperation that was organised by the French Government. The role of the IEA was dual. On the one hand it delivered background studies and on the other hand it constituted a second platform, alongside the CE, for the European member states. In July 1975, in preparation for the European Council, a note from Quay d'Orsay stated that there were two reasons for the absence of success in European common policies: Firstly the different energy sources and the different situations in the member states; Secondly the fact that eight member states were members of the IEA.[633]

On 24 October 1974, during a press conference on the French external policy, Giscard put forward the idea for a trilateral conference between importer countries, both industrialised and non-industrialised, and oil exporter countries. The price of oil was at the heart of the proposal. An agreement on the indexing of the oil price would guarantee both a stable income for the oil producers and the absence of a continuous increase of prices. The number of participants was limited to ten or twelve countries. The conference would take place at the beginning of 1975.[634] This proposal can best be understood in the context of the movement of a new economic order.

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[632] Vernon, *op.cit.*; Yergin, *op.cit.*, p.633-646, statistics are given on page 646. He derived statistics International Monetary Fund, International financial Statistics Yearbook, 1988, p. 187.

[633] MAE, 3775 " Note : Conseil européen, énergie ".

[634] Deuxième réunion de presse de monsieur Valéry Giscard d'Estaing, Président de la République, sur la politique extérieure, Paris, Palais de l'Elysée, le jeudi 24 octobre 1974 ; http://discours.vie-publique.fr/notices/747002568.html .

It was preceded by several proposals in 1974 on a dialogue between industrialised and non-industrialised countries.[635] In reaction to the French proposal, several states, headed by Algeria, demanded substantialparticipation of the G77 countries and the inclusion of subjects related to commodities. After the failure of the preparatory meeting in April 1975, the character of the conference changed substantially and would concentrate on the North-South dialogue.[636] At that time, the title of the conference changed to Conference on International Economic Cooperation (CIEC).

In the field of energy, the significance of the conference is not commented on. The CIEC is often described as having been a failure. The question of the price of oil, which had been at the heart of the October 1974 proposition, had lost its priority in preference to other issues, particularly those of commodities. Four committees were formed at the conference and their agendas were specified at plenary sessions. The connection between the questions considered was not advantageous to the European position. Energy was an important trump card for the oil producing countries in their negotiations on burden relief and fonds commun.

In fact, after the final meeting in July 1977, not many concrete results on energy had been reached. The powerless position of the oil consumers had once again been revealed. The relevance of this conference in this thesis is the fact that the conference marked the first appearance of the IEA on the international scene. Without purpose, the French initiative gave an opportunity to the new agency to present itself on the oil scene. Giscard was not aiming at participation from the IEA at the conference. The Europeans would participate jointly, represented by the CE. But it appeared that the IEA could not be neglected.

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[635] Proposition française en février après l'invitation américaine à la conférence de Washington ; proposition algérienne d'une session spéciale de l'Assemblée générale des Natiosn Unies sur les problèmes des matières premières et de l'énergie, proposition du Sheik Yamani (Saudi Arabie) à sein de la CNUCED, le 5 septembre, de réunir une conférence minsitérielle à participation restreinte sur les matières premières, y compris l'énergie, transfert de technologies et finances. HAEC, BAC 28/1980 463,740ème réunion COREPER 19/09/1974.

[636] See Garavini, *op.cit.,* 2009 ; Zorgbibe, C. "La France : les initiatives d'une " puissance moyenne",.*Revue française de science politique*, 26e année, n°4, 1976. p. 724-734.

I provide three examples. Firstly, after the French proposition in October 1974, the partners of France and Japan refused to participate in the Conference without the United States. The latter did not favour the French initiative. Kissinger explained in a public discourse on 14 November that first, economic and financial measures should be taken to enforce the consumer countries' positions. The Europeans feared that the French initiative would thwart the agency's actions. Only after American's consent at Ford's meeting with Giscard at Martinique, the Europeans agreed to the initiative. But in exchange demanded the Americans arrange a prior meeting of oil consuming countries as quid pro quo in order to obtain a common position.[637]

Secondly, the IEA appeared to be a competing platform to the CE for Europeans to define a joint position at the CIEC. Eight European member states had two forums for the elaboration of joint positions (IEA and CE). The French delegation protested against this situation and desired a European position prior to IEA discussions. But it had to repeat its protest several times. On the side of the IEA, a way to associate France to preparatory works at the Agency was sought for in vain.[638]

The negotiations at the European communities concerning the representation of the EC member states showIEA was a factor to be reckoned with in CE energy policy. These negotiations started with the English refusal, as a (potential) oil producer itself, to abstain from individual participation in the CIEC. The Council on 10 February 1975 agreed on the representation by the Community to the preparatory meeting, provided that it would only deal with procedural questions.[639] But it was clear that the UK would not easily accept a similar format for the conference itself. Already in February, James Callaghan spoke of it to Robert Maitland in a combative way: *"I shall resist the right for the Commission to speak for the UK on any substantive issue in the preparational conference. They may find me difficult on other*

[637] CHAN, 5AG3/982, "Entretien du President de la Republique et de M.Ford. 15 décembre 1974 à 10h.30. Etaient présents: M.Kissinger et M.Sauvagnargues." Paris, 15/12/1974.

[638] Governing Board in December 1974, Scott, *op.cit.*, tome II, p. 334.

[639] FCO 30_2893, " European council meeting (Dublin) 10-11 march 1975, preparations for the producer/consumer conference, briefing by the foreign and commonwealth office and the department of energy, 6 march 1975. FCO 30_2893, MES E(75)" cabinet ministerial committee on external economic policy. Consumer/producer meetings: the approach to substantive discussions. Memorandum by the secretary of state for foreign and commonwealth affairs.", February 1975.

matters if they push this hard. Tell them clearly that the UK still speaks for itself on substantive matters"[640]. The discovery of oil in the North Sea in November 1969 had clearly reinforced the UK position on energy. In June 1975, the UK celebrated in a ceremonial fashion the first oil production.[641]

However, Schmidt and Giscard resisted the individual UK participation at the conference. They discussed the issue by correspondence: that the number of participants was a delicate matter at the organisation and hard to negotiate in the preparatory phases. Moreover, if the UK took a different position than the European one, a risk existed of « *éclatement de la Communauté* »[642]. Only at the European Council in Rome of December 1975, would this issue be settled after no less than nine hours discussion and the conclusion of a package deal: the absence of the UK in exchange for a place at the IEA and a French willingness to reconsider the issue of a Minimum Safeguarding Price (MSP).[643] This was a sensible matter which was at the centre of discussions at the agency. Defining such a price could serve as a guarantee for energy investments, for example, in nuclear projects.

At the same time, this price would also serve other interests of western oil producing countries, such as the United States and the UK. France was not in favour of such a measure. It had already felt pressured by the US and the UK to accept the MSP at the CE ministerial Councils or at the meeting of G7 at Rambouillet.[644] This price was however never accepted by France. Moreover the US government would loose its interests to set a MSP. But the fact that it was never realised, does not change the fact that Giscard d'Estaing felt obliged to concede

[640] FCO 30_2893, 25/2/1975 Oil producer/consumer meetings " from Weston to Sir Donald Maitland..

[641] Yergin, *op.cit.,* 668-670.

[642] CHAN, 5AG3/934, lettre de Giscard d'Esting à Schmidt, 3/11/1975.

[643] Archives Kew, FCO 30/2586, " European Council Rome 1-2 december 1975 ", 8 décembre 1975.

[644] CHAN, 5AG3/909, " MSP et mesures spécifiques " Ph.C/GP, Paris 24/11/1975, de la part du Ministère des affaires étrangères/ direction des affaires economiques et financières/affaires générales, établie en collaboration avec la délégation générale à l'énergie; CADN/2377, " Conseil du 26 juin 1975 ", telegramme, Bruxelles, 1/7/1975.

to the interests of the international agency in December 1975.[645] The agency had not only gained a place at the CIEC, but its role in European affairs had also been confirmed.

§6.7 Conclusions

Soon after the Washington energy conference, the French administration became aware of the disadvantages of not participating in the ECG. For instance, issues which had priority for French energy policy were considered by this cooperation, such as R&D in technological issues. The French minister of foreign affairs made an attempt to create better European cooperation in this field through a so-called European energy agency. But he was not really supported by the other member states who feared thwarting the international energy program.

Although France did not join the ECG, it was not left out of the discussions. The recently created CE Energy Committee played an important role as intermediary between the ECG and the CE. Within this committee, France was regularly informed of the developments within the ECG. At the same time the eight could, within this committee, develop a joint European stance which they could use at the ECG meetings. A similar construction would continue after the creation of the IEA.

Pompidou's decision not to participate in the ECG would make it difficult for Giscard to change this position and adhere to the international cooperation without damaging its reputation at national level and in relationship with the oil producers. A transfer to the OECD organisation might have helped out, argues Blancard, in the spring. But when, eventually, the IEA was created at the OECD, the French position did not change. The structure of the new organisation was unacceptable given its independent secretariat and a voting system with qualified majority. At the same time, however, the French were aware of potential paralysing effects of the international cooperation on European cooperation. Indeed, after the

[645]The dossier of the PMS does not come to an end at the European council in Rome in the beginning of december 1975. When, later, the French decide to refuse the implantation of this price measure, the English-French relations are very cold in the field of energy. Even the American loss of interest in the PMS after the stabilisation of the oil price, the relations do not improve until, in june 1977, the United Kingdom obtained the JET project as compensation. CHAN, 5AG3/983, " "Visite aux Etats-Unis (24-27 mai 1976", Ministère des affaires etrangères; direction des affaires économiques et financières; affaires générales; Ph.Cuvillier. " Paris, 31/5/1976, George, *op.cit*., p. 128.

disappointing European Resolution on energy on 17 September 1974, Dutet advised Giscard to abandon all ambitious ideas on the organisation of the energy market. This might have been the impulse for Giscard to change his focus to the organisation of a trilateral international conference with oil producer states and industrial and non-industrial consumer states. In 1975, this idea would develop into the Conference of International Economic Cooperation[646]. The French President launched his initiative on 24 October at a press conference on French foreign policy. At the centre of his proposition is the question of oil prices, one of the central issues discussed at the ECG. But Giscard only briefly remarks, in the same address, that the French government does not object to the new international energy cooperation.[647]

The upcoming creation of the IEA was thus overshadowed in Giscard's press conference by the new French initiative. At the same time, however, the new energy cooperation would gain a certain role in the future CIEC. For the Americans, preparations on a joint consumer stance were necessary before before discussions with oil producers would be held. Harold Ford, reluctant about the French initiative, made consumer consensus a prerequisite for the proposed French conference[648]. Although not intended by Giscard, the International Energy Agency would thus rapidly gain a role within the international arena, if only in the background.

The shock was nevertheless not without effect. After 1973, a breakthrough could be made on issues which had been previously blocked. Firstly, at European level, the eight member countries decided to continue without France. Secondly, the participants succeeded in producing an international scheme for oil sharing, a result that had never been achieved through the OECD.

Preparatory research on cooperation in R&D had been undertaken within the American administration since the summer of 1973. The European response might have been less positive on the American proposition if no shock had taken place, since it touched on a

[646] On the CIEC, see Garavini, *op.cit*. 2009.

[647] Deuxième réunion de presse de monsieur Valéry Giscard d'Estaing, Président de la République, sur la politique extérieure, Paris, Palais de l'Elysée, le jeudi 24 octobre 1974 ; online accessible : http://discours.vie-publique.fr/notices/747002568.html .

[648] AN, 5AG3/982, "Entretien du Président de la République et de M.Ford. 15 décembre 1974 à 10h.30. Etaient présents: M.Kissinger et M.Sauvagnargues.", Paris, 15/12/1974.

controversial issue within the EC. At the same time though, the importance for the Europeans of a collaborative effort in science and technology should not be underestimated. These issues had already gained priority in the previous years. Indeed, it seems that the creation of the IEA not only responded to a temporary oil problem, but was linked to a larger international development which concerned not only oil. For the Americans, it was linked to foreign policy issues while for the Europeans, it answered the need for cooperation in the fields of science and technology.

The ECG focussed therefore not strictly on oil related matters, but on the wider issues of a stable energy supply. Relations with oil producers had priority, although less so for the Americans than for the Europeans. The search for an overall apportionment scheme for times of crises was another priority. Other issues like diversification of energy sources, rational use of energy and co-operation in energy R&D were also high on the agenda, at least for the European side.

As we have seen, such cooperation answered to high European aspirations in the field of deep water oil exploration and nuclear energy. On the American side, R&D and nuclear energy played a large role in the ambitious *Project independence.* This project targeted an energy supply from only American's own energy resources by 1980. However, the American needs for an institutionalised international cooperation in this field seemed less evident than for the Europeans. Indeed, it has been argued that the Americans held mainly political reasons for proposing energy R&D cooperation, offering their technology as bait in order to achieve diplomatic solutions in a time of cold to lukewarm transatlantic relations.[649] This interpretation is supported by the fact that the joint R&D effort did not yield many results, nor were there substantive results in other fields like, for example, relations with oil-producing countries.

Oil problems were a large incentive for the cooperation. The Europeans expected mainly to have some influence on the supply conditions when a consumer/producer dialogue would develop.[650] But response from the oil producing countries was limited in April. For the UK, the IEA offered better forum than the European Community on oil questions, because the IEA

[649] This theory is given by Lester, *op.cit.*

[650] See Chapter 4 of this thesis.

would influence in a lesser degree its national oil policy. Moreover, the UK had to some degree the same interests as the United States on oil production. Other themes were however more intensively treated and were of larger interest to France: the enrichment of uranium, R&D, consumption restraint and RUE. These were also themes which were central to current European policy.

7 The policies for a Rational Use of Energy

§7.1 Introduction

A more rational use of energy (RUE) was one of the policy issues in the communiqué of the May 1973 Council that would be included in the 1974 program for European energy cooperation. The issue was not new and was related to the overall objective to reduce energy dependency through energy conservation. It aimed at minimising energy waste through technological improvements. With a more rational use of energy, energy consumption could be reduced without inducing a loss of quality of life or slackening economic development.

Interest in reducing energy waste through technological improvement had spread from the United States in the beginning of the 1970s. In his speech on energy to the American Congress on 4 June 1971, Richard Nixon announced that projects for a more rational use of energy would be part of the overall federal program for energy R&D. Energy waste could, he said, be reduced through improving thermal insulation of buildings or by a combined production of heat and electricity.[651] His energy discourse fit in the context of the American energy crisis which had begun to manifest openly. Domestic energy production did not suffice for domestic consumption and prospects for production extension had substantially decreased after an oil spill disaster in Santa Barbara in 1969 and the extensive delay of the Alaskan pipeline construction. At the same time, the overall changes in the international oil market added to insecurity about future supply.

In the same period of time, the issue of RUE became a focus within the OECD Energy committee. At the request of the OECD Council, on 27 July 1971, an initial assessment was made on the matter by an ad-hoc working group. A year later, this study would support the Council's decision to include the issue of RUE in the overall assessment for long-term energy

[651]HAEC, BAC 86/1982 150, Washington delegation, April 14, 1972, "US Energy crisis"; 30 May 1972, "Memorandum for Mr Haferkamp's visit to the United States".

prospects. The assessment lasted from October 1972 until 1974.[652] In the meantime, the European Commission, which had participated in the ad-hoc working group at the OECD, had included the issue of RUE in its report on the *Necessary progress of a common energy policy* which it delivered to the EC Council on 4 October 1972. Pointing out the head start that R&D projects in the United States had had, including these concerning the RUE, the Commission proposed to inventory the current projects and to investigate the possibility for global cooperation. Areas for action were provided, and these included better insulation of residences or industrial ovens, reduction of oil consumption in transport through technological improvements, and improvement of the output of heating installations. [653] Six months later, the issue was again referred to in the Commissions' *Priority actions for a common energy policy*, which formed the basis for the discussions at the May 1973 Energy Council.[654]

During this Council, the issue of RUE, however, was not at the centre of discussion. It was only mentioned briefly by the UK Minister for Industry, Thomas Boardman who pointed at the benefits of reducing energy waste. At the end of the meeting, the Council compiled a list of themes for a future common energy policy to be elaborated on by the Commission before 31 December 1973. Detailed minutes of the meeting leave the impression that the theme of a more rational use of energy was only added on the list, at the last moment. [655] Before the Council, the subject had not even been mentioned in a UK draft for the communiqué.[656] Despite the European lukewarm deliberations on the RUE policy in spring 1973, it would nevertheless become an important policy in the next few years. It would nevertheless gain interest after the Council in December 1973 and be part of the middle and long-term energy within the community.

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[652] OECD, C(72)172, Paris le 29 août 1972, " à long terme et questions connexes: un programme général". E(72)2, Paris le 28 février 1972, "Politiques énergétique. Sécurité et flexibilité des approvisionnements en énergie et utilisation rationnelle de l'énergie."

[653] ACEU, CM2/1973 885 temp 798, COM(72)1200 final "Progrès nécessaires de la politique énergétique communautaire"4/10/1972.

[654] ACEU, CM2/1973 888 temp 801, "SEC(73)1481 final; Orientations et actions prioritaires pour la politique énergétique communautaire", 19/4/1973.

[655] ACEU, CM2/1973 0011 temp 53, PV 244ème session du Conseil.

[656] CADN, RP-CE, 2376, Réunion du Groupe Énergie des 8, 9 et 10 mai, Brussels,14/5/1973. Eventually, this document did not serve as draft for the eventual communiqué, but that's irrelevant to this case study, because the reason that the declaration was ignored was not related to the RUE questions. See also Chapter 3 of this thesis.

This chapter focuses on the European policy for a more rational use of energy within the European Community. It aims to understand how and why this policy did gain in importance at common level. It also aims to know what role was played by the European Commission in the elaboration and implementation of this energy policy. The chapter first focuses on the definition of the policy and its objectives. Thereafter it studies the organisation and structure of groups concerning the RUE program at the supranational institutions. In the final paragraph, an analysis is made of the discussions within the Council on the proposals for jurisdiction.

Although the program for a more rational use of energy was considered as important in the common policy to improve the communities' independency on energy, the relative scarcity of sources suggests that its implementation did not arouse much debate. This chapter, therefore, is relatively short.

§7.2 Policy outline for RUE

As demanded by the Council in December 1973 the DG XVII provided within less than two months a memorandum on the question of a more rational energy use. The memorandum gave an overview of the problems related to energy waste, possible objectives and policy lines and methods of work. The urgency of a policy on RUE emerged clearly. It was deemed that two-thirds of global energy production was lost to wastage. For the European Community, it meant that a large part of consumption was lost (table 7.1). The waste was largely due to energy inefficiency of certain technologies and an improvement of these technologies could give a 10 to 30% higher return of the energy use.[657]

[657] CADN, RP-CE, 2390, XVII/A.2/HvS.ug, "Utilisation Rationelle de l'énergie, Mémorandum", Bruxelles, 06/02/1974.

	Total consumption *(Mtec)*	**Losses** *(Mtec)*	*%*	**Consumption** *(Mtec)*	*%*
Residential	388	214	55	174	45
Industry	347	156	45	191	55
Transport	162	135	83	27	17
ALL	897	505	56	392	44

Table 7.1: End-user energy consumption in the European Community (1972)
(The Residential sector includes commerce, handicrafts, agriculture, and administration)[658]

RUE was thus part of overall conservation policies, although the Commission endeavoured to make a very clear distinction between a rational use of energy and measures for consumption restraint at times of crisis. In its detailed programme outline of November 1974, the Commission specified with precision the differences between these two policies. It shows the concern of the Commission to avoid mixing projects of short term, mostly related to the oil crisis, and middle and long term which had a better perspective to be accepted. Later, the different aspects of energy conservation appear to have been less treated separately.[659]

The policy of RUE was already subject of international research. For instance at the OECD, the Energy committee, sometimes in cooperation with the Industry committee, had provided several studies on a more rational use of energy in several fields such as space heating, transport, combined heat and electric power or lighting. Also in the USA, research was in progress on the question. At the Energy conference in Washington, mid-February, the American delegation also emphasised the importance of a more rational use of energy. Following the policy outlines of the large scale American *Project Independence*, 10% of electricity supply was lost in the heating of transmission lines. New technologies for the transmission of energy were being developed.

[658] CADN, RP-CE, 2390, XVII/A.2/HvS.ug, "Utilisation Rationelle de l'énergie, Mémorandum", Bruxelles, 06/02/1974.

[659] HAEC, BAC 25/1980 1026, COM(74)1950 final/2, " Programme d'action communautaire et projet de résolution du Conseil dans le domaine de l'utilisation rationnelle de l'énergie ", Bruxelles, 5/11/1974.

As another example, approximately 10% of liquefied natural gas was lost through evaporation when shipped by surface vessels. Technological improvement of the transport systems, such as insulation materials, could almost entirely solve the problem. *Project Independence* included large investments in R&D. For instance, a program of $116 million would start in 1975 to improve efficiency in the use of energy in the areas of transmission and distribution of electricity, storage of energy and others. In fact, after the Energy Conference, topics about RUE were included in the international ECG consumer cooperation.[660] The ECG sub-group on international energy R&D cooperation was sub-divided into ten expert groups of which three concerned RUE issues: Waste heat utilisation, municipal and industrial waste utilisation and overall energy systems analysis.

In the meantime, the memorandum of the Commission had been positively received by delegates in the Energy committee. During their meeting of 6 May, they created an ad-hoc working group which would make studies for a potential European common program.[661] A half year later, on 5 November this group delivered an action programme which defined the priorities and instrument to be employed and the expected results.[662] The objectives of the program were to considerably reduce energy consumption in four different sectors: residential, services, industry and transport (table 7.2).

Residential and services	-18%
Industry	-15%
Global economy on internal consumption	-15%
Transport	-16%
Energy industries	-6%

Table 7.2: Objectives of the EC RUE program, 5 November 1974[663]

[660] See Chapter 6 of this thesis.

[661] ACEU, CM2/1974 1019 temp 996, S/573/74 (CENER 11), Aide-mémoire de la quatrième réunion du comité tenue à Bruxelles, le 6 mai 1974.

[662] HAEC, BAC 25/1980 1026, COM(74)1950 final/2, "Programme d'action communautaire et projet de résolution du Conseil dans le domaine de l'utilisation rationnelle de l'énergie", 5/11/1974.

[663] HAEC, BAC 28/1980 496, COM(77)39, "Final Intensification du programme communautaire d'économie de l'énergie".

This program was linked to discussions about the overall common energy policy. The Commissions' *Towards a new energy policy strategy for the European Community*[664] of May 1974 focused on long- to middle-term policies for the reduction of European dependency on imported oil. RUE was considered an important instrument in attaining this goal. These objectives, included in RUE policies, were again explicitly mentioned in the Resolution of 17 September 1974.[665] Eventually, in December, the Heads of State and Government at the Paris summit reaffirmed the choice for an RUE program to be implemented by the supranational institutions. From that moment, the program was confirmed as an integral part of the overall common policy to reduce energy dependency. The objectives to reduce this dependency were ambitious. In a new resolution on 17 December, the Energy Council decided on a target for the reduction of imported energy to 50 or even 40% of the 1973 level. The consumption level aim was to be decreased by 15% compared to January 1973.[666]

§7.3 Organisation and structure for the implementation of Rue program

A steering group was created on 6 March in order to implement the program. The group was formed by national delegates and was chaired by the European Commission. Their strategy for implementation consisted of three approaches. Firstly, ideas for regulations were developed by the steering group to harmonise the policies for the rationalisation of energy use in the total region of the European communities. This principally concerned regulations in fields such as transport, research and regional policy. Their output was translated into concrete proposals by the European Commission for the implementation of the program.

For this purpose, the steering group classified eight sub-groups which focused on different fields within the program. These sub-groups were not exclusively linked to the energy sectors and their Presidents were from different Directorate Generals at the European Commission (table 7.3). As a matter of fact, the national delegates to these subgroups were not from the national administrations. They were representatives for producers, distributors and consumers

[664] ACEU, CM2/1974 996 temp 979, COM(74)550 final

[665] HAEC, BAC 8/1980 465, R/2391/74 "Résolution adoptée par le Conseil le 17 septembre 1974" Bruxelles, 18/9/1974.

[666] *J.O.C.E.*, C153/2 du 9/7/1975.

of energy or individual energy experts. The objective of assembling these interested parties was to elaborate efficiently on effective regulations which had a broad interest support. Moreover, these meetings would offer the opportunity for these experts to mutually exchange on projects and possibilities in the field.[667]

Working group	Chair	Directorate chair	Participating directorates
a. Thermal Insulation	Mr. Mouhareau	XVII	III, V, XII
b. Heating Systems	Mr. Moroccutti	XI	XII, V, Environment service
c. Means of Transport	Mr. Brondel	XVII	III, XI, XII
d. Transport Structures	Mr Pearson	VII	III, XII
e. Industrial processes –Heat	Mr. Friz	III	XII, Environment Service
f. Motive Power	Mr. Godelle	XI	XII
g. Conversion in electric power stations	Mr. Davis (M. Golling)	XVII	III, XII, Environment Service
h. Transformation in Refineries	Mr. Sirchis	VVII	XII, Environment Service

Table 7.3: Working groups on RUE at the European Commission[668]

In fact, the creation of a forum for national delegates to discuss policies on RUE was the second policy line of the program. The objective was to improve the exchange of information between national administrations and to encourage new ideas.[669] For instance, in July 1975, a reunion of the steering group focused on the national information campaigns for the rational use of energy. Each delegation presented an overview of the realised actions in their country to encourage consumption restraint. Overall, all countries were confronted with similar problems but their campaigns followed a different rhythm. Most results had been accomplished either in Denmark or West Germany, but in other countries, the programmes were still in preparation or even in "project" phase (such as in Italy and the Netherlands).[670]

[667] CADN, RP-CE, 2390, XVII/A.2/HvS.ug, "Utilisation Rationelle de l'énergie, Mémorandum", Bruxelles, 06/02/1974.

[668] CADN, 2390, " Groupe d'Orientation et de Coordiantion pour l'utilisation rationnelle de l'Energie (URE) et sous-groupes de travail ", Bruxelles, 06/05/1975.

[669] HAEC, BAC 28/1980 496, COM(76)508 final, "Politique communautaire de l'énergie – communication de la Commission au Conseil", Bruxelles, 30/9/1976.

[670] CADN, RP-CE, 2390, XVII/260/75-F, "Projet de compte rendu de la 3ème réunion du Groupe d'Orientation et de Coordination (GOC) 'utilisation rationnelle de l'énergie' tenue à Bruxelles les 17 et 18 juillet 1975".

Other differences included the participation of the public administration in the information campaigns and the programs for consumption restraint.[671]

Thirdly, after the Council's decision on 22 August 1975, a four-year R&D program was begun. Energy conservation concerned one of the five central themes of the program. A call for propositions for both organisations and persons in the community was published in the communities' official Journal. However, the budget of 11.38 MUC was low, comparable to national budgets in this domain. Personnel consisted of six full-time positions. This program was therefore not the primary instrument in the sector, commented the Committee of Scientific and Technical Research (CREST) in its 1977 report.[672] Responsibility for the execution of the program was held by the Commission's Directorate General on research, science and education. After 24 September 1975, she was assisted by the consultative committee on management of the program (CCMGP): *energy conservation.* Both, the members and the chair were national delegates.

§7.4 Discussions on jurisdiction

In the 1970s, the European Commission delivered two series of proposals for measures within the framework of the RUE program. The first series, including five recommendations, was delivered by the energy Commissioner Henri Simonet at the Council on 20 January 1976. It concerned, among other things, proposals on the installation of heating and the promotion of thermal insulation in existing buildings, and restraint in consumption by vehicles through the improvement of conduct by drivers.[673]

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[671] *Idem, o*n the French policies to encourage energy conservation : Toulon, Aurore. " La sensibilisation de l'opinion publique aux économies d'énergie 1974-1986 ", Beltran, A., Christophe Bouneau, Yves Bouvier, Denis Varaschin, Jean-Pierre Williot (eds). *État et énergie XIX-XXe siècle ; Séminaire 2002-2006*, CHEFF, Paris 2009, p. 259-286.

[672] HAEC, BAC 28/1980 686 , R/1410/75, "Programme d'actions de recherche et développement dans le domaine de l'énergie", Bruxelles, 29/5/1975; HAEC, BAC 28/1980 497, CREST/31/77, "CREST: La comparaison et la coordination des politiques et programmes nationaux de recherche et développement dans le secteur de l'énergie", p. 14.

[673] HAEC, BAC 28/1980 687, COM(76)10, "Premier rapport périodique et projets de recommandations du Conseil sur le programme d'utilisation rationnelle de l'énergie", Bruxelles, 16/1/1976.

At the following reunion of the Council's Energy group, the delegations agreed on the outline of the proposals. But the UK delegate transmitted his reservations on the possibility of executing the recommendations. Major costs were involved, he said, and projects were already in preparation both at the national level and through other international organisations. The French representative reacted firmly by replying that the program maintained an "*importance fondamentale*"[674] to realise the common objectives for 1985 on energy production and consumption.

Two months later, in March 1976, an evaluation by the Commission showed that the objectives for 1985 could not be maintained, especially those concerning the 50% reduction of oil imports, as a consequence of a slower development of the nuclear programs than foreseen. At that time, the RUE program gained larger relevance in the policy for attaining the goals on reducing consumption. Enforced indirectly by disappointing results in nuclear energy, the RUE program gained more support and the recommendations were approved.[675]

The Energy group allocated an important role to the RUE program and the Commission joined in with this view. "*Les économies d'énergie sont meilleur marché que les investissements énergétiques proprement dits, qui absorbent d'ores et déjà quelque 25% de l'ensemble des investissements industriels de la Communauté.*"[676] In its report on the *Intensification du programme communautaire d'économie de l'énergie*"[677] the Commission exposed the problems in the field and proposed actions to be taken. It also suggested a high-level meeting for the exchange of programs and the results from the conservation policy. This meeting took place on 4 July 1977.[678]

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[674] HAEC, BAC 28/1980 495, T/202/76, "Premier rapport périodique et projets de recommandations du Conseil sur le programme d'utilisation rationnelle de l'énergie (URE)" note, Bruxelles, 2/3/1976.

[675] HAEC, BAC 28/1980 495, R/662/76, "Rapport de la Commission sur la réalisation des objectifs pour 1985 de la politique énergétique communautaire", Bruxelles, le 15/3/1976.

[676] HAEC, BAC 28/1980 496, COM(76)508 final, "Politique communautaire de l'énergie […], 30/9/1976.

[677] HAEC, BAC 28/1980 496, COM(77)39 final, " Communication from Mr Brunner: An intensification of the community's Programme for Energy Saving", 18/02/1977.

[678] HAEC, BAC 28/1980 497, S/1314/77, "Aide-mémoire de la réunion du comité de l'énergie du 4 juillet 1977 consacrée aux questions de la conservation de l'énergie", Bruxelles, le 12/8/1977.

At this time, new Commissioner, Guido Brunner took over the portfolio on energy. He proposed a second series of measures, which had already been prepared, shortly after his arrival. They mainly concerned recommendations and just one directive. The recommendations were rapidly approved by the Council on 25 October 1977. They concerned, among other things, the regulation of heating and the production of hot water at residences, a rational use of energy in industrial enterprises and the creation of national consultative bodies to promote the combined production of heat and electricity in the industrial sector and urban heating.[679] The proposals were part of an effort to intensify RUE policies but the juridical value did not transcend the level of recommendations. They would have had more weight if they had been directives, remarked the Economic and Social Committee.[680] But the debates on the sole proposition for a directive revealed the divergent positions of the state members. France, and the United Kingdom, especially, maintained extreme positions in relation to each other.

The directive concerned the performance of heating generators. The UK and German delegations rapidly announced that they were *« hostiles à l'idée de prendre des mesures sous la forme d'une directive »*[681]. Following the UK delegate *"cette procédure donnerait lieu à de grandes difficultés d'application du fait de l'absence d'un organisme de contrôle compétent et de critères de performance."*[682]. The Commission emphasised the effectiveness of directives as a way of providing regulations. Eventually, a compromise was found through an agreement on a simplified directive, despite French objections. It was adopted on 13 December 1977. [683]

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[679] HAEC, BAC 28/1980 497, COM(77)185, "Projet de communication de la Commission au Conseil. Programme d'action communautaire en matière d'utilisation rationnelle de l'énergie (URE) -2ème série de propositions législatives", Bruxelles le 11/5/1977.

[680] HAEC, BAC 28/1980 497, CES, "Rapport de la section de l'énergie et des affaires nucléaires sur la "communication de la commission au Conseil concernant le programme d'action communautaire en matière d'utilisation rationnelle de l'énergie (URE)- 2ème série de propositions législatives", Bruxelles, 16/9/1977.

[681] CADN, RP-CE, 2391, Télex énergie 31, A/s énergie, signé Nantueil, Bruxelles, 8/7/1977.

[682] *Idem*

[683] CADN, RP-CE, 2391, 4 documents : R/2988/77 Corr 1, "corrigendum au rapport du groupe Energie au Comité des représentants permanents"; Telex no 4547/61, "Prochaine session du Conseil consacre à l'énergie", le 13 décembre 1977, 5/12/1977 ; Telex 4709-32, "Session du Conseil consacrée à l'énergie (13 décembre 1977)", Delfra-Bruxelles,

§7.5 Conclusions

The RUE program was an important part of the common policy for safeguarding energy supplies in the 1970s. Run by a large number of actors at both European and national levels, multiple measures were proposed and approved and the exchange of information intensified. After 1975, especially, when nuclear production developed at a slower rate than foreseen, the RUE program became an important pillar of long-term policies to reduce energy dependency externally.

In fact, in 1985, energy dependency had reduced significantly in comparison to 1973. But evaluation of the effectiveness of the RUE program is difficult. RUE policy was put into force at the national level. The program at common level was mainly limited to overviews, mutual exchanges and recommendations without much juridical power.

The origins of the European RUE program were, within the global context, in the beginning of the 1970s. It had become a spearhead of American energy policies to counter the current energy crisis in the United States. A more rational use of energy emerged on the European agenda after first deliberations on the matter had taken place within the OECD Council in the summer of 1971. The European Commission participated in the ad-hoc Commission on the question of a more rational use of energy within the OECD's energy Commission in 1972.

In October of the same year, the matter was included in the European Commission's report on the *Necessary progress of a common energy policy.* At the energy Council on May 1973, the delegations decided to include the issue in a future common energy program. As their decision was enforced at the Council of 17 December, the program was rapidly elaborated, and agreed, on in 1974.

The structures built to sustain RUE policy in Brussels were intense: a steering group was created with no fewer than eight sub-groups. Each of these groups consisted of representatives of the member states and met regularly. They were to study possible fields where RUE policy could be applied. Indeed, the Commission swiftly delivered five propositions for regulations which had been prepared in the sub-groups. Two years later, another series of regulations was proposed. Indeed, the program and its implementation give, at first glance, the impression of a large commitment within the community.

14/12/1977; R/118/78, "Directive du conseil portant sur la performance des générateurs de chaleur utilisés pour le chauffage de locaux et la production d'eau chaude dans les immeubles non industriels neufs ou existants ainsi que sur l'isolation de la distribution de chaleur et d'eau chaude sanitaire dans les nouveaux immeubles non industriels", Bruxelles, 20/1/1978.

However, when we look closer we see that the jurisdiction did not provide concrete results for a *common* RUE policy. First, most of the proposals concerned recommendations. Only one directive was agreed on, but only in a much simplified, less demanding version. Secondly, in 1976, agreement on the regulations was reached with difficulty. Only when a report showed the disappointing developments of nuclear energy was the proposed jurisdiction accepted. The history of the RUE gives an impression of a rapidly accepted program with large attendance from the member states, but with surprisingly little EC decision making.

Three factors have been revealed as important in terms of understanding the decision-making process within RUE policy. The first concerns the international context. The question of a more rational use of energy would remain on the international agenda after the creation of the International Energy Agency. Projects had started concerning RUE within this international consumer cooperation. Some member states, especially the UK, held the opinion that the handling of the matter at IEA level was reason enough for not pursuing the matter at the European level. A trump card for cooperation at the international level was the participation of the Americans who had invested a great amount in research and development on the topic. A more rational use of energy was one of the foci within the American *Project Independence*. Within the French administration, the situation revealed the negative effects of the IEA on European cooperation.

Apart from the competitive projects within the IEA, other factors played on the member states' positions on a common RUE policy. The member states did not feel the same urgency to reduce their energy consumption. The UK and the Netherlands were least dependent on external energy sources. Decision making in the form of recommendations was acceptable to all member states. But accepting directives with juridical impact on national policies went too far for some, especially the UK. A solution was offered by the juridical framework of the European communities which gave member states the opportunity to slow down or reduce the decision-making process. In 1957, the treaty of Rome had decreed unanimity within the Council when it voted on energy issues. Later, this situation would change with the introduction of the majority vote by the Single European Act of 1986.[684]

[684] Matláry, *op.cit,* 2 publications.

Policies on RUE were mainly maintained at national level. The role that the member states attributed to the European Communities seems to have been essentially that of a forum, a place to exchange information and experiences and as a generator of new ideas. Experts from the member countries met within the sub-groups where discussions were heard by the Commission. The fact that the national delegations were mostly composed of experts from industry and not from the national administrations, is significant.

They were the designers, together with the European Commission, of the positions for jurisdiction in the field of RUE. It might be argued that the value of these meetings was less in the output (regulation) than in the discussion itself. The conference in the summer of 1975 was widely attended. Policy makers at different levels had the opportunity to meet and exchange opinions on the national policies.

8 Nuclear Electricity and the Supply of Enriched Uranium

§8.1 Introduction

In this chapter I will focus on the decision-making process within the EC in the field of the supply of enriched uranium for electricity production in 1973 and 1974. The growth of electricity consumption had been important in the previous decades. It had more than doubled in the ten years before 1973 and therefore had a special place in the new energy policy. But its production, in Europe in 1973, was mainly based on fossil fuels like oil and gas. Almost a third of electricity was generated with oil. The changes in the oil market and the steady increase of prices provided an urgency to search for alternative electricity sources. Nuclear energy became attractive for its long-term low costs, although the necessary energy source, enriched uranium, became more and more difficult to purchase because of the competitive growing global demand.

Enriched uranium was a primary energy source which was obtained through processing natural uranium into a quality containing an enlarged amount of U_{235} isotopes in proportion to isotope U_{238}. In other words, it concerned a manufactured product: The customer bought raw uranium and ordered the processing of enriched uranium. The separation of isotopes required sensitive technology, related to security issues. The enrichment level of uranium for energy use was only small in comparison with the quality necessary for military purposes.[685] But despite these differences, the manufacturing of enriched uranium was unmistakably linked to the production of nuclear arms. This was one of the main reasons why the necessary technologies were kept highly confidential. Another reason was the global competition on the development of technologies for the separation of isotopes. The monopoly on this technology resided initially with the Americans, but slowly, other countries succeeded in developing the necessary technologies. Indeed, the generation of nuclear energy was mostly a national or multinational affair other than within the common framework.

[685] Power plants needed enriched uranium with an enlarged sharing percentage of isotope U_{235} from its original 0.7% to 3-5%. Military use of uranium needed an enrichment of more than 90%.

The main objective of this case study is to understand EC policies as regards to the supply of nuclear electricity. The extension of nuclear power plants in combination with an uncertain supply of enriched uranium provided an increasing urgency to the search for alternative resources for enriched uranium. Questions can be asked about the European choices in this field and the creation of a policy at the *common* level. Were the European institutions expected to play a role in this field? And to what extent could they comply with this role? Was there a common policy on the supply of enriched uranium?

The chapter starts with an analysis of the character of the problem of uranium supply for European energy policy in 1973. First, the role of electricity within the European energy market is discussed as well as its importance for energy policies at the time. Electricity allowed for the possibility of finding an answer to the growing demand for energy without being tied to only one energy source. The second section focuses on the specific problems of the American supply of enriched uranium at the time. Thereafter, a study is done of the European search for enriched uranium. On the one hand, new resources for the supply of enriched uranium were sought in the USSR. On the other hand, European member states endeavoured to produce enriched uranium domestically. A historical background is provided up until 1973 before developments in the period 1973-74 are analysed.

§8.2 The growing importance of electricity

Questions about electricity occupied a central place in European energy policy before the oil shock. This was related to characteristics of this energy source related to both consumption and production patterns. First, electricity had gained great importance in overall energy consumption. Since 1960, electricity consumption had expanded at a quicker pace of 7.6% per year than overall energy consumption growth of 5%.[686] The advantageous evolution of the price per kWh had been beneficial to this expanding consumption rate. Within ten years up until 1974, the price of electricity decreased by approximately 10% for heavy industry and 25% for the smaller consumers. This reduction was partly due to the low price of oil in the

[686] AEI, “Second illustrative nuclear programme for the Community", XVII/341/2/71-E, 1/7/1972, p. 13. OECD, DIE/E/EN,"Preliminary note on the electricity supply situation in the OECD region 1970-1985", Paris, 28/3/1974.

1960s. Low prices were also related to the increasingly higher efficiency of power stations and relative decrease of production and transport costs on larger sales.[687] Other reasons for the growth in consumption were to be found in the convenience of the use of electricity without environmental effects on the consumer. Both households and companies, including high consuming industries, employed an increasing number of new applications based on electricity. Older applications were progressively altered into using electricity instead of previous energy sources such as coal.

Second, on the production side, electricity maintained an important place in energy policies because it could be generated by various energy sources. Its flexibility offered the possibility of improving the European position in the global energy market by choosing the energy source which was at the basis of the production process. Figure 8.1 and Figure 8.2 provide overviews of the structure of electricity production for the EC region. From the 1950s onwards, electricity was mainly a secondary energy source, generated in conventional thermal power plants mainly through coal or, less caloric, lignite.

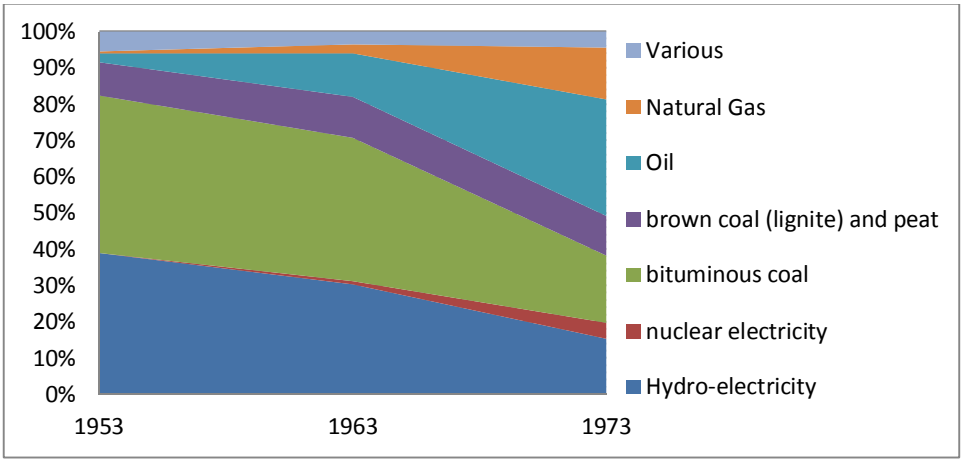


Figure 8.1: Energy sources for electricity production in the EC-6 (1953-1973)[688]

[687] HAEC, BAC 25/1980 1026, Com(74)1970 final, "“Orientations pour le secteur de l'électricité dans la Communauté. Le rôle de l'électricité dans une nouvelle stratégie de politique énergétique. (Communication de la Commission au Conseil)”, Brusselles, 27/11/1974, especially the introduction and 3.1 Perspectives économiques. OECD, DIE/E/EN,"Preliminary note on the electricity supply situation in the OECD region 1970-1985", Paris, 28/3/1974.

[688] European Commission, *25 ans …*, *op.cit*, Tableau 6 "Production de l’électricité", p. 134-135.

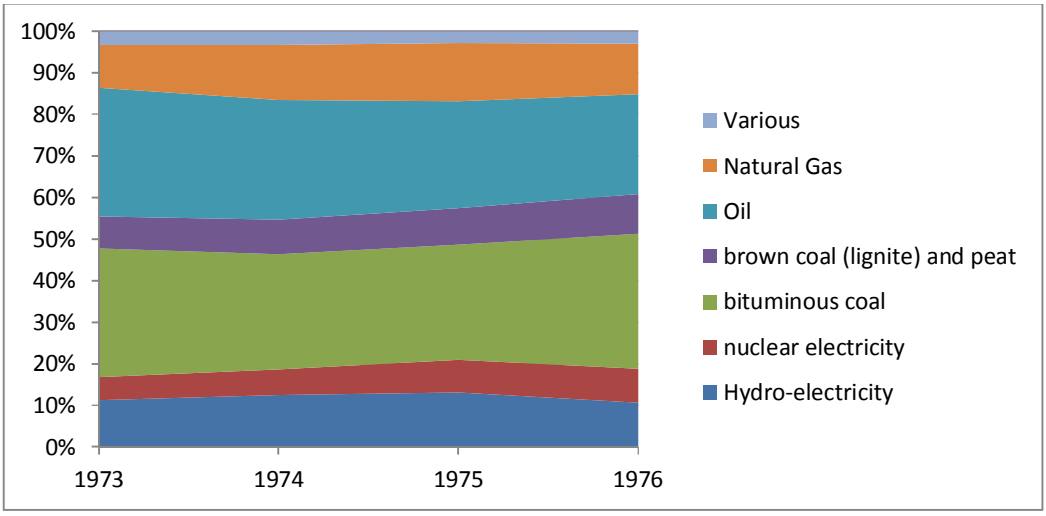


Figure 8.2: Energy sources for electricity production in the EC-9 (1973-1976)[689]

From the end of the 1950s, more price-competitive fossil combustibles increasingly entered the market. Oil, especially, was increasingly used. In 1973, electricity generated by oil exceeded, for the first time, production based on coal. At the same time, hydraulic power generated primary electricity at places appropriate for the installation of dams. Growth of this kind of energy stagnated at the end of the 1960s when practically all available places for economically profitable hydraulic installations were taken.[690] In the 1960s, polyvalent and bivalent electricity power stations were increasingly being built. Within these power stations, electricity could be generated from different fossil combustibles such as coal, gas or oil. These power stations produced a substantial part of electricity (Table 8.1). For instance, in 1970, almost 20% of the electricity in the European Community was generated by polyvalent stations (that was 28600 MW). Oil played a dominant role in these thermic power plants: More than half of these stations were based on a combination of coal and oil products, with a quarter from the combination of natural gas and oil products. The number of bivalent power plants was expanding. In 1972, forecasts for 1975 suggested the installation of more than double the number of gas/oil stations and an added third of coal/oil bivalent stations.[691]

[689] *idem*

[690] The hydraulic sector was nonetheless still in development; Pumped-storage hydroelectricity were created in order to enlarge the capacity for electricity generation in periods of higher demand or to support nuclear power plants.

[691] AEI, "Second illustrative nuclear programme for the Community", XVII/341/2/71-E, 1/7/1972, annexe II, blz 93-94.

During the oil shock, the existence of these stations would facilitate a swift change from oil to alternative energy sources for the generation of electricity.

Types of plants and fuels	Electricity produced			
	End 1970		End 1975	
	1000 MW	%	1000 MW	%
Total	(144.1)	100.0	(203.7)	100.0
Privileged sector				
1. Hydraulic energy, of which:	36.3	25.2	42.5	20.9
Run of the river	12.9	9.0	13.7	6.7
Pumped storage	23.4	16.2	28.8	14.2
2. Geothermic energy	0.4	0.3	0.4	0.2
3. Classical thermic energy	17.1	11.9	20.3	10.0
Lignite (monovalent plants)	9.6	6.7	12.8	6.3
Lignite (polyvalent plants)	0.6	0.4	0.6	0.3
Derived gas (monovalent plants)	2.5	1.7	2.5	1.2
Derived gas (polyvalent plants)	4.4	3.1	4.4	2.2
Competitive sector				
4. Classical thermic energy, of which:	86.9	60.3	127.7	62.7
a. Monovalent plants	58.3	40.5	82.9	40.7
Bituminous coal	35.0	25.0	28.2	13.8
Petrol products	20.8	14.4	47.6	23.4
Natural gas	1.5	1.1	7.1	3.5
b. Polyvalent plants	28.6	19.8	44.8	22.0
Bituminous coal/ petrol products	16.7	11.6	22.9	11.3
Bituminous coal/ natural gas	1.7	1.1	1.7	0.8
Petrol products/ natural gas	8.2	5.7	17.6	8.6
Bituminous coal/ petrol products/ natural gas	2.0	1.4	2.6	1.3
5. Nuclear energy	3.4	2.3	12.7	6.2
Total classical thermic energy (3+4), of which:	104.4	72.2	14.8	72.7
Monovalent plants	70.3	48.8	98.2	48.2
Polyvalent plants	33.7	23.4	49.9	24.5

Table 8.1: Electrical power plants in the EC in 1970 and forecasts from 1972 for power plants in 1975. [692]

When oil prices started to increase, large scale investment in nuclear power plants generated more interest. The development of nuclear plants was a relatively expensive concern in terms

[692] *Idem,* 2e progr indicative, annexe II, blz 93.

of R&D and construction, but, in the long run, these expenditures were compensated for by low production costs. Moreover, nuclear energy had the potential to significantly expand electricity production with its large power capacity. A large-scale deployment of nuclear power plants, especially, would be advantageous for low prices. Investments in the construction of new plants intensified, as illustrated in Table 8.1.

The European Commission stressed on several occasions the advantages of cooperation at the common level in the field of nuclear energy.[693] But such cooperation was mainly limited to equipment standardisation, market structures and financial aid. Following the DG XVII, standardisation on equipment within the Community would lower costs and accelerate output. The diverging technical specifications, norms and security criteria hindered transnational trade and retarded transactions. Common policies should support the existing initiatives in this field by international cooperation such as the International Standards Organisation, the European Committee for the Coordination of Norms and the International Atomic Energy Agency. Secondly, better cooperation between the different power plants in the member states would encourage larger production as it would be more cost-effective and offer more possibilities for the high investments involved. European technological cooperation would be encouraged at the expense of American cooperation as it slowed down the R&D projects of the European companies and limited their export possibilities. As a matter of fact, nearly all European producers of nuclear Light Water Reactors were dependent on American technology from the American companies General Electric, Westinghouse and Babcock-Wilcox. Thirdly, the Commission envisioned financial aid by loans as stipulated in the Euratom treaty (article172, §4).[694]

The level and criteria for this financial aid, as well as the precise cooperation at the common level was a constant theme of debate in the first years of the 1970s. Within Euratom, debate centred on the cooperation on R&D and financial aid for the development of fast reactors. The latter discussions were still going on during the oil shock and would be decided on in 1975. In February 1973, the Euratom Council agreed, after years of disagreement, on a new program

[693] *idem*

[694] AEI, “Second illustrative nuclear programme for the Communitycommunity", XVII/341/2/71-E, 1/7/1972, annexe II, blz 93-94.

for the research facilities in Ispra (Italy), Petten (the Netherlands), Karlsruhe (Germany) and Geel (Belgium). The decision was not favourable for nuclear research as its part in the overall R&D research was reduced while the common budget had only been marginally increased. The Heads of State and Government had decided in October 1972 for an extension of common research within the community.

The DG XII Research within the community would elaborate in 1973 on a programme to be implemented in 1974. In this program, the Common Centre for Nuclear Research (CCNR) would be renamed the Joint Research Centre, covering a larger field for R&D. While Simonet and the DG XVII were involved in the Commission's decision making in the field, its main responsibility was for the DG XII. At the same time, the Council discussed the theme of research in meetings separate from the Energy Council. The issue of a common capacity for the enrichment of uranium was however a preoccupation for the DG XVII and Henri Simonet.

§8.3 The straining market of enriched uranium

The expansion of nuclear energy was a reaction to the changing oil market and the increase in oil prices. But the international market on enriched uranium was not without constraints. In 1972, the community was entirely dependent on external, essentially American, supply. Outside the United States, the worldwide production of enriched uranium was limited and concerned mainly highly enriched uranium for military purposes but not suitable for energy generation. The British and French facilities in Capenhurst and Pierrelatte produced the appropriate low enriched uranium but only in small quantities. Only the USA and, to a much lesser degree, the USSR had the facilities to deliver the required uranium.[695] This American monopoly affected negotiations on price and quantity.

The contracts between European electricity producers and the American supplier, the US Atomic Energy Commission (USAEC), are integrated in the overall Agreement for

[695] Facilities to provide for (mainly highly) enriched uranium: Three in the USA (Oak-Ridge, Paducah, Portsmouth), two or three in the Soviet Union, One in France (Pierrelatte), one in the United Kingdom (Capenhurst) and one in China (Lanchow). Courteix, Simone. "La coopération européenne dans le domaine de l'enrichissement de l'uranium.", *Annuaire français de droit international*, vol 20, 1974, p. 773-796.

Cooperation of 8 November 1958 between Euratom and the USAEC.[696] Within this treaty a maximum was determined for the quantity of delivery. Demand above this ceiling was subordinate to consent from the American Congress. This ceiling had already been raised by an amendment in 1964 but it still could not keep pace with the growth in demand.

In relation to the increasing international demand, the system changed. The negotiation round for the new addendum took place from 1969 to the autumn of 1972. The European Commission had entered negotiations in order to improve the conditions of supply in several aspects but with only marginal success.[697] The Americans were clearly in the lead. For example, the Europeans received the desired assurance that no discriminatory price-setting or criteria would be maintained for external demand. But at the same time this equal price setting did not concern internal American demand. In reality, in this way, it worsened the position of European electricity producers compared to their American colleagues.

The ceiling for purchase was raised again, enough to supply a total of installed 35,000 MW. At the same time, however, it was made explicit that supply from the USAEC was bound to the available capacity in the three American facilities for the separation of isotopes.[698] The growing international demand had become an important factor. The American monopoly emerged clearly from the phrase stating that the USAEC might sell enriched uranium "*à son gré*"[699]. The French delegation, especially, accepted this text with reluctance. Approved,

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[696] An addition (avenant) to this treaty has been signed on 11 June 1960; It has been amended in May 1962 and August 1963. On the contract see : Darricau, A., "Les contrats internationaux d'enrichissement de l'uranium", report given at the Round Table on " la coopération internationale en matière de réacteurs et de combustibles nucléaires (aspects juridiques), Paris, 2 March 1973, http://www.iaea.org/inis/collection/NCLCollectionStore/_Public/04/079/4079826.pdf .

[697] ACEUConseil, CM2/1973 925 temp 838, " Proposition d'une directive du Conseil concernant l'approvisionnement à long terme en uranium enrichi -amélioration des conditions de fourniture à la Communauté d'uranium enrichi provenant des ÉtatsEtats-Unis (présentée par la commiss au Conseil) ".

[698] ACEU, CM2/1973 929 temp 842, R/1574/1/72 (ATO 105) rév 1, "Amendement à l'avenant à l'accord de coopération du 11 juin 1960 entre le gouvernement des États-Unis d'Amérique et la communauté européenne de l'énergie atomique (EURATOM)", Bruxelles, le 3 août 1972, Article I, A : "*Sous réserve de la disponibilité de capacités d'enrichissement de l'uranium existant dans les installations de la Commission américaine de l'énergie atomique […] et dans les limites des quantités dont le transfert est autorisé*".

[699] *Idem*, Article I, B. "*à la demande d'Euratom ou de personnes habilités dans la Communauté, la Commission peut, à son gré et aux conditions qui seront convenues, vendre*

eventually, by the Council in the autumn of 1972, the addendum came into effect in February 1973.

The negotiations between the Europeans and the USAEC had clearly become more strained by the gradually increasing global demand for enriched uranium As a matter of fact, prognoses had forecast that in 1980 demand would exceed American production. Even large ambitious programs for upgrading production capacity would not suffice (figure 8.3).[700] Such were the alarming conclusions in 1968 of the Special Group of the Consultative Committee for Nuclear Research (CCNR) in a study which focused on the questions of long-term supply of enriched uranium.[701] The European Commission rapidly followed up with two proposals in order to cope with this situation. First, in May 1969, it proposed a common effort for the realisation of enrichment capacity in Europe.[702] Although the idea for European cooperation in this field was already circulating at the time of the creation of Euratom, the issue was now definitely on the agenda for at least four years. In consideration of construction time, 1973 was set as a deadline for the decision on the creation of a common facility in order to secure supply after 1980. The Commission also proposed in 1969 to renegotiate with the American supplier.

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de l'uranium enrichi en isotope U-235, dans les limites des quantités dont le transfert est autorisé, […]. "; ACEU, CM2/1973 925 temp 838, R/1710/72 (ATO115), "Amélioration des conditions de fourniture d'uranium enrichi en provenance des États-Unis.", Bruxelles, 10/8/1972.

[700] US Cascade Improvement and US Cascade Uprate programs. Darricau, *op.cit.,* p. 6 ; AEI, Commission des Communautés européennes, *Situation de l'approvisionnement en combustibles nucléaires*, Bruxelles 1970, p.14-18.

[701] Commission des Communautés européennes, *Situation de l'approvisionnement*, *op.cit.,* p. 14-18. The CCRN has written two reports.

[702] HAEU, EN-0010, Com(69)387, "l'approvisionnement à long terme en uranium enrichi", 22/5/1969, p.248 and further.

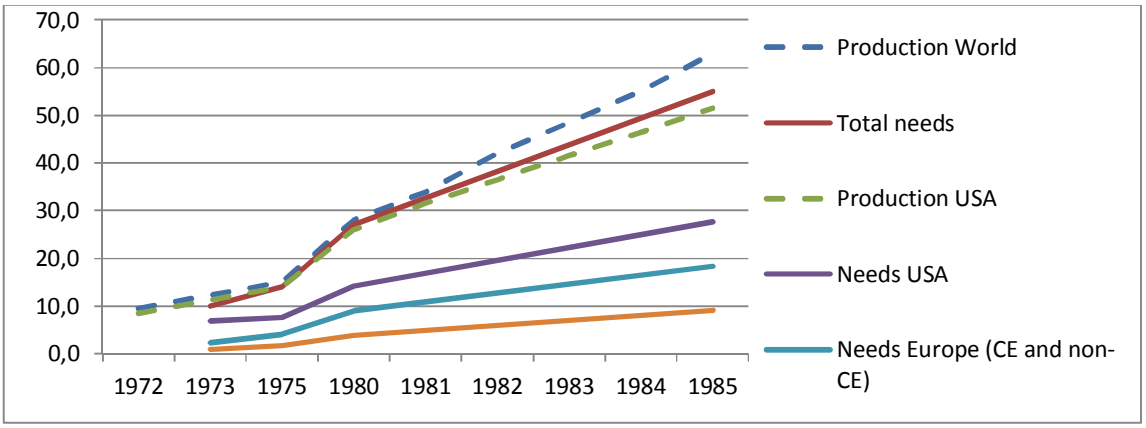


Figure 8.3: Forecasts on future production of and needs for enriched uranium by USAEC (March 1973) and Atomic International Forum (1972) (in millions kSWU).[703]

§8.4 European projects for the enrichment of uranium

A year before the CCNR forecasts, two different announcements in Europe were made about the potential of an enrichment facility on the European continent. At one end, the French Commissariat à l'Énergie Atomique (CEA) was developing a method for low uranium enrichment by gas diffusion. The project was built on a lot of experience and R&D projects in the Pierrelatte facility. At the other end, a new technology for the enrichment by ultracentrifuge was in development in Germany, the Netherlands and the United Kingdom independently. In 1967, rumours from France reported successful results with the gas diffusion. In response, the Dutch and German developers announced at an international scientific symposium in Turin the construction of a demonstration plant with a maximum yearly production of 25 tons USW.[704] Shortly thereafter, the British developers joined this ultracentrifuge project. States such as Belgium and Italy expressed interest in joining both projects.

The European Commission, for its part, endeavoured for a joint European effort on the enrichment of uranium. A broad based cooperation would have its advantages for the required high investments, the development of new technologies and industrial participation.

[703] Figure produced by author. Both data on prognoses of production and needs are provided by Darricau, *op.cit.,* p.6-7.

[704] International symposium on isotopic separation of uranium at Turin in October, M.Bogaardt and F.H.Theyse (Reactor Centrum Nederland) ; Andriesse, C. and Lagaaij, A. "Tollen. Bijdragen aan de uraniumverrijking", C. Andriesse, *De republiek der Kerngeleerden*, 2000, Uitgeverij BetaText, p. 63-80, p.70 and note 49.

Moreover, the share of interests would strengthen a common energy policy.[705] For the French government, a bigger cooperation in gas diffusion was appealing. In contrast to greater independence in the full cycle of nuclear energy production, multinational cooperation would yield advantages such as joint investments and acceleration of R&D.

At the European summit in The Hague in December 1969, the French President Georges Pompidou invited his European colleagues to a European study group on gas diffusion. He did nevertheless not allude to a *common* project which would fall under the umbrella of the European communities. The objective was principally a multinational cooperation. But enthusiasm from the three ultra-centrifuge states was lukewarm at best.

Just eight days before the European summit, they had swiftly agreed on the three-way treaty which would be concluded three months later at Almelo in the Netherlands. This treaty founded the cooperation in ultracentrifuge technology between the three countries. But they did not reject the idea of joining the gas diffusion project as well. When the CEA repeated Pompidou's call in March 1971 and in September of the same year during the fourth international conference on the peaceful uses of atomic energy in Geneva, the three signatories to the Almelo treaty decided to join the study group, together with Belgium and Italy. The forthcoming *Association d'études Eurodif* was created to analyse the question of a possible new enrichment facility based on gas diffusion. The director of the Dutch Ultra-Centrifuge Nederland (UCN), Maarten Boogaard, informed the press about the Dutch motivation to join: Participation would facilitate information on the economic possibilities of the competitive system. Furthermore, participation in the Eurodif study group would hinder premature decisions on a common facility based on gas diffusion.[706]

There was therefore no intention of abandoning the ultracentrifuge project and chances were very slim that the three ultracentrifuge partners, rapidly labelled as the *troika*, would eventually continue with the gas diffusion project. The same tone was perceptible in the speech given by the German minister Hans Leussink during his visit to the Pierrelatte site on 29 November 1971. In his, nevertheless, positive evaluation of the site he clearly stressed the

[705] HAEU, EN-0010, COM(69)387 final, " Approvisionnement à long terme en uranium enrichi (proposition de la Commisson au Conseil) ".

[706] NL-HaNAhaNA, EmbParijs, 1031, "studiesyndicaat uraniumverrijking", Telegram, Paris, 02/03/1972.

importance for attempts to obtain information about the gas diffusion project in order to draw comparisons with the ultracentrifuge technology. But, in his view, there was no engagement to really participate in the gas diffusion process.[707]

The Eurodif study group formed on 25 February 1972. Members were national or private nuclear firms from all the European member states, except for Luxembourg.[708] The UK was also represented and, from 10 October, Spain and Sweden were also. At the end of the initial phase, while still permitted to do so by the contract, the participating industries from the troïka decided to leave the group. First, the British Nuclear Fuel Limited (BNFL) did, and then the Dutch UCN on 30 April 1973. Acknowledging that a facility based on gas diffusion could be implemented earlier than a facility based on ultracentrifuge, the troïka however expressed as their main doubt, the optimistic French calculation of the necessary electricity consumption.[709]

The three-way cooperation for the ultracentrifuge project showed no ambitions to take on new partners. The crystallisation of a tripartite cooperation had already taken years. Since the military classification of ultracentrifuge technology in 1960, at the demand of the American government, international teamwork had been extremely limited.[710] Until the Almelo treaty in 1971, the separate research results were only minimally shared, just sufficiently enough to assess the comparable level of mutual development. A regular exchange of information was

[707] Daviet, J.-P.. *Eurodif. Histoire de l'enrichissement de l'uranium, 1973-1993.*, Fonds Mercator, Eurodif S.A., 1993, p.325-326.

[708] Members of the Eurodif Studygroup : Sybesi and Belgonucléaire –Belgium; CEA –France; British Nuclear Fuel Limited -United Kingdom; Comitato nazionale per l'energia nucleare (CNEN) and Agip Nucleare –Italy; UCN –Netherlands; Gelsenberg, Hoechst, Nukem and Steag: united in Studiengesellschaft für Uranisotopentrennverfahren (SIT) –Germany. After 10 October 1972: Empresa nacional del uranio (ENUSA) –Spain; A.B.Atomenergi –Sweden. Courteix, *op.cit*.,Courbeix, S."La coopération européenne dans le domaine de l'enrichissement de l'uranium.", *Annuaire français de droit international*, vol 20, 1974, pp. 773-796, 778.

[709] *Idem*

[710] Streefland, A. "Putting the lid on knowledge. The Dutch Ultracentrifuge Program Made Secret 1960-1962", Presentation given at the Workshop Cold War Science workshop, December 2013.

established after the ratification of the Almelo treaty on 19 July 1971, but a real joint R&D program would only begin in January 1973.[711]

To the outside world, the troïka remained very reticent about cooperating. When Belgium and Italy actively sought participation, they were rejected.[712] Nevertheless, the industries were invited to participate in the Association for Centrifuge Enrichment (ACE). This study group focused on the analysis on the applicability of the ultracentrifuge technology.[713] The group had been developed in the same period as the Eurodif study group. It differed however from the latter in that it did not limit its composition to European states. Members were national atomic agencies, nuclear firms or banks from twelve different countries including the United States, Australia and Canada.[714] Another difference was that eventual participation in the industry was not the objective. ACE was fundamentally a study group where information, first only declassified and later also classified, was exchanged.

§8.5 New American criteria for supply

In 1973, the American sales policy would fundamentally change in two ways. Firstly, on 8 December 1972, the USAEC suspended the negotiations for the supply of five European power plants in anticipation of imminent revisions to the American sales policy.[715] New criteria for the enrichment services came into force on 9 May 1973. Secondly, the supply contracts were revised in the autumn. In short, the Europeans were to choose between short-term contracts, for a period of three years maximum, or long-term contracts with a minimum duration of ten years without fixed prices. A ten years' notice was applied for termination of a contract without charges. Even if the client did not need the quantities specified in the contract, they had to take delivery of these. Significant advance payments had to be made on signature of the contract. The Europeans were not given much time to decide on their response. Orders until July 1978 had to be concluded before the end of 1973. Orders for the

[711] Courteix, *op.cit.,* p.784-792.

[712] NL-HaNA, NL-EmbRome ,898 , telegram, Rome 28/04/1971.

[713] NL-HaNA, NL-EmbRome ,898 , telegram, London, 26/3/1973.

[714] Courteix, *op.cit.*

[715] HAEC, BAC 259.80 COM(73) PV 244, 2e partie (séance du 13 mars 1973); AEI, Euratom Supply agency, AA/18/74-E, "Annual report of the Euratom Supply Agency for the Calendar Year 1973", Brussels, 29/3/1974.

period July 1978 – June 1982 had to be agreed before June 1974. In addition, the price for the separating work was increased by the USAEC by more than 8% in August 1973. At the same time, a further increase of 1% per half-year was announced.[716]

In Europe, therefore, policy choices about the supply of enriched uranium became even more urgent in 1973 than they were before. The reactions varied. The debate on a common facility for the creation of a uranium enrichment facility appeared swiftly on the agenda for the energy debate in May 1973. In 1973, three long-term contracts were agreed with the USAEC, all with German electricity producers. Meanwhile, possibilities were sought for the import of enriched uranium from the USSR.

§8.6 Techsnabexport and the role of the Euratom Supply Agency

German, Italian and Belgian companies actively sought out alternative sources for supply. In March 1973, the first negotiations started with Techsnabexport, the Russian organisation which took care of the external trade of enriched uranium. Most negotiations were rounded up before the USAEC deadline of 31 December in order to secure supply. The Soviet contracts were advantageous because of their flexible criteria. Techsnabexport demanded no advance payment on signing the contract, greater flexibility in supply and enrichment grade, no minimum term for the contract and no time delay between signature and initial delivery.
At the same time, in contrast to the American supplier, the client could not present itself at the weighing or sampling and had to provide a banker's guarantee as payment condition.[717]

The French CEA was already a client of Techsnabexport since the spring of 1971. In 1973, the first quantities of enriched French natural uranium were delivered by the Soviet Union in order to supply the EDF power plant Fessenheim I.[718] Contrary to the EAEC treaty, the

[716] Courteix, *op.cit.*, p.775;, Pirotte *ea*, *op.cit.*, p., 142-148; AEI, ", Annual report of the Euratom Supply Agency for the Calendar Year 1973", *op.cit.*; ACEU, CM2/1973 917 temp 829,. Rapport du Comité permanent pour l'enrichissement de l'uranium (COPENUR), 5/11/1974.

[717] AEI, " Euratom supply agency " Annual report of the Euratom Supply Agencysupply agency for the Calendar Yearcalendar year 1973", *op.cit* ", Brussels, 29/3/1974, online archives AEI.

[718] ACEU, Archives conseil, CM2/1974 1049 temp 1024 , "Réunion Groupe ATO (24/7/1974) ", Bruxelles, 5/8/1974.

European institutions had not been designated any role in this transaction. But as soon as the Commission was informed of the contract in 1971, the Director General Félix Oboussier of the Euratom Supply Agency rapidly sent a letter to the Russian organisation to find out about the possibilities for contracts with electricity producers in other European state members.

No Russian answer was received on the letter.. The soviet authorities refused any negotiation with non-nuclear state members without ratification of the Non-Proliferation Treaty (NPT). The five European states concerned had signed the NPT in 1969 but were only prepared to ratify the treaty after an agreement between the International Atomic Energy Agency (IAEA) and Euratom on safeguards. Negotiations with Techsnabexport could therefore only begin after the AIEA-Euratom agreement was in principle approved in September 1972 by the EC Council of Ministers followed by the IEAE Board. Shortly after that, the Russian authorities informed their agent in Germany, the Rohstoff-Einfuhr Gmbh, that exploratory talks with German industries could begin.

Mainly, during two negotiation rounds in March and August, the contracts had taken shape. The long ratification process of the AIEA-Euratom treaty would endanger the process, but the Russian negotiators, eager to capture a larger market share, decided not to object to solely Euratom safeguards until the treaty with the AIEA came into effect. Decision making was relatively rapid and probably related to the urgency expressed by the German company RWE about concluding a contract before the USAEC deadline.[719]

Participation by the European communities in the negotiations with Techsnabexport was not self-evident for all, either on the European or the Russian side. In 1971, after having been notified of the French-Russian agreement, the European Commission deemed the contract invalid. Its motivation was that the participation of the Supply Agency, as stipulated by article VI of the Euratom treaty, had been ignored. On 14 December 1971, the European Court of Justice upheld their appeal. The French government, however, held to the interpretation that the Supply Agency did not exist anymore in legal terms because there had not been a

[719] HAEU, Archives Florence (digital) EN-2558, "Rapport de mission –Voyage à Moscou du 19 au 24 mars 1973. Négociation d'un contrat d'enrichissement avec Techsnabexport ", Bruxelles, le 27 mars 1973 ; HAEU, EN-1985, SEC(73)3315, 18/8/1973.

reconfirmation which had been stipulated by Article 76.[720] Be that as it may, the case did not influence French-Russian trade. In 1973, Techsnabexport's director Voltchkof could not see any reason why the Euratom Supply Agency would sign the trade agreements with German customers either. But he would eventually agree when the Western delegation explicitly announced the Agency's signature as a precondition for any contract.

In Germany, the Agency was involved in the negotiations from the beginning. Oboussier participated in preparatory meetings at governmental level, talks with director Hempel of the intermediary agency Rohstoff-Einfuhr, and in negotiations in Moscow with commercial and political actors. This procedure responded to the Agencies' exclusive privilege to contract for the import of raw and fossil materials in the European communities as stipulated in chapter six of the Euratom treaty. But the interpretation, and especially the validity, of this article were, at the very least, greatly debated within the communities. Some contracts were therefore agreed without the Agencies' signature, and were thus not valid from Brussel's perspective. Most contracts were only *symbolically* signed. A list of these contracts is given in Table 8.2

Nuclear power station	**Kg/separative work**	**Delivery period**	
RWE Biblis B	269392	1974/75	
RWE Mülheim-Kärlich	284356	1976/77	
GKN Neckarwestheim	617554	1974/80	
KWU revolving stock	23097		1974
HEW Krümmel	548000	1976/80	
Gfk Niederaichbach	7562		1975
Bayernwerk Grafenrrheinfeld	283819	1976/77	
NUKEM reserve stock	1350000	1976/80	
Synatom	1300000	1979/85	
Total	4683780		

Table 8.2: European contracts with Techsnabexport for the enrichment of uranium in 1973/74 (list provided by the Euratom supply agency).[721]

[720] Article 76, §2: "The Council may, at the end of a period of seven years after the date of the entry into force of this Treaty, confirm these provisions *in toto*. Failing such confirmation, new provisions dealing with the subject-matter of this Chapter shall be laid down in accordance with the procedure set out in the preceding paragraph."(Treaty establishing the European Atomic Energy Community (Rome, 25 March 1957), *op.cit.*). Three interpretations of this article were possible. See Pirotte *ea, op.cit.,* especially p.pages 73-77.

[721] AEI, Euratom Supply Agency, " Annual report of the Euratom supply agency for the calendar year 1973, Brussels, 29 March 1974 ; Euratom Supply Agency, " Annual report of the Euratom supply agency for the calendar year 1974, Brussels, April 29, 1975.

Nuclear power station	USW	Delivery period
1. RWE Biblis B	269 392	1974/75
2. RWE Mülheim-Kärlich	284 356	1976/77
3. GKN Neckarwestheim	617 554	1974/80
4. KWU revolving stock	23 097	1974
5. HEW Krümmel	548 000	1976/80
6. GFK Niederaichbach	7 562	1975
7.Bayernwerk Grafenrheinfeld	283 819	1976/77
8. NUKEM reserve stock	1 350 000	1976/80
9. Synatom	1 300 000	1979/85

Table 8.3 Overview of European contracts with Techsnabexport as provided by the EURATOM supply agency[722]

The internal European debate provided some embarrassing moments when Oboussier was informed by Voltchkof on his simultaneous negotiations with the Italian company ENEL.[723] Having been notified, the European Commission wrote a letter to the Italian government, demanding to intervene at ENEL.[724] A few months later, the European Commission would again been notified that a contract had been signed between Techsnabexport and a European electricity provider, the Italian company AGIP nucleare.[725]

The 1974 report of the Euratom supply agency shows that the Agency was entirely aware of how it was being neglected in the negotiation and conclusion of contracts. It was, as it said, not able to give a full overview of the movement of nuclear materials within the European Community. *"It should be noted, however, that the Agency has participated in transfers of*

[722] AEI, Euratom Supply Agency, " Annual report of the Euratom supply agency for the calendar year 1973, Brussels, 29 March 1974

[723] HAEU, EN-1985, "Note à l'attention de M.H.Simonet, Vice-Président de la Commission", Bruxelles, 19/6/1973.

[724] HAEC, BAC 259.80, COM(73) PV 259, Commission CE, Strasbourg, séance 04/07/1973.

[725] HAEC, BAC 259.80, COM(73) PV 259, Commission CE, Bruxelles, séance 11/09/1973.

enriched uranium between Community undertakings in 29 instances." [726] Paradoxically, the necessity to add this remark revealed maybe even more the fact that the agencies' role in the field was contested. A full list of the items from the Agencies' participation in transactions on supply of nuclear combustibles, which was a mandatory part of the report, was given only later.

§8.7 European debate on a common facility for isotopic separation

A debate on a common facility to create enriched uranium was being held within the European communities ever since the Commission's proposition in May 1969. This institution expressed the opinion that a common project would be beneficial for industries in all member states and for better cooperation in technological R&D. Cooperation, possibly in the form of a common enterprise, would be desirable in the field of R&D, construction of the facility and its subsequent exploitation. A European facility to create enriched uranium would give a better guarantee on supply and a better grip on price-setting. The Commission maintained that the two technologies for the separation of isotopes were not incompatible but complementary. They could both be integrated in one European enrichment capacity.[727]

In June 1972, the Commission revived the debate with a new communication.[728] Again, it stressed the need for a joint undertaking in the construction of a European facility. But the substance of the common cooperation was delicate. The producers of ultracentrifuge separation, especially Germany and the Netherlands, feared that priority would go to the gas diffusion technology because it could start production quicker.

The question was whether the two existing projects should be moulded into a common assignment or whether priority should be given to one of them. It was debatable whether the market was not too small for the two projects which were based on entirely different technologies and equipment. If, in that case, a choice had to be made, the European

[726] AEI, Euratom Supply Agency, " Annual report of the Euratom supply agency for the calendar year 1974, Brussels, April 29, 1975.

[727] HAEU, EN-0010, COM(69)387 final, " Approvisionnement à long terme en uranium enrichi (proposition de la Commisson au Conseil) ".

[728] Elli, Mauro." Between industrial and energy policy: the issue of the European capacity in uranium enrichment, 1969-1974", Preda, D and D. Pasquinucci, *The Road Europe Travels Along. The Evolution of the EEC/EU Institutions and Policies,* Bruxelles, Peter Lang, 2010.

Commission would favour the gas diffusion project. Being built on greater experience and R&D in the enrichment of uranium in the Pierrelatte facility, this project promised a more rapid and a more certain production. This would be confirmed on 9 November by Simonet in a conversation with Dutch minister for Economics Ruud Lubbers [729]

The ultracentrifuge technology had so far only been implemented on a small scale in testing facilities. The disadvantage, however, of the isotopic separation by gas diffusion technology was its need for much more electricity than with ultracentrifuge technology. Moreover, the latter could be implemented in much smaller facilities.

On 27 March 1973, the Commission renewed a proposal for the creation of a common enrichment capacity. First, a study committee would be installed to analyse the needs for enriched uranium and the options to obtain it by external and potentially internal supply. Thereafter, a common facility would be created. The reactions diverged within Europe. While France supported the idea of a European facility, the troïka was reserved. At the Energy Group of 5 May, they were still averse to setting the date of 31 December for a final decision on the matter. Moreover, they did not agree with the statistics provided by the European Commission.[730] Following the Commission the earlier forecasts for the construction of new nuclear power plants had to be revised, partially because it foresaw a growth in electricity consumption. Moreover, new projects had been announced. Indeed, just before, on 27 March 1973,the general director of EDF, Marcel Boiteux, had announced an acceleration of the French energy production. As a matter of fact, two days after the Energy Council, on 25 May, the administrative Council of EDF would, among other things, decide for the construction of two Boiling Water Reactors (BWR). This type of power plant generates electricity based on enriched uranium.[731]

Within the Energy Group, the delegate of the European Commission stated that nuclear energy potential for 1985 had to be reconsidered to approximately 50% above the estimations of July 1972 which it had made in its second indicative program on atomic energy. The

[729] NL-HaNA, MR, 1237, Ministerraad 9/11/1973.

[730] CADN, RP-CE, 2376, Gr Energie 3-4 mei 1973, 5/5/1973.

[731] Bouvier, Y. " Accélérations et décélération du programme nucléaire français au temps des chocs pétroliers ", presentation given at the Conference "Europe and Energy: From the 1960s to the 1980s ", Padua, 18-19 October 2013.

logical conclusion was made thereafter, that the demand for enriched uranium would enlarge at a fast pace.[732] The Belgian, English, Dutch and German delegates, however, stressed the uncertainty of these figures. For instance, they doubted the growth of energy consumption which, in fact, had already been risen less fast in the last few years.[733]

Just before the Energy Council of May 1973, the stakes for the French to achieve cooperation in the enrichment of uranium were very high. It needed to secure supply for the new power plants it projected to build. Apparently, the declarations of May were only an indication of further projects to be announced later. A joint effort would be profitable for industries and investments. But the troika had just left the studygroup of Eurodif. Just before the Energy Council, the French Ministry for Industrial and Scientific Development endeavoured to prepare for a debate on the matter at the Energy Council of 22 May. Jean Charbonnel first succeeded in calming the atmosphere in a meeting with his German counterpart Horst Ehmke on 17 April. A few weeks later, a meeting between French and German delegations led by French Secretary-General Jean Couture and Secretary of State Haunschield followed. The French delegates succeeded in maintaining the issue of a common capacity for the enrichment of uranium on the agenda for the Energy Council of 22-23 May.[734]

During the Council meeting, the issue was discussed thoroughly in the context of the Commission's proposition for a European facility. The different positions were clearly revealed. Charbonnel emphasised the essential decisions on a European facility to be made before the end of the year, in the light of the changing contracts with the USA and the time

[732] The Commission made the following calculation : if the nuclear electricity power was 133 GWe in 1985 (as foreseen in July 1972), the need for enriched uranium was 14,1 Million SWU ; A total nuclear power generation of 200 GWe would need 26,9 Million SWU. The difference was 12,8 Million SWU. ACEU, CM2/1973 888 temp 801, R/1229/73 (ENER 12), " Rapport du Groupe 'Energie' au Comité des Representants Permanents. ", Bruxelles, le 11 mai 1973.

[733] *Idem.* A year later The European Commission would confirm that the prognoses made in 1973 on the expansion of nuclear energy were too positive. The Nuclear Energy Agency of the NEA would make the same conclusion for its own prognoses in 1973. Both in the CE and the NEA, the forecasts would be less ambitious in 1974, although an extension of nuclear energy investments was still foreseen. OECD, Nuclear Energy Agency, activity reports, 1973, 1974 ; ACEU, CM2/1974 1007 temp 986, COM(74)1963, " Pour une politique d'approvisionnement de la communauté en combustibles nucléaires ", Bruxelles, 27/11/1974.

[734] MAE, 3005, "Point au 1er Juin 1973 sur les relations franco-allemandes dans le domaine de l'enrichissement de l'uranium".

needed for the construction of a facility. Rohwedder was not negative, but he still mentioned *"les divergences de vues existant sur certains aspects du problème en question"*[735]. Boardman and Brinkhorst were however much more reticent and stated that they could not make a decision before the end of the year. Mauro Ferri took the opposite position and vigorously demanded the other delegates to rapidly "*s'engager à prendre des décisions concrètes"*[736].

It was decided that a new Permanent Committee for the Enrichment of Uranium (COPENUR), would be established. This committee would prepare issues concerning the European facility to be decided on by the Council before the end of the year. Its output would assess updates on the enriched uranium market, an inventory of the fundamental characteristics of the diverse technologies, research of the means to promote the development of industrial capacities and coordination of initiatives from interested parties.

Presided over by the Commission, mostly by the Director General Fernand Spaak, the committee was composed of high-level national experts who were affiliated to interested companies. Therefore, from France, an expert from CEA attended the meeting. The Netherlands, Germany and the UK sent high-level employees from URENCO. It was, therefore, clearly not only a governmental affair. Moreover, the list of participants (table 8.3) shows that experts not only from the EC member states, but also from Spain, Switzerland, Sweden were invited to participate in the committee's meetings.

[735] ACEU, CM2/1973 0011 temp 53, " R/1382/73 (PV/CONS/R8), PV 244ème session du Conseil.

[736] *Idem*

Belgique	
M. le Professeur De Meester	Conseiller au Service de Programmation de la Politique scientifique
M. Charlier	Administration de l'industrie, Ministère des Affaires Economiques
M. J. Goens	Directeur General du CEN/SEK, Représentant de SYBESI
M. van Damme	Ingenieur en Chef – Directeur Commissariat à l'Energie Atomique, Ministère des Affaires Economiques
Danemark	
M. Linderstrom-Lang	Danish Atomic Energy Commission
M. E. Bastrup-Birk	Danish Atomic Energy Commission
M. E. Moe	Handelsministeriet
Allemagne	
Ministerialdirigent Dr. Schmids-Kuester	Bundesministerium für Forschung und Technologie
Herr T.P. van den Bergh	URENGO
Dr. H. Mohrhauer	URANIT
France	
M. Pecqueur	Délègue a la Mission "Application industrielle nucléaire" au commissariat à l'Energie Atomique
M. Durand	Chef de Service des Etudes technico-économiques, Electricité de France
M. Girard	Chargé de Mission au Secrétariat Général de l'Energie
Irlande	
Mr. Flemming	Principal, Energy Division, Department of Transport and Power
Mr. S. Coakley	Officer in Charge, Nuclear Energy Project, Electricity Supply Board
Mr. S.T. Geary	Assistant to Mr. Coakley
Italie	
Ing. Paolo Venditti	Capo Servizio Studi Economici, C.N.E.N.
Ing. Rafaello de Felice	Dirigente Settore Impianti Nucleari E.N.E.L.
Dott. Giuseppe Benevolo	Responsabile Ufficio Pianificazione Energia e Settore Nucleare E.N.I.
Luxembourg	
M. Jean Hoffman	Commissaire du Gouvernement, Ministere de l' Economie Nationale et de l'Energie
Pays Bas	
Mr. R. Van Erpers Royaards	SEP
Prof. Dr. M Bogaardt	UCN
Mr. Ch.F. Bouvy	EZ
Royaume-Uni	
Mr. C. Herzig	A.E. Division DTI
Dr. D.G. Avery	British Nuclear Fuels Ltd.
Mr. F.C.W. Colmer	CEGB
Mr. R.W. Nichols	DTI, ENT Division

Table 8.3: Participants in COPENUR 1973

Noteworthy is the fact that the high-level members of COPENUR were part of the national decision-making in the field of uranium enrichment. Primal importance of the committee was therefore the exchange of information and ideas between the different parties. It facilitated in this way negotiations on possible cooperation directly after the Energy Council of May 1973.

The process was picking up speed and the first meeting had already taken place by 20 June and the second on 11 July. At that time, the USAEC had announced the second series changes in the contracts and these were discussed extensively. Meanwhile, the Commission continued its efforts to convince the governments of the troïka to participate. Grierson, the

Commission's Director General for Industry proposed a joint undertaking.[737] But neither the German government, nor the electricity producers supported the plan. For the German government the argument of the risks of overproduction was still valid. Grierson aimed to prevent this risk by tying the electricity producers to contracts for European enriched uranium. But the electricity producers did not want to commit themselves. They sought another way of securing their supply. At instigation of the French EDF, a promising conference had taken place in Paris on 25 May assembling the electricity producers in France and the neighbouring countries. The aim was to assess possibilities of a joint approach towards Eurodif and URENCO.[738]

Within COPENUR, the delegates could not agree on a future policy on the production of enriched uranium. Eventually, on 5 November COPENUR presented a report proposing two strategies. First the report provided forecasts on the need for enriched uranium in the community. This time, the future demand for enriched uranium was adjusted as the earlier estimates seemed to have been too optimistic. Although, by now, new projects for the construction of nuclear power plants had been announced in Germany[739], the prognoses were still less high as they had been in May. It was calculated that the demand in 1985 would be much lower than the production of enriched uranium. The Eurodif project alone could already exceed the demand. The two strategies which were proposed concerned, on the one hand, a simultaneous deployment of both projects, Urenco and Eurodif. Within this strategy, the apparent risks of surpluses had to be avoided by, for instance, smaller production or a sales policy with consumers exterior to the community. On the other hand, the Europeans could chose to implement only one technology, that is gas diffusion. This technology would guarantee an early production of enriched uranium. The ultracentrifuge technology could be implemented in a later stadium. [740]

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[737] Elli, *op.cit.*, p. 5-6.

[738] MAE, 3005, "Point au 1er Juin 1973 sur les relations franco-allemandes dans le domaine de l'enrichissement de l'uranium".

[739] On 11 october, Lantzke, replacing Rohwedder as speaker, announced during a German symposium for the German Atomic Forum the development of a nuclear power of at least 40.000 mWe, but more probably 10.000 MWe. NL-HaNA, MR, 1227, EEK/486/73, " uraniumverrijking-EEG topconferentie ", 4/12/1973.

[740] ACEU, CM2/1973 917 temp 829, R/2667/73 " Rapport du comité permanent pour l'enrichissement de l'uranium ", 5/11/1973.

The troika wrote a letter on 14 November to Pompidou asking if he would consider joining them in the ultracentrifuge project. The issue of a possible upcoming Energy Council had been debated within COREPER just the previous day. During this meeting, it was evident that the troika was less hasty in planning a debate on a common capacity for the enrichment of uranium than the participants of Eurodif. The Belgian delegate Van der Meulen opened the discussion about the question of uranium enrichment, "*qui*", he says, "*consititue, a-t-il précisé, l'aspect le plus important d'une politique de l' energie*"[741]. Van der Meulen proposed to discuss the subject during the Council of Foreign Ministers on 3-4 December. He was supported by the French delegate, who agreed with this alternative to the Energy Council. The delegates from Germany and the UK, nevertheless, preferred to have the meeting later on. They proposed that a Council on Research would be more appropriate, "*probablement avec l'arrière-pensée d'enterrer l'affaire"*[742], wrote Burin des Rozies later to Quay d'Orsay because a date for such a Council on Research had not been set yet.

The French government, however, decided on 22 November in favour of the realisation of the Eurodif project. In the next few days the other parties joined in, although the Belgian partners were disappointed that a French and not a Belgium site was chosen to build the new plant. The Eurodif project entailed a facility with a capacity of 9 million UTS per year.[743] The objective was to start production at the end of 1978 and beginning of 1979.

During the French-German Summit of 26-27 November 1973, Pompidou stated to Brandt that « *nous étions ouverts à une coopération et souhaitions étudier les possibilités de participation au projet de développement de l'ultracentrifuation comme la RFA venait nous y inviter, avec ses deux partenaires dans un aide-mémoire du 14 novembre 1973.* »[744] The troïka also proposed that regular contact between industry representatives was established. The French reaction was positive about this latter proposal. As a matter of fact already on 30 November, Giraud and Pecqueur from the CEA and Chevrier of the EDF visited the URENCO facility in

[741] CADN,1324, COREPER 13/11/1973.
[742] CADN,1324, COREPER 13/11/1973.

[743] Five shareholders were involved:CEA (74,5%), CNEN and AGIP Nucleair, (Italy jointly 22,5%), synatom (Belgium, 10%), ENUSA (Spain, 10%), Atomenergi (10%, Sweden); Courteix, *op.cit.,* p 779.

[744]CHAN, Archives 5AG3/933, "Rencontre franco-allemande au sommet des 8 et 9 juillet 1974 a/s: Point 2 de la liste des thèmes proposés par la RFA Politique énergétique (Aspects nucléaires) ", Paris, 27/6/1974.

The Netherlands in Germany. Five days later, they were at the English factory in Capenhurst. A possible closer cooperation between the gas diffusion and the ultracentrifuge project was discussed, but no decisions were taken.[745] A half year later, on 11 June 1974, , the directors of CEA and URENCO would agree on the creation of a working group with specialists from both parties. Moreover, possibilities for commercial contracts or technological cooperation on ultracentrifuge were invoked.[746] Indeed, a year after the May 1973 Energy Council, the situation had completely changed. The EC Council decides on 4 June one a Resolution which confirms the intention of participants to the two projects to hold exchanges of views.[747]
The atmosphere between Eurodif and URENCO had clearly improved.

A month later, URENCO announced its objectives. Before the end of 1976, two installations, each with 200.000 SWU, would be installed. In 1980, the output would be increased to 15 tSWU and 25 tSWU in 1982.[748] But as global demand for enriched uranium increased explosively, this decision did not hinder good relations. The main objection of the troika against implementation of both technologies on a large scale had vanished through the oil shock. Worldwide, countries announced increases of their nuclear programmes and searched for future supply of enriched uranium..

Meanwhile, concerning international cooperation in the field of nuclear electricity, the Energy Coordination Group, which was formed after the Energy Conference in Washington, included a subgroup on nuclear energy. The Germans invited the French into the group and expressed their regret when the French government declined the invitation. In fact, the group lasted only a short period of time, from 22 April to 14 June, and concerned mainly an assessment of perspectives on possible international consumer cooperation in the field. Its final report included the advice to move international nuclear cooperation within the existing bodies, such as the OECD, the AEN or the AIEA. With this move, French participation to the

[745] NL-HaNA, MR, 1227, EEK/486/73, " uraniumverrijking-EEG topconferentie ", 4/12/1973.

[746] CHAN, 5AG3/933, " note; sommet franco-allemand- questions nucléaires ", Paris, 1/7/1974.

[747] *OJCE*, No C 69/1, " Council resolution of 4 June 1974 concerning the supply of enriched uranium of the Community ".

[748] ACEU, CM2/1974 1049 temp 1024 , "Réunion Groupe ATO (24/7/1974)", Bruxelles, 5/8/1974.

group would be assured. It leaves the impression that the European members of the group did not want to go in international cooperation in the field of nuclear energy without the French. Clearly, the atmosphere on European cooperation in this field had improved.

§8.8 Conclusions

Electricity maintained a central place in European energy policy because of the important growth of electricity consumption and the flexibility it offered to vary in energy sources in the production process. As an effect of the rising oil prices, nuclear energy was since the end of the 1960s more and more appreciated as a good alternative for traditional thermic electricity generation. Its relatively high investments costs were compensated by low costs on the long term and a high efficiency.

In the first years of the 1970s, the question of the supply for enriched uranium became more and more urgent for the European member states. The American Atomic Energy committee was unable to meet the future rising global demands and could through its monopoly position impose new and constraining criteria in the contracts for supply. The European members sought to meet this challenge in two separate ways. First, alternative sources were sought for the import of enriched uranium. In spring 1973, member states by trying to increase imports of enriched uranium from the USSR. In principle the Euratom's Supply Agency played a role in this negotiation process. But its role appears to have been mostly marginal. In practice, except for Germany, most member states and European companies negotiated on their own behalf, sometimes asking afterwards approval from this agency.

Second, the Europeans aimed to secure supply by creating a domestic production of enriched uranium. The technologies for separating the isotopes had been in development for a longer time but in 1973 two viable alternative technologies existed: ultracentrifuge and gas diffusion. Different European countries were in favour of different technologies and the European Commission sought to create consensus to choose for the implementation of one of these technologies. The French, Belgian and Italian governments endeavoured for the rapid creation of a capacity based on gas diffusion technology. But governments of The Netherlands, West-Germany and the United Kingdom objected to this because they feared gas diffusion would be chosen as the more technologically attainable alternative, while they had already invested

substantially in the development of ultracentrifuge technology. Moreover, the development of both technologies was rejected on the grounds that this would lead to overproduction of enriched uranium. Before the oil shock, these countries did not esteem that nuclear electricity would develop at such a large pace as predicted by the European Commission.

In 1973, this question of which technology to use became increasingly salient. At their meeting of May 1973, the Energy Council decided that before the end of the year consensus had to be reached on the choice of technology. This led to the establishment of the COPENUR committee, a committee consisting of high-level representatives of major interested parties from government and concerned industries, such as the French CEA and URENCO. Within this committee, chaired by the European Commission, possibilities were explored, by both governmental as industrial parties for a possible joint effort in the enrichment of uranium. COPENUR offered thus a forum for a regular exchange of ideas, not only at political level, as was the case at the EC Council or in COREPER, but also at industrial level.

This is in effect not a European common project but a case where two groups of interested parties, consisting of high-level industry and government representatives, are pragmatically seeking for a way to implement their own chosen technology. The role of the Commission in the case of the search for a European uranium enrichment facility was essentially a role of facilitator for exchanges of information and ideas, both at political and industrial level. The Commission kept alive the debate between member states on the issue since 1969 by regularly presenting assessments on nuclear energy and policy outlines in the field. When circumstances changed through the exploding oil prices in 1973/1974, prognoses changed substantially on the worldwide consumption of enriched uranium. The risks of overproduction progressively vanished in spring 1974 and a technological cooperation appears to have developed rapidly between URENCO and Eurodif. The convincing arguments for the troika to start a technological cooperation had thus been the changing economic conditions, not the studies made at COPENUR. Possibly the efforts of the European Commission contributed to the fact that the industries were not alienated from each other and continued to exchange ideas regularly.

9 Conclusions

This thesis examined European energy policy in the context of the first oil shock of 1973. An answer has been sought to the question what immediate and short-term effects this crisis had on the development of a common energy policy: was it a catalyst for further progress or did it have a blocking effect on the decision-making process within the European Community? The following paragraphs will focus on the conclusions of this research. The first paragraph provides a synthesis of the energy cooperation before, during and directly after the oil shock. Thereafter an assessment of the immediate and short-term effects of the oil shock will be provided by focusing on the three main themes of this thesis: crisis as influencing factor in decision-making processes, actors and European energy policy. After this assessment, a final paragraph follows on the specific value of this research for academic research.

§9.1 The search for energy cooperation, a synthesis

1973 was an intense year in the field of energy for the European Community. Questions on energy not only preoccupied the nine member states after the start of the oil shock on 16 October, but also during the previous nine months. The Nine sought to develop a common energy policy against the background of a steady changing oil market and a political crisis in the Middle East. Their search for a joint energy policy had its origins in the beginning of the European communities. But differences in national interests and economic insights had hampered consensus. The member states disposed domestic energy sources at variable degree and choose for different market structures, from liberal to protectionist. Moreover, they maintained variable relations with international energy suppliers such as the United States or the oil-producing countries in the Middle East.

Tensions between policies on coal and oil dominated European debates on energy in the first decade of the European Communities. Relatively cheap oil replaced coal more and more as a primary energy source for electricity. Moreover, the production of cokes for the iron industry could not be maintained without financial aids. It was hardly possible for the Nine to implement an energy policy which could serve simultaneously the interests of the rival energy sources. These difficulties were reflected in the difficult cooperation between the three

European communities. The EEC, ECSC and Euratom each focused on different energy sources, mainly hydrocarbons, coal and nuclear energy, respectively. Still, in 1964 the Nine formally declared their intentions to search for a common energy policy. They adopted a memorandum of understanding which enumerated the objectives for such a policy. The elaboration of the document was an achievement of the Inter-Executive Working Party on Energy (IEWPE) which joined representatives of the three European communities. However, although the agreement on this document was noteworthy, the development towards a joint energy policy would only start after the merger of the European executives in the summer of 1967. Energy matters were now handled by one sole Directorate General at the European Commission. The development towards a common energy policy had become a preoccupation of one Energy Commissioner and one director general. There were frequent meetings between directors responsible for the different sections on oil, coal, nuclear energy and others. They delivered different reports and propositions for jurisdiction linked to the overarching search for a common energy policy. At the end of 1969, the Commission presented a lengthy report which founded the debate on a future European energy policy in the following years. This *First guidelines on a common energy policy* called for the development of a common supply policy and the establishment of a common energy market. It included analyses of the energy situation and strategies to build a common energy policy. The interrelationship of the different energy sources was demonstrated by the classification of the energy problems by theme, such as relations with consuming states, relations between consumer and supplier states, scientific and technical research, considerations for the environment and economic policies. Only after discussion of the themes, the report focused on the problems and actions to be taken within the different sectors, such as oil, gas, coal, electricity and nuclear energy.

The evolution of the oil market after 1968 reinforced the European search for a strong joint position. In 1968, OPEC issued the *Declaratory Statement of Petroleum Policy in member countries* which announced a new oil policy. In the following years, the oil producing countries would succeed in raising their income from the exploitation and trade of oil. Essentially after the Teheran/Tripoli price negotiations in 1971, the oil consuming countries started to realise the full meaning of the new policy. The oil producing countries had successfully defended their interests by raising the taxes on oil trade and production. Simultaneously, oil-producing states progressively demanded a higher equity participation in

their oil concessions. The buyer's market for oil was definitely over, as stated the chairman of Shell, David Barran.

In the following years, several studies were undertaken by the European Commission on questions concerning the energy supply. A group of national high-level officials was created by the then Commissioner for Energy, Wilhelm Haferkamp. This so-called Haferkamp group was not created by a formal mandate of the Council, but still came together frequently to discuss current questions in the field of energy. High on the communities' agendas were issues such as the maintenance of sufficient oil stocks, the financing of oil exploration projects in the North Sea via a so-called common enterprise, or exchange of information on investments in gas, oil or electricity. But deliberations in the CE Council on these issues took a long time. The two ideas on the organisation of the market were difficult to reconcile. In France, the oil regime was established by jurisdiction dating from 1928 which stipulated state control on imports as well as distribution of raw and refined oil products. These laws conflicted in principle with the common market principle of establishment, free circulation of goods and free competition between enterprises. But the French government hesitated to change its regime when no European regime could yet assure a safe supply and a protectionist policy at a comparable level. Its ideas for a common oil market clashed with the liberal ideas in West-Germany and the Netherlands. In these countries, the flow of oil had been much less regularised and governments interfered less with the companies' policies. The differences in the two views on the market structure were illustrated by the cumbersome discussions on regulations for the communication of information to Brussels on the import of hydrocarbons and on investments in oil, gas and electricity. After two years, the EC Council agreed on the proposed jurisdiction in February 1972, but at this moment the most delicate aspects, those concerning the information on prices by the companies, were still not decided on. In the following years, the issue would reappear in the Council's debates.

In spring 1973, a common energy policy seemed to be on hand. First, the changing oil market and the Arab threats to use the oil weapon had given urgency to a stronger European position, as these developments touched on the most widely consumed energy source in the community. Second, the issue of a European capacity for the enrichment of uranium gained in priority. Global demand for enriched uranium was expected to exceed American supply in a few years' time. The American provider, the USAEC, felt obliged to change its contracts after December 1972. Third a joint policy seemed near when the more liberal-oriented member

states, such as the Netherlands, West-Germany and the UK, seemed to choose a more centrally directed economy. A debate developed within the Energy Group and COREPER on choices to be made for a common energy policy at the background of the expected mid- and long-term prospects. An assessment was made of the problems and possibilities for the energy supply until the year 1985 or even 2000. Simultaneously, the possibility of a joint effort was discussed to secure this supply and small or large role to be played by the supranational cooperation. The opinions of the member states' governments were diverse, just like their national interests.

Important questions concerned for instance the choice of energy sources to generate electricity. Oil had been an important source in the power plants, but because of its price rise and possible supply problems, alternative sources were looked for. Nuclear electricity was an important alternative. But the investments for the construction of a nuclear plant were much larger than other power plants. Moreover, it was linked to the capacity to enrich uranium in Europe, an issue which had not been decided on yet. For the French government, whose preference was for nuclear energy, such a European capacity was of primal importance to secure a uranium supply. Coal was another possibility. Especially the German and English governments, both disposing of large reserves, endeavoured for the utilisation of this energy source in power plants. As a matter of fact, many power plants in the community were apt to use coal as their energy source, as their bivalent or polyvalent nature gave the opportunity to change to another hydrocarbon energy source. The advantage of using coal as the energy source for electricity was that there were large reserves in the community and the issue it could provide for related economic problems in Germany and the UK. The main disadvantage of power plants based on coal or other hydrocarbons, however, were the larger exploitation costs. On the long term, despite its large construction costs, nuclear electricity generation was much cheaper than classic thermal electricity production.

The current debate on energy concerned different issues and risked to diffuse before central issues would be treated. Faced with this problem, Henri Simonet and Fernand Spaak succeeded in structuring the debate by their report on *Priority Orientations and Actions for a Common Energy Policy*. Three priority fields were clearly distinguished: first, the development of a common energy market, second, the developments of international relations of the European Community with energy consumer countries, and third, relations of the

European Community with oil producing countries. By providing this structure to the debate within the EC Council, Simonet facilitated a sharp debate which was focused on large policy lines instead of detailed jurisdiction. As the national delegates spoke frankly on the national positions, the different perspectives were clear as were the margins to reach a compromise. After the Council, the meeting would be interpreted as a failure as no consensus would be reached. Instead, a deadlock occurred between the Nine delegations when eight of them refused to give priority to the creation of a common energy market before the development of common international relations with oil producing countries or energy consumer countries. For the French delegation, however, the establishment of such a market was not less than a *sine qua non* for any development of international energy relations at supranational level. Still, it has generally been overlooked that the Nine agreed, during the Council, to a joint support for an enforcement of consumer cooperation at the OECD, including the definition of a common position before the meetings. This understanding was not included in the communiqué of the Energy Council but was still agreed on during the meeting after propositions from the Italian delegation. This agreement was a consensus of the Nine because it supported on the one hand the idea of improved international relations at common level. On the other hand, it supported the French idea that no new consumer cooperation should be institutionalised.

The OECD (and its predecessor, the OEEC) had, for the last twenty years, provided an international forum for the exchange of information of the member states with western consumer states such as the United States. A close cooperation had developed within the Oil Committee and its High Level Group (HLG) as a consequence of earlier oil shortages during the Suez crisis of 1956 and the Six-Day War in 1967. An apportionment scheme for oil in times of emergency had been set up in cooperation with a group of oil companies. These enterprises, assembled in the International Industry Advisory Board (IIAB) would, when judged necessary, regulate oil distribution. In the first years of the 1970s, the oil committee and the HLG gained international prestige when voices were getting louder, mainly from the American side, to intensify the consumer cooperation within the Oil Committee. Simultaneously, the large multinational oil companies, the Majors, actively searched to influence national policies through this body.

During the OECD Council of 6 to 8 June, the member countries of this organisation and the European Commission explicitly reconfirmed their determination for closer consumer cooperation in the field of energy. This would be materialised foremost within the Oil committee's HLG. Showing other energy consumer countries a common position was assured by deliberations between the nine delegations before the meetings at OECD level. Moreover, the so-called Simonet group with high-level members from the nine national administrations assured a certain consistency between deliberations at common and at OECD level. Members of this group, which discussed monthly current energy problems within the European Community, were often part of the national delegations to the OECD.

Concerning the discussion on the organisation of a common energy market, two months later Simonet presented proposals on jurisdiction on the organisation of a common market to the Council. After the meetings at the OECD, he had been fairly positive on a swift development towards a common energy policy. But he would be disappointed by the unhurried response of the member states. While he had hoped for a new Energy Council meeting in October 1973, the proposals were only dealt with slowly by COREPER and the Energy Group. The latter only started deliberations on the issues on 18 October. Just before the oil shock started, on 16 October, an Energy Council had been planned to take place not earlier than the end of November. A reason for the delay was probably the fact that the European governments were not eager to risk another deadlock as had occurred in May. Moreover, Simonet would be criticised by some delegations, notably the Germans and the Dutch, for the emphasis he had put on the theme of a protectionist organisation for an energy market.

The five proposals made by the Commission at the end of July are of interest because they would be reinitiated during the oil shock, sometimes in a more ambitious version, with the objective of immediate implementation. In July, two proposals concerned the communications to the European Commission by member states and companies of trade details in oil and gas. They were thus part of the larger debate which had started in 1970 on the communication of trade information to the Commission. In February 1972, the Council had agreed in principle, but the most sensitive aspects still had to be decided on. Two other proposals in July 1973 concerned the monitoring of imports and exports of oil. A fifth proposal concerned the ambitious idea for a *supply committee*. The latter would be presided over by the Commission with national delegates as members. The member states would provide extensive information

on the current national supply condition while companies could be consulted on their trade, financial capacities and their policy to handle a shortage of supply.

Regarding the third central question discussed at the EC Council of May 1973, that is, the common relations with oil producing countries, the Commission immediately started to make a cautious assessment of the Algerian desire for the establishment of a possible relationship with respect to oil. This was part of the larger negotiations with the Maghreb countries on a possible liberal trade regime with these countries. The Council had authorised the Commission to get information on a possible Algerian interest for the inclusion of oil in these relations. However, after these actions, no further authorisation by the Council would follow to make further steps in the autumn. In February 1974, the efforts of the European Commission in this field would nevertheless be incorporated within the project for a Euro-Arabic dialogue. This dialogue, developed within European political cooperation, would however eventually not include the theme of oil trade, and the original idea for common international relations with oil producing countries would therefore not be materialised.

On 16 October 1973 the oil shock began with the unilateral decision of OPEC to increase the posted oil price with 70%. The day after, another blow to European oil supply was given by the declaration of the Arab oil producers on the implementation of production cuts linked to political support to their cause in the Middle Eastern conflict and the October War. It was announced that oil production would immediately be reduced by 5% and thereafter by 5% each month until the retreat of Israel from the occupied territories and the Israeli recognition of the Palestinian rights. Five days later, a full embargo would be imposed on oil supply to the Netherlands. In Europe, the first six weeks of the oil shock were characterised by uncertainty about the oil supply, fear by consumer governments that their circumstances would be worsened by offending the Arab countries and a joint European face to the outside world in political affairs. The European Political Cooperation was effective in gaining sympathy from the Arabs through its 6 November declaration on the Middle East and the diplomatic demarche of the Nine in the Middle East in November.

In contrast to the activities within EPC, cooperation at supranational level was significantly minimised. Deliberations at ministerial level on oil supply did not take place, or were very brief. The Energy Council, which had been planned for the end of November, was swiftly

delayed until further notice. At COREPER, the oil question was avoided in the deliberations or only discussed orally without being mentioned in the minutes. When oil was discussed, Simonet was asked to give verbal overviews on the situation. On 6 November, the Permanent Representatives and the Commissioner for Energy agreed on an understanding to maintain absolute discretion on the subject except to their direct colleagues. The press was not to be informed. This situation had been established approximately two weeks after the beginning of the oil shock. At this time, the European governments could not yet know the real consequences of the measures, because the oil tankers from the Golf needed about one month to arrive at the European ports. But by now, they knew that the embargo against the Netherlands was followed by almost all OPAEC members, that France and the UK had been declared *favoured* states by the Arabs, which meant a full supply of oil at the September level, and that the Arab countries were seriously implementing regular production cuts to the other European states. On 4 November, a further cut of 25% had been announced by the oil producers. By now, the Majors had announced that their supply policy in the crisis would follow the notion of *equal suffering*. They would thus apply the same reduction of supply to all customers, including France, the UK and the Netherlands. In short, by 6 November, it had been revealed that the European member states were subjected to very different situations in the oil shock and that a common position would be impossible to achieve. For instance, support for the Dutch case and a European pooling system for the apportionment of oil could lead to further Arab production cuts.

The European Commission, however, had swiftly reacted after 16 October. Nine days later, and after a long night of deliberations with his colleagues, Simonet informed COREPER about three new proposals which would respond to the current situation. All three propositions were designed as a direct response to the current problems and were to be implemented directly. One proposal concerned the regular communication from the member states to the Commission on the national situation of the oil supply. This information would be gathered by the Commission in surveys on the state of the oil stocks and the exchange of oil within the community or with external parties. This call for communication on oil supply by national governments was related to the ongoing debates within the Council on overall communications to the Commission on oil trade. But now the discussions were given urgency because of the oil crisis. The other two propositions focused on the issue of export licences, both to third countries as well as within the EC. During the October War, when the first

irregularities occurred with the oil supply in the Mediterranean, the Italian government had decided to impose restrictions on its export of oil. Other governments had followed, including the Dutch which had consequences for the large oil flows from Rotterdam to mainly Germany and Belgium. In fact, these measures endangered the functioning of the common market, since the existing licencing system within the community gave opportunity to reduce exports within the community. Some delegates, such as the Dutch and the Italian, reacted positively on Simonet's proposals, but others, such as the English, were fairly negative. Their position can be understood in the context of the oil shock, because they feared to oppose the Arab oil producing countries. It can also be understood in the context of the English overall rejection of a narrow common jurisdiction on oil which could limit the UK actions as a future oil producer country. As a matter of fact, the matters were not to be discussed before December. After the above-mentioned COREPER meeting of 6 November, no proposals of the Commission to handle the energy situation would be discussed by national delegates on COREPER and at ministerial level until 3 December. However, the discussion of possible common actions to counter the oil problems would surprisingly be provided by the Council's Energy Group. Because of its low profile, this group provided an opportunity for the exchange of ideas on the current problems without stirring the media or Middle Eastern diplomacy. The Energy Group came together three times to discuss the Commission's proposals from July. But as they discussed these issues concerning middle- and long-term policies against the current background of the oil shock, short-term policy questions were not avoided. One of their concerns was the proposal by the Commission of a supply committee. Within the Energy Group, the ambitious idea did lack the necessary support. But faced with the current problems, the delegates believed it necessary to institutionalise a regular committee which would secure the handling of current problems. As the Commission's proposal was too ambitious to be agreed on by the Council, the idea was born to formally institutionalise the high-level Simonet group.

The High Level Group of the OECD's Oil Committee turned out to be the forum where the oil problems were discussed at high-level. An extra meeting was swiftly organised after 16 October. The Group would reassemble nearly once every month beginning on 25 October.

This thesis has revealed the efforts within the European Commission to solve the short term oil problems within the community. Despite the fact that the role of the Commission in the

European decision making was minimised by the Council, the institution developed with a rapid pace new proposals for jurisdiction on short-term oil policy. Within the Commission and involving several of its Directorate generals, several committees and groups were created, and existing committees met more regularly. These developments occurred within the DG Energy but also within other Directorate Generals. They give the impression of a European Commission where officials worked closely together.

The appeal by Helmut Schmidt, on 4 December, for a pooling mechanism for oil within the community would in fact be the first response on Simonet's proposals, which had included such an apportionment system for oil. Thereafter, the issue was set on the agenda and would be discussed by the Heads of State and Government in Copenhagen. The discussions on the proposals of the Commission revealed a divergence within the Council concerning the focus of current debates on a common energy policy. While some member states, such as Germany and the smaller European states, emphasised the need for an adequate common response to the oil problems. Other countries, mainly France and the UK, rejected such a short term policy and focused solely on the middle and long term. Although the apportionment system for oil was rejected by the French and English leaders, the summit did give a large impetus for the development of a middle and long term energy program for the Community. This program aimed at the reduction of dependency of imported energy and would eventually be started after the Council's resolution on 17 December 1974. Meanwhile, the themes which were central to this program, such as diversity of energy sources, a more rational use of energy or the search for new sources, were simultaneously central themes at global level, for example at the OECD or in the ECG. The ambitious American *Project Independence* acquired much attention from the European member states for its R&D programs in these fields. The Nine could however not agree on their position towards the American initiative for an international action group. While this conflict came to the forefront at the energy conference in Washington, even before this conference the disagreements among the Nine were clearly there.

§9.2 Themes: Crisis

In the discussions of the theme of crisis, the central question was whether the phenomenon of crisis had affected decision making at common level during the crisis and in what way. A characteristic of a crisis is its potential to reveal clearly different positions of the decision makers. One can further ask if that situation leads to a search for a solution to the crisis, either by compromise or by split.

Three elements of the oil crisis were of primal concern to the European member states: first, the quantitative oil flow from the Arab countries which was endangered by several successive announcements on embargoes and production cuts. It should be added that these announcements were partially cancelled afterwards. A second element was the market prices of oil which reached a high at the auction sales in November and December. The decision by the oil producing countries to raise the posted price fourfold on 25 December was largely a reaction to this development. A third element, closely related to the earlier two, was the economic consequences of these supply and price problems. Not only did the high oil prices breach the European trade balances, the one-way flow of dollars caused a global concern on the recirculation of dollars. In addition, it should be recalled that next to the oil shock, tensions were tangible on an imminent shortage of enriched uranium. Although this shortage was only to occur in 1980, solutions to the problem had to be found swiftly to be able to plan nuclear electricity projects.

The three elements of the oil shock and the tensions in the market of enriched uranium influenced the energy policy within the European communities as well as the search for a common energy policy. First, the research on the Energy Council of May 1973 has shown that the danger of an imminent crisis was tangible in the preparations for this Council in the first five months of the year. The member states were prepared to enter an open discussion on the development of a common energy market, a willingness they had not shown before. For twenty years they had disagreed on the form of a possible energy cooperation. In the first years of the 1970s it had become more and more urgent in the face of the changing oil market and the current energy crisis in the United States. Since the merger of the three executives, the Commission had continuously pointed to the necessity of a common energy policy. But only in February 1973 its call had been positively answered by the Nine. Influencing factors for this change can be found in the member states' energy policies. The observation of a tendency

to moderate their liberal energy policy in the Netherlands, West-Germany and the UK brought faith to the French government that their position on the organisation of a common market might be enforced. Simultaneously, the efforts of oil producers to gain more participation in the exploitation of their oil had partly an effect on the raise of market prices and also gave rise to uncertainty on future developments. A similar sense of urgency was probably linked to American oil shortages and monetary problems. These situations influenced indirectly the market price of oil and caused production cutbacks by the oil producing countries in the first half of 1973.

Besides these discussions which concerned almost only oil, a debate was held on a possible European capacity for the enrichment of uranium. As a matter of fact, a shortage of this energy source was foreseen for after 1980. This was a problem for the Europeans who were planning to build nuclear power plants. They had to ascertain a continuous supply. The matter became even more urgent with the changes of the American sales contracts after December 1972. In other words, in 1973, an enriched uranium crisis was on hand and solutions had to be found urgently. On the one hand, a new provider for this energy source was found. In 1973, a series of contracts was agreed with the Russian supplier Techsnabexport. On the other hand, two current projects within the European region were aimed at the creation of a capacity for the enrichment of uranium. Since 1969, it was debated whether priority should be given to one of these projects. At the Energy Council of May 1973, the delegates of the member states who favoured the ultracentrifuge technology tried to evade the question because they feared that the gas diffusion project would be preferred as it could ensure production on a shorter term. But the delegates who were associated with the gas diffusion project strongly called for a rapid decision at the Energy Council. A compromise was found. The decision was adjourned to the end of the year but in the meantime a study group would focus on the question and prepare the decision making. A date, 31 December, was set as the deadline for the final decision.

A sense of crisis had therefore already influenced the European decision-making process half a year before the oil shock. In the summer of 1973, the urgency to secure oil supply grew against the background of rising market prices, a raise in posted prices at the Geneva agreement and the growing amount of threats to use the oil weapon. As a reaction to the nationalisations of oil concessions in Libya, the Majors Shell and BP actively contacted the

European countries and the European Commission in order to influence the consumer countries' policy on the auction sales. They also tried to visit the OECD's Oil Committee, but were not invited as most participants did not want to openly oppose this important oil-exporting country. Still, during this period, the Nine did not seem to aspire urgently a common energy policy despite insistence by the European Commission. Two weeks after the Energy Council, they had committed themselves to consumer cooperation at the OECD. Within the oil committee, the theme of a worldwide apportionment scheme was being discussed as well as the danger of outbidding prices. It might be concluded that the Nine considered the OECD a more appropriate body to face the current tensions in the oil market.

After the beginning of the oil shock, the decision-making process within the European Community on the oil supply problems practically fell dead within the Council at ministerial level and COREPER. This paralysing effect of the crisis was strongly related to the divide and rule politics of the Arab oil producers. The Europeans, especially the French and English Governments, did not want to aggravate the situation by risking confronting the Arabs with a joint European position on oil supply. The same motivation founded their objection against the implementation of the oil apportionment scheme at the OECD. At the same time, the crisis did not paralyse the European Commission or the Council. Instead, the output of the Commission accelerated almost immediately after the start of the shock. Proposals were given for short-term common energy policy. These responded directly to the current needs, as specified by the Commission. Some of these proposals were fairly ambitious, as if the current situation was expected to accelerate decision making. Maybe they give evidence of intentions of Simonet and the DG Energy to push through jurisdiction for a common energy policy thanks to the oil shock. At the Council, the low-profile Energy Group discussed short-time issues which exceeded the themes of middle- and long-term policy on its agenda. In the autumn of 1973, the group linked the Commission's proposals for the development of a common energy policy to the current problems and issued in this way an alternative to the far too ambitious proposal of the Commission for a supply committee which would be acceptable to all member states.

At the beginning of December, concerns of the nine governments about the consequences of the oil crisis changed. While securing oil supply had been the main consumer's preoccupation since 16 October, now the concern about the economic risks related to the increasing oil price

had exceeded the problems of quantitative oil supply. The risks of exploding prices by overbidding at auction sales had been an important focus of consumer states within the EC or the OECD since several years. Neither the accumulation of dollars in the oil producers' countries and its possible monetary consequences had been neglected in international economic forums. But these became the primary concerns only when oil supply seemed to be relatively certain and when the oil prices were exploding at the auction sales. At that moment, Helmut Schmidt took the lead during the EC Council on 3 and 4 December. The German government had since long underlined, both within the EC as towards the American government, the risks of overbidding and the danger of a scramble for supplies at escalating prices. Now, Schmidt pleaded on his own behalf for better consultation between the nine governments within a supply committee, the communication of information on oil supply by the European member states to the Commission and the creation of a pooling system for the apportionment of supplies. In this way, Schmidt introduced issues for the Council's agenda which had been already forwarded in vain by the European Commission. In other words, while the oil crisis changed character at the beginning of December, a change occurred within the decision-making process within the European Community. The question of the oil problems was taken up again by the Council and the output of the European Commission was taken into reconsideration.

§9.3 Themes: Actors and their networks

A second theme of the research concerned the actors involved in the decision-making process for a common energy policy. Focus has been on the roles they have played as well as the limitations or possibilities by their surroundings to develop their policy. A variety of actors has emerged from the research. Central decision makers were the national governments within the EC Council or EPC. Their policy choices were affected by their interests which often diverged on fundamental questions such as a liberal or protectionist organisation of the market, the emphasis laid on certain energy sectors such as coal or nuclear electricity, the investments made for certain energy infrastructures and construction or the availability of domestic reserves of oil or gas. Other factors which mattered were the effects of the oil shock on their economy such as the English problems concerning the UK balance of payments. This thesis confirms the importance of the diverging interests of the member states, a theme which has already been the subject of several published studies.

The research has revealed specific roles played by supranational and transnational actors in the decision-making progress. The European Commission emerges from the research as an active actor in the development towards a common energy policy. After the merger of 1967, Wilhelm Haferkamp and Fernand Spaak made a continuous effort to facilitate progress toward such a policy. The *First guidelines on a common energy policy* gave a thorough overview of the problems and opportunities in the field and proposed an action program to be followed in the next years. Until October 1972, proposals on energy were linked to this policy outline. The ambitions of the Commission were however only reached with difficulty or on a partial basis. Divergences of interest within the Council delayed decision making. The member states couldn't agree, despite insistence of the Commission, on a swift organisation for an Energy Council which would provide a debate on a future energy policy. After October 1972, this situation changed. In February 1973, the Council decided on the planning of an Energy Council.

In the previous paragraphs it was already emphasised that the Commission played a structuring role in the preparations of the Energy Council of May 1973. First, when Haferkamp was still in office, two reports were elaborated which would form the basis for the preparations to the Council in the spring of 1973. Second, after Simonet had taken office, the *Priority Orientations and Actions for a Common Energy Policy* facilitated a debate which was focused on specific subjects. After the Council, the Commission continued to deliver proposals for further progress. Especially after the OECD Council in June, Simonet returned to Brussels with a very positive impression of the progress of a common energy policy. In the summer of 1973, he initiated several proposals in the field and he urged the Council to arrange a new Energy Council meeting as soon as possible, preferable in October. The Council, however, slowed down the progress, as its members had not forgotten the deadlock reached in May. Maybe, but that remains a hypothesis, the Nine believed at that moment that the reinforced consumer cooperation at the OECD might be more important in dealing with the current oil problems than deliberations at common level.

After the beginning of the oil shock the Commission was not given a large role by the member states to solve the current oil problems, as has been demonstrated in the previous paragraphs. Still, the Commission did not remain apathetic towards the situation. Just nine

days after the declaration of OPEC, Simonet informed the permanent delegates in COREPER of three new proposals to handle the current problems. A month later, he transmitted orally another series of ambitious proposals. He wrote letters to the member states on the necessity of a common policy. Within the Commission, several committees and groups were created, and existing committees met more regularly, and focused on different aspects of the oil shock. These developments took place within the DG Energy but also in other Directorate Generals and most often the various committees included officials from different directorates. They give the impression of a European Commission where officials worked closely together. This conclusion is sustained by fact that the meetings of Commissioners occurred on a more frequent basis than before the oil shock. Within these meetings, Simonet discussed his letters, which he intended to send to the member states, and his ambitious proposals for a common oil policy. These were only transmitted to the national delegations after consent from his colleagues. The minutes of the meetings give an impression of hastily organised meetings and relatively swift decisions. Sometimes, Simonet was asked to revise his ideas, but discussions on these topics were not adjourned for long, mostly only for a few days. Interesting is the active role played by Simonet during these meetings.

Conclusions can therefore be made after the research for this thesis: First, the European Commission accelerated its output during the oil shock despite the fact that the Council, mainly in the first six weeks, did not want to discuss the proposals. Within the Commission, an energetic cooperation between the various DG's and the Commissioners seems to have taken place. Secondly, the acceleration of output to build a common energy policy during the oil shock would continue in the first months of 1974. After support from the Heads of State and Government and from the EC Council on 17 December, a programme for a new energy policy was developed relatively rapidly and delivered in April 1973. This report *Towards a New Strategy on Energy Policy for the Community* was an extensive energy programme which would found the decisions on the policy lines later in the year. Second, the effectivity of the Commission's activities was largely determined by the readiness of the Council to discuss the proposals. Until the Council of 3 December, the proposals of the Commission for jurisdiction concerning the matter of energy were not treated at ministerial level or within COREPER. But the address given by Helmut Schmidt during the EC Council of 3 and 4 December changed the situation. Thereafter, some proposals, which had been forwarded

earlier by Simonet, appeared on the Council's agenda and would be decided on by the Heads of State and Government at their meeting in Copenhagen or the EC Council the day after.

The research for this thesis has revealed a more important role than expected for the OECD as an actor in the European decision-making process on energy. For twenty years, this organisation had provided an international forum for the exchange of information of the member states with western consumer states such as the United States. A close cooperation had developed within the Oil Committee and its High Level Group (HLG) as a consequence of earlier oil shortages during the Suez crisis of 1956 and the Six-Day War in 1967. An apportionment scheme for oil in times of emergency had been set up in cooperation with a group of oil companies. These enterprises, assembled in the International Industry Advisory Board (IIAB) would, when judged necessary, regulate oil distribution. In the first years of the 1970s, the oil committee and the HLG gained international prestige when voices were getting louder, mainly from American side, to intensify the consumer cooperation within the Oil Committee. Simultaneously, the large multinational oil companies, the Majors, actively searched to influence national policies through this body. The influential role of the Oil Committee on the common energy policy can be identified on three levels. Firstly, the OECD Council and its two committees on Energy and Oil appear to have deeply influenced the European agenda on energy in the first years of the 1970s. Issues introduced for discussion or study within these committees reappeared at common level, such as the question of RUE. Secondly, decisions at the OECD could have an impact on the European communities. For example, the policy to maintain oil stocks in times of emergency had been initiated by a decision of the Oil Committee. The proposition of the European Commission for a European apportionment scheme for oil in emergency situations was explicitly linked to the apportionment system which had existed for a long time at the OECD. Thirdly, the European Commission could profit from the output produced by the Oil committee for its own studies at EC level.

However, during the oil shock, the effectivity of the only recently, in June 1973, enforced consumer cooperation was small. Directly after 16 October, the HLG met to discuss the oil problems. It would reassemble regularly during the crisis. But the HLG served mainly for the exchange of information on oil supply. When the UK delegate, on 25 October, proposed to undertake a cohesive consumer approach to the oil producers, the other delegates were

divided on the strategy. They did not succeed in combining forces. Moreover, divisions between the Europeans blocked the road to the employment of the OECD system for the apportionment of oil supplies in an emergency. The IIAB was not reactivated because of the divided interests of the member countries and the notion that their position could be changed at any time by the Arabs.

The role of energy companies as influencing factors in global energy politics is already well documented. This thesis contributes to research in the field by showing that the majors, especially Shell, appeared to aim at directly influencing governmental choices on energy. For this purpose, Shell engaged indirect consultations with the High Level Group at the OECD and the European communities. It did not only advance ideas on oil but also on energy policy in general. The influence of the large energy companies is, however, difficult to measure. Generally speaking, research has shown that in essence Shell's ideas expressed to the European Commission coincided with contemporary policy choices at national and common level to reduce the independence on imported energy.

During the oil shock, the oil majors played a large part in the European efforts to cope with the shortages. They decided on the philosophy of equal suffering: All customers would suffer the same cutback of supply independent of their country. Not only did they effectuate the largest part of the oil distribution to the consumers, but simultaneously, they were for some governments the main sources of information on the developments in the Middle East. For the Dutch government, which was most severely hit by the oil cuts, communications with Shell offered the most rapid way to get information on the developments after the announcement of the embargo on 22 October. In the first week they did not know whether all Arab countries, especially Saudi Arabia, would follow the declaration.

Concerning the relations with oil-producing countries, a dividing line is visible between the member states which had already developed good relations with these countries (France, United Kingdom) and those member states which did not (yet) have these relations. As a matter of fact, after 16 October, the French government succeeded swiftly, within one and a half month, to settle a bilateral agreement with the government of Saudi-Arabia which would base important contracts of French companies after January 1974. In Germany, by contrast, it was only recently that the government had started to search for bilateral agreements on oil

with mainly Iran and the Soviet Union. Agreements with the Iranian government would however mostly concern cooperation at industrial and technological level. For the German government, a joint approach towards the oil producing countrieswas thus interesting. The same can be concluded for the smaller European countries, who disposed of much smaller administrations and diplomatic agencies than the larger state members, who could benefit from the larger structures of the supranational institutions.

§9.4 Themes: EC energy policy in development

A continuity is noticeable in the development of a common energy policy from the origins of the European Communities until the oil shock. Very slowly, but still progressively, a foundation was laid for the development of a European energy policy. In the field of coal, the member states had in 1967 decided on a common financial aid system to guarantee the trade of cokes within the Community. In the field of nuclear energy, since May 1969 discussions were held on the possibility to realise a European uranium enrichment capacity. Eventually during the Council in May 1973, it was decided that a decision would be taken before the end of the year.

Simultaneously, concerning oil matters, long and difficult debates on questions related to the role of the public administration in the economic organisation eventually resulted in effective jurisdiction. Examples are the directives on the maintenance of oil stocks, the regulation on the communication of information to Brussels regarding the import of hydrocarbons as well as investments in oil, gas and electricity, and the directive on the support for common projects. As a matter of fact, to illustrate the cumbersome process of decision making in the European communities, the eventual agreements on these jurisdictions concerned mostly simplified versions of the initial propositions. They often precluded a further deliberation on the more delicate aspects of the jurisdiction. For example, the directives on the maintenance of oil stocks and on the regulation on the communication of information on the import of hydrocarbons were decided in 1972, but the effective implementation would not be possible without further consent on sensitive aspects of these jurisdictions. In 1973, debates continued on these matters and the oil shock did not facilitate a swifter decision.

The oil shock did not trigger a common response to current oil problems, despite the nine proposals of the European Commission for short-term policy. During the summit in Copenhagen in December 1973, the nine member states agreed to one of these proposals, which, ten days before, had been set on the agenda of the European communities after support, on his own behalf, of the German Minister of Finances. It concerned the communication of confidential information about oil supply to the European Commission, who would make an overview of the economic situation and the effects of the oil supply on economic and monetary conditions. Still, despite English complaints that it had conceded much in accepting this measure, its faulty implementation does not give the impression that the community were succeeding in this joint response to the current oil problems.

By contrast, the oil shock had accelerating effects in other fields connected to energy. It is no exaggeration to state that the global focus of energy policies in 1973 definitively changed from a main preoccupation with oil to the search for new energy sources, a more rational use of energy, a better use of existing sources such as coal and others. These issues were not new in 1973, but had been mainly developed at the margins of the changing oil market since the end of the 1960s. Now, this new policy gave the opportunity to achieve a large independence in energy supply and thus a better national control of one of the main criteria for economic recovery.

At the same time, the growing concern on global economic consequences of the changing oil market paved the path towards closer international consumer cooperation. Already in the summer of 1973, all members of the OECD, including the member states of the European Community and the European Commission, expressed their determination for close consumer cooperation within the OECD. The High Level Group of the Oil Committee provided the main international forum to discuss the oil problems after 16 October, despite its lack of an effective response to declarations by the oil producing countries. As a matter of fact, the oil supply problems seem to have been more discussed in this body than within the European Community.

When, on 12 December, Kissinger launched his plans for an international energy action group, most of the European governments believed that the financial and supply-related problems could not be solved without American support. For instance, a rapprochement

between consumer and producer countries, which the Europeans favoured to take place in the near future, was deemed to be an important instrument to secure oil supply and to maintain low market prices. It could, for example, prevent a further scramble for supplies by the consumer states. The UK government had already opted two month earlier for a joint consumer approach to the oil producing countries. But it had become clear that due to divergences between the French and the other eight governments, a common cooperation with oil consumer states on oil supply was not to take place in the near future.

§9.5 A few remarks concerning the research methods

Within this thesis, the field of energy has been approached as a subject which encompasses different energy sources (such as oil, coal, gas, nuclear), different problems (oil supply problems, differences in the field of the enrichment of uranium, the coal problem) and different policy focuses (such as financial aid, infrastructure, R&D). This broad approach to the subject of energy has given the opportunity to view the consequences of the oil shock from a wider perspective than just oil. The study draws conclusions about the consequences of the oil shock for common energy policy for other types of energy. This approach facilitates a better understanding of the choices made at the time. For example, the origins of the IEA have rarely been studied by historians. The political foundations of the Americans which were at the basis of their initiative for this new body have been amply studied. But the importance of the IEA for energy policy has often been ignored by academics. A reason for this might be the fact that the agency did not rapidly yield results in the field of oil, while its creation has always been linked to the oil shock. For instance, it did not succeed in organising a conference with oil producing countries, which had been a main incentive for the Europeans to search for international consumer cooperation. Kissinger had skilfully given this option in his Pilgrim's speech. Already in April 1974, the Europeans were assured by the oil producing countriesthat such a dialogue would not take place, in any event not in the near future. However, regarding the field of energy, the agencies' first focus was mainly in the field of R&D. Possible international cooperation in this field was directly linked to the American, highly budgeted, *Project Independence*. Potential cooperation in R&D and nuclear energy were among the important themes which lured the eight into the American proposed international Energy Action Group.

The method of research for this thesis has allowed for a better comprehension of the decision-making process within the European communities. The starting point for research was the archives of the European communities, which are at the heart of this study. These studies formed the basis for further research in national archives, archives from companies and the OECD. This approach has, for example, provided the opportunity to discern the important role of the OECD's Oil Committee and its High Level Group in the activities of the European Commission. Within national archives, sources concerning diplomacy at European and OECD level are usually not assembled together, in contrast to the archives of the Commission. To my knowledge, this role has not been sufficiently identified before. The OECD has not been neglected entirely by earlier studies. However, the precise relationship between the discussions within the High Level Group and the development of a common energy policy, or the IEA, since the beginning of the 1970s has never been looked into before.

List of Abbreviations

ACE	Association for Centrifuge Enrichment
ACEU	Archives of the Council of the European Union, Brussels
AEI	Archive of European integration, University of Pittsburgh
AHGT	Archives Historiques du Groupe Total
ARAMCO	Arabian American Oil Company
BNFL	British Nuclear Fuel Limited
BP	British Petroleum
BWR	Boiling Water Reactor
CA	Archives of the Ministry of Foreign Affairs of the Netherlands (Code Archief)
CADN	Centre des Archives Diplomatiques de Nantes
CCNR	Consultative Committee for Nuclear Research
CEA	Commissariat à l'Énergie Atomique, France
CHAN	Centre Historique des Archives Nationales, Paris, France
COPENUR	Comité permanent pour l'enrichissement de l'uranium
COREPER	Committee of Permanent Representatives of EC state members
CREST	Committee of Scientific and Technical Research
CSCE	Conference on Security and Cooperation in Europe
CVCE	Centre Virtuel de la Connaissance sur l'Europe
DAEF	Direction des Affaires Économiques et Financières, ministère française des affaires étrangères, France
DREE	Direction des relations économiques extérieures, ministère des affaires économiques, France

EC	European Community
ECG	Energy Coordinating Group
ECSC	European Coal and Steel community
EEC	European Economic Community
EN D	Energy department, FCO
ENEL	Ente Nazionale per l'Energia Elettrica (Italy)
ENI	Ente Nazionale Idrocarburi (Italy)
EPC	European Political Cooperation
ERAP	Entreprise de recherches et d'activités pétrolières
EURODIF	European Gaseous Diffusion Uranium enrichment Consortium
FCO	Foreign and Commonwealth Office
FRG	Federal Republic of Germany
HAEC	Historical Archives of the European Commission
HAEU	Historical Archives of the European Union, European university institute, Florence, Italy
HLG	High Level Group (OECD Oil Committee)
IAEA	International Atomic Energy Agency
IEA	International Energy Agency
IEWPE	Inter-Executive Working Party on Energy
IIAB	International Industry Advisory Board
KWh	Kilowatt per hour
LDC	Least Developed Countries
LMA	London Metropolitan Archives
LWR	Light Water Reactors
MAE	Archives de la Ministère des Affaires Étrangères, la Courneuve, France

MAZ	Ministry of General Affairs, The Netherlands (Ministerie van Algemene Zaken)
MBFR	Mutual and Balanced Force Reductions
NARA	National Archives and Records Administration
NATO	North Atlantic Treaty Organisation
NL-EmbParijs	Archives of the Dutch embassies to France
NL-EmbRome	Archives of the Dutch embassies to Italy
NL-HaNA	National archives of the Netherlands, The Hague
NPT	Non-proliferation treaty
O.J.	Official Journal of the European
OAPEC	Organisation of Arab Petroleum Exporting Countries
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of Petroleum Exporting Countries
PWR	Pressurised Water Reactor
R & D	Research and Development
RCN	Reactor Centrum Nederland
RM	Raad van Ministers (Dutch Council of Ministers)
RP-CE	Representation Permanente aux Communautés Européennes, Brussels
RP-OCDE	Representation Permanente à l'Organisation de cooperation et de développement économique, Brussels
RSC	Roosevelt Study Center, Middelburg, The Netherlands
RUE	Rational Use of Energy
RWE	Rheinische Westfälisches Elektrizitätzwerke (Germany)
SGCI	Secrétariat général du comité interministériel pour les questions de Coopération Économique Européenne, France
SLA	Shell Archives London

SWU	Separative Work Unit
Tce	Ton of coal equivalent (= 0,7 toe)
Toe	Ton of oil equivalent (= 10^7 kcal)
UCN	Ultra-Centrifuge Nederland
UCPTE	Union pour la coopération de la Production et du Transport de l'Électricité
UK	United Kingdom
UNECE	United Nations Economic Commission for Europe
UNGG	Uranium Naturel Graphite Gas
UNIPEDE	Union international des producteurs et distributeurs d'Energie Electrique
USA	United States of America
USAEC	United States Atomic Energy Commission
USSR	Union of Soviet Socialist Republics
UTS	Unité de travail de séparation isotopique (=SWU in Engels)

List of Persons

Belaid	**Abdesallam**	Minister for Industry and Energy, Algeria; President of OPAEP.
James	**Akins**	Director of fuels and energy at the U.S. State Department
Knud	**Andersen**	Minister of Foreign Affairs, Denmark
Willis	**Armstrong**	Assistant Secretary of State for Economic and Business Affairs, USA
Jean-René	**Bernard**	General Secretary of the SGCI and staff member of Georges Pompidou and Valéry Giscard d'Estaing
Jean	**Blancard**	Délégué général à l'énergie, France
Thomas	**Boardman**	Minister for Industry, UK
Marcel	**Boiteux**	Directeur Général d'EDF
Giorgio	**Bombassei**	Italian Permanent Representative at the European Commission
Maarten	**Boogaard**	Director of the Dutch Ultra-Centrifuge Nederland (UCN)
Houari	**Boumediène**	President Algeria
Willy	**Brandt**	Chancellor, West-Germany
Leonid	**Brezhnev**	General Secretary of the Central Committee of the Communist Party of the Soviet Union
Laurens Jan	**Brinkhorst**	State Secretary for European Affairs, Netherlands
Jean-Pierre	**Brunet**	Directeur, Direction des affaires économiques et financières, Ministère des affaires étrangères, France
Etienne	**Burin des Roziers**	Représentant permanent aux communautés européennes, Brussels
Jean-Pierre	**Cabouat**	Chef du service des affaires générales à la direction des affaires économiques et financières
David	**Chandler**	Shell

Jean	**Charbonnel**	Ministre du développement industriel et scientifique, France
J.H.	**Choufour**	Chairman IIAB, Shell Transport
Willy	**Claes**	Minister for Economic Affairs, Belgique
Albert Marie Francois	**Costa de Beauregard**	Secrétaire général adjoint du comité interministériel pour les questions de CEE (SGCI), France
Jean	**Couture**	Sécrétaire General de l'énergie au ministère de l'énergie, France
John	**Davies**	Chancellor of the Duchy of Lancaster, and minister for Europe, UK
Jean	**de Lipkowski**	Secrétaire d'État auprès du ministre des affaires étrangères, France
Joop	**Den Uyl**	Prime Minister, The Netherlands,
Alec	**Douglas Home**	Foreign Minister, UK
Eric	**Drake**	Chairman of British Petroleum
Horst	**Ehmke**	Minister for Research, Technology and Post, Germany
Niels	**Ersbøll**	Permanent Representative at the European communities in Brussels, Danemark
Frank	**Fadzean**	Chairman of Shell Transport and Trading
	Faisal bin Abdulaziz Al Saud	King of Saudi-Arabia
Mauro	**Ferri**	Italian Minister for Industry and Commerce,
Muammar	**Gadaffi**	Chairman of the Libyan Arab Republic
Valéry	**Giscard d'Estaing**	Président de la République Française
Ronald	**Grierson**	Director General of Industrial and Technological Affairs, European Commission
Wilhelm	**Haferkamp**	Commissioner on Energy, European Commission
Hans-Hilger	**Haunschild**	Secretary of State for Research and Technology, Germany
John	**Irwin**	Deputy Secretary of State, USA

Erling	**Jensen**	Minister for Trade, Danemark
Michel	**Jobert**	Foreign Minister, France
Frank	**Jungers**	President of Aramco
Henry	**Kissinger**	Secretary for State, USA
Ulf	**Lantzke**	Assistant secretary at the Ministry of economics, Germany
Hans	**Leussink**	Minister for education and research, Germany
Philippe	**Loir**	Assistant to the General Director Fernand Spaak, European Commission
Ruud	**Lubbers**	Dutch minister of economics
Marcel	**Mart**	Minister for the National Economy, transport and Energy, Luxembourg
Pierre	**Messmer**	Prime Minister, France
Richard	**Nixon**	President of the USA
Émile	**Noël**	Secretary General of the EC Council
Ivar	**Nørgaard**	Economics minister, Denmark
Félix	**Oboussier**	Director general of the Euratom Supply Agency
François-Xavier	**Ortoli**	President of the European Commission
Michael	**Palliser**	British Permanent Representative in Brussels
Michael	**Pocock**	Managing director, Shell Transport
Georges	**Pompidou**	President de la République Française
François	**Puaux**	Directeur des affaires politiques, ministère des affaires étrangères, France
Muhammed Anwar al-	**Sadat**	President of Egypt
Walter	**Scheel**	Foreign Minister, West-Germany
Helmut	**Schmidt**	Minister of Finance, West-Germany
Henri	**Simonet**	Commissioner for Energy, European Commission
Earl D.	**Sohm**	Minister, US embassy in London

Jean-Pierre	**Souviron**	Adjunct general secretary at the ministry of foreign affairs, France
Fernand	**Spaak**	Director General of the DG XVII energy, European Commission
Stephen	**Spain**	Under-secretary and head of oil policy division at the Department of trade and Industry, UK
Jock	**Taylor**	Assistant secretary in charge of energy affairs, FCO, United Kingdom
Michel	**Vaillaud**	Director for fuels at the ministry for industrial and scientific development, France
Max	**Van der Stoel**	Foreign Minister, the Netherlands
Renaat	**van Elslande**	Foreign Minister, Belgium
Emiel	**Van Lennep**	Secretary-General of the OECD
Theo	**Van Rhijn**	Deputy General Director Energy, ministry of economic affairs, the Netherlands
Evgeniy	**Voltchkof**	Director of Techsnabexport, USSR
Gerrit	**Wagner**	Chief Executive, Royal Dutch Shell
Kurt	**Waldheim**	Secretary-General of the United Nations
Bob	**Wansink**	General Director Energy, ministry of economic affairs, the Netherlands, Chair of OECD Oil Committee
Oliver	**Wright**	Deputy undersecretary at the FCO in charge of European Community and economic affairs
Sheik Ahmed Zaki	**Yamani**	Minister for Oil and Mines in Saudi Arabia

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1580, 1258, 1427-1433	*Council for European Affairs: minutes, documents for meetings (Raad voor Europese Zaken, REZ)*
1255, 1262, 1581, 1459-1568	*Council for Economic Affairs: minutes, documents for meetings (Raad voor Economische Aangelegenheden, REA)*

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8966	*Coreper 1972-1974*
9020	*Documents on European cooperation on energy supply 1970-1978*
10128	*Documents regarding questions of the Parliament on the oil crisis and regarding statements of the French President on the question of aid to The Netherlands. 1973-1974*
10131	*COREPER, General 1973-1975*

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