

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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Committee on Subsidies and
Countervailing Measures

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REPLIES TO QUESTIONS SUBMITTED BY AUSTRALIA¹
ON THE ARTICLE XVI:1 NOTIFICATION
OF THE EUROPEAN COMMUNITY

(L/6630/Add.20)

The following communication, dated 14 October 1992, has been received from the Permanent Delegation of the European Community.

Definition of "other aid"

"Other direct aid" are special amortization schemes which under national laws are applicable to the coal mining sector, or research and development aid having a cost release effect on current production costs.

Coverage of the notification

The aid amounts listed in the Community's notification detail all assistance granted in the relevant period. Financial assistance under the German "Kohlepfennig" system is listed under the heading "Indirect aid to current production". Financial assistance (coking coal aid) in relation to the German "Hüttenvertrag" is included under the heading "direct aid to current production".

Spanish coal industry

With regard to the Spanish "Ofico" system, the compensatory amount that the Commission authorized was indeed Pta 12,625 mio for 1989, as well as for 1990.

¹Document SCM/W/247

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Compatibility of aid to the coal industry with the Common Market.

Definition of "new capacities"

The Commission recognized that the Community coal, as distinct from imported coal, has a rôle to play in a Community policy for the security of supplies, and that it is accordingly economically justifiable, within reasonable limits, for this contribution to be renumerated.

This contribution is implicitly mentioned in relevant Community legislation, where one of the defined objectives is improved competitiveness of the coal industry, helping to ensure greater security of supply. The Commission believes that, in today's world, diversification of the sources of supply and the substitution of different sources of energy are of great importance.

The transitional nature of the coal aid schemes under Decision 2064/88/ECSC, however, makes it necessary to return as soon as possible to long-term economic viability in the industry. Although the need to avoid the social problems linked with restructuring has been recognized by the Commission, the situation in which it is necessary to grant aid to the coal industry - the restructuring and hence the adaptation of the industry - must cease once the restructuring process is complete. Therefore, systems for providing aid to the industry are strictly monitored and only authorized should they contribute to the overall objective mentioned above.

The term "new capacities" is not restricted to either additional production capacity or to new production capacity displacing existing capacity. In the process of the reinforced restructuring of the industry and in view of the often large differences, at Community level, between cost and revenues, it has meant, in the few cases where a new mine project was notified to the Commission, the replacement of existing capacity at a reduced output and lower production costs than before.

Trade impact

In general, coal imports are unconstrained in several member States. Over the last decade, coal supplies from non-EC countries almost doubled, and are expected to reach 131 million tonnes in 1992: one out of every three tonnes is today supplied from non-EC sources, which allows for the conclusion that both the coal demand growth and the reduction in EC coal capacity in recent years have been covered by external coal sources.

Over the last fifteen years the international coal scene has been characterized by an oversupply situation due to the penetration on the market of new coal producing countries with substantial coal reserves at relatively low production costs. The increase in worldwide export capacity exceeded the increase in demand, with the consequence of sluggish price developments coupled with a depreciating US dollar. Energy conservation efforts, translated into the decoupling between economic growth and electricity growth within the Community, and the rising sensibility for the environment, ensured that coal demand growth in the EC remains at lower rate than in other parts of Europe, or other parts of the world.