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(Acts whose publication is obligatory)

COUNCIL REGULATION (EEC) No 1971/83

of 11 July 1983

on the granting of financial support for pilot industrial projects and demonstration projects relating to the liquefaction and gasification of solid fuels

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission (1),

Having regard to the opinion of the European Parliament (2),

Having regard to the opinion of the Economic and Social Committee (3),

Whereas, pursuant to Article 2 of the Treaty, the Community has as its task to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion and an increase in stability;

Whereas the Council resolution of 9 June 1980 (4) defined the new energy policy objectives for the Community, which amount to an effort to reduce dependence on oil by reducing its consumption to a level of 40 % of gross primary energy consumption as a result of a more rational use of energy and greater diversification of supplies;

Whereas the development of a new energy strategy for the Community confirms the role to be played by coal and the other solid fuels in this strategy;

Whereas the conversion of solid fuels into gaseous and liquid products represents an alternative energy source which, after it has been developed to the industrial stage, could improve energy supply conditions in the Community by contributing towards diversification and could reduce the Community's dependence on imported hydrocarbons;

Whereas the Community should contribute to the development of this new technology;

Whereas financial support should be granted after the research stage for suitable pilot industrial projects or demonstration projects relating to the liquefaction and gasification of solid fuels which, as a result of their size and the time required to develop them, including a stage of long duration needed in order to acquire experience with large-scale installations, are particularly expensive and entail considerable risks due to the new technologies involved;

Whereas support for such projects, which are to be undertaken following studies and research to demonstrate their technical, commercial and economic viability, will help to further exploitation of the conversion of solid fuels into substitute hydrocarbons and to encourage their use in the Community;

Whereas the implementation of these projects for the liquefaction and gasification of solid fuels could lead to the development in the Community of an industry with potential markets outside the Community;

Whereas the granting by the Community of the advantages envisaged must not adversely affect the conditions of competition in a manner incompatible with the principles embodied in the relevant provisions of the Treaty;

Whereas, in view of the need to limit such support to what is essential, the Community must have at its disposal every appropriate means of assessing, case by case, the possible benefits to it of such projects and their compatibility with the energy objectives determined at Community level;

(1) OJ No C 261, 6. 10. 1982, p. 3.
(2) OJ No C 304, 22. 11. 1982, p. 263.
(3) OJ No C 326, 12. 12. 1982, p. 15.
(4) OJ No C 149, 18. 6. 1980, p. 1.

Whereas, to this end, those benefiting should take on obligations towards the Community in return for the advantages they are to be granted;

Whereas the liquefaction and gasification of solid fuels have genuine exploitation prospects requiring the availability at the proper time of proven technologies;

Whereas the Community has already granted financial support to projects relating to the liquefaction and gasification of solid fuels pursuant to Council Regulation (EEC) No 1302/78 of 12 June 1978 on the granting of financial support for projects to exploit alternative energy sources (1);

Whereas the Commission has evaluated this action in reports which it has submitted to the Council and to the European Parliament on the application of that Regulation;

Whereas Community action in this field should be extended to include pilot industrial projects and demonstration projects so as to cover all the techniques in the field concerned and should be reinforced by increasingly close coordination and complementarity with the initiatives undertaken at national level;

Whereas the size and complexity of such projects in this field, the time needed to implement them, their cost and the risks that they involve make specific rules necessary;

Whereas a Regulation on the granting of financial support for pilot industrial projects and demonstration projects relating to the liquefaction and gasification of solid fuels and a Regulation on the granting of financial support for demonstration projects relating to the exploitation of alternative energy sources, energy saving and the substitution of hydrocarbons are both equally necessary and urgent to avoid an interruption to the programmes which contribute, in the future, in a multiannual context, to the implementation of the energy strategy of the Community;

Whereas, because of technical differences between the two projects concerned, the programmes must be covered by two separate Regulations;

Whereas the Treaty does not provide the specific powers necessary for this purpose,

HAS ADOPTED THIS REGULATION:

Article 1

1. Under the conditions laid down in this Regulation, the Community may grant financial support for pilot industrial projects and demonstration projects relating to the liquefaction and gasification of solid fuels.

2. 'Pilot industrial' means an installation having adequate capacity and using components which are large enough to increase the reliability of the economic and technical data needed to progress from the research and development stage to the demonstration stage and, in certain cases, directly to the industrial and commercial stages.

'Demonstration' means operating an installation so as to make it possible to collect all the data on technical and economic viability and to proceed with the least risk to industrial and commercial exploitation of the technology.

Article 2

1. All projects within the meaning of Article 1 must satisfy the following conditions:

— they must relate to the creation of pilot industrial installations or demonstration installations,

— they must implement techniques or processes which are innovatory in themselves or in their application,

— they must be likely to increase the technical and economic reliability of the process and have a reference character,

— they must present difficulties with regard to finance because of the considerable technical and economic risks involved to the extent that they would very probably not be carried out without public and/or Community financial support,

— they should, in principle, be carried out within the territory of the Community. However, in so far as it is apparent that the execution (complete or partial) of a project in a third country, for example in a developing country, is consonant with Community interest, particularly on account of its special characteristics, the Council shall decide on that project, acting on a proposal by the Commission submitted after consultation of the Advisory Committee referred to in Article 5 (2).

2. A list of the fields of application of this Regulation is given in the Annex.

3. Financial support may be granted for a project as a whole or for the various stages of a project. Exceptionally and in duly justified cases where there are no feasibility studies known and available for similar projects, the feasibility study phase may, after consultation and on the basis of the opinions delivered by the Advisory Committee referred to in Article 5 (2), also receive financial support.

(1) OJ No L 158, 16. 6. 1978, p. 3.

Article 3

All projects shall be the responsibility of a natural person or a legal person constituted in accordance with the laws of the Member States.

If the creation of a legal entity with the legal capacity to carry out a project involves additional costs for the participating undertakings, the project may be carried out simply on the basis of cooperation between natural or legal persons. In that case, such persons shall be jointly and severally liable for the obligations resulting from Community support.

Article 4

1. Support for a project and for a feasibility study shall take the form of a Community financial contribution to the project, half of which shall be repayable under certain conditions in the case of demonstration projects. The Community shall take into account other financial aid for the project received or expected from Community, national or other sources and the share of the risk which should be borne directly by those responsible for the project.

2. Such support shall not exceed 49 % of the eligible cost of the project in accordance with Article 2 (3). The level of support shall be determined for each project individually, in accordance with the procedure laid down in Article 5. The amount of support which is repayable and the detailed repayment procedures shall be specified in the contracts to be concluded with the recipients.

3. Financial support for the feasibility study stage shall be repayable in full only if the results of the study show that a demonstration project is feasible and the applicant decides, within two years of the study being completed, not to go ahead with the project.

Financial support for pilot industrial projects shall not be repayable.

Article 5

1. Every project submitted by individuals or undertakings in the Community following an invitation to submit projects published in the *Official Journal of the European Communities* shall be examined by the Commission on the basis of the following information to be provided by the applicants :

— a detailed description of the project, including the organization of its management,

— the energy impact,

— an evaluation of the possible effects on the environment,

— the time-scale for carrying out the project,

— the financial situation and technical capabilities of the person or persons responsible for the project,

— the nature and extent of the technical and economic risks inherent in the project,

— the cost of the project, its economic viability and the financing arrangements proposed,

— the prospects for application of the technologies concerned and the benefits that may result from it for the economy as a whole,

— details of any financial aid the project has received at an earlier stage of research and development from the Community or from the Member States,

— details of any other financial support planned by or expected from the Member States or the Community,

— any other factor which may justify the Community support requested,

— how it is proposed to disseminate the results.

2. The Commission shall decide whether to grant or refuse support for projects after consulting the Advisory Committee on the Management of Demonstration Projects made up of representatives from the Member States and on the basis of the opinions delivered by that Committee.

The Committee, which shall be chaired by a representative of the Commission, shall draw up its rules of procedure.

The Commission's decision shall be communicated forthwith to the Council and the Member States and to the European Parliament. It shall apply upon expiry of a period of 20 working days if, during that period, no Member State has referred the matter to the Council.

Where the matter is referred to the Council, the latter shall act on the Commission's decision by a qualified majority in accordance with the terms of Article 148 of the Treaty within 40 working days following such referral.

3. A regular report shall be made by the Commission to the Council and the European Parliament on the application of this Regulation and the consistency between national and Community measures, to enable a better assessment to be made of the results. The Council and the European Parliament shall express their opinions on the report.

Article 6

The advantages granted by the Community must not adversely affect the conditions of competition in a manner incompatible with the principles embodied in the relevant provisions of the Treaty.

Article 7

1. The Commission shall negotiate and conclude the contracts necessary for the execution of projects adopted pursuant to Article 5. To that end, it shall draw up model contracts, available on request, setting forth the rights and obligations of each party and, in particular, the procedures for any repayment of financial support granted and for access to and dissemination of expertise.

2. The person or persons responsible for executing a project in receipt of Community support shall send to the Commission, every six months or at its request, a report on the fulfilment of contractual obligations towards the Commission and, in particular, on the progress of work on the project and the expenditure incurred in carrying it out.

3. The Commission shall have access at all times to the accounts relating to the project. It may have checks carried out on the spot and on documents enabling it to follow the performance of the contract and, in particular, the progress made on projects and the implementation thereof.

4. Where the extent of Community financial support and the size of the project so warrant, the Commission may participate as an observer in meetings of the bodies responsible for the management of projects, if the contract so provides.

Article 8

The amount of new appropriations estimated necessary to be granted for 1983 under this Regulation totals 8 million ECU.

The amounts constituting the financial support to be granted pursuant to this Regulation have been entered in the general budget of the European Communities.

Article 9

This Regulation shall enter into force on the day following its publication in the *Official Journal of the European Communities.*

It shall apply until 31 December 1983.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 11 July 1983.

For the Council

The President

C. SIMITIS

ANNEX

LIQUEFACTION AND GASIFICATION OF SOLID FUELS

List of fields of application

This list is not an expression of priorities.

For the purposes of this Regulation 'industrial pilot or demonstration projects' means projects for the gasification, the underground gasification and the liquefaction of solid fuels.

1. **Gasification**

1.1. Production of gas of a medium calorific value intended in particular for industry, heat generation and power stations.

1.2. Production of synthesis gas as a raw material for the chemical industry.

1.3. Production of substitute natural gas (SNG) of a high calorific value, for use in the distribution system.

1.4. Combined and/or integrated cycle electricity generation (gas/steam turbines).

1.5. Partial gasification of solid fuels (in particular, in order to eliminate harmful fuel components).

2. **Underground gasification**

2.1. Underground gasification, new process under pressure.

2.2. Underground gasification at great depth.

3. **Liquefaction**

Production of a series of liquid and chemical products by means of:

3.1. Selective synthesis processes to improve the range of liquid products.

3.2. Direct liquefaction processes (hydrogenation, extraction, dissolution, etc.) offering increased efficiency and better operating conditions.

3.3. New processes such as the hydropyrolysis of solid fuels.