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FRANCE: Energy shift will not lose gap with Germany

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Abstract (summary)

France's failed energy transition.

In the run-up to last year's presidential election, then-candidate (and now president) Francois Hollande promised that France would follow Germany's example and engage in an ambitious energy transition: a gradual phasing out of nuclear power accompanied by the development of renewable energy sources and carbon pricing that would achieve a cleaner, more-balanced and resilient energy mix by 2020. However, under heavy pressure from MEDEF, the main employers' lobby, the government-convened Commission on Energy Transition watered down its report last month, offering a 'synthesis' of issues rather than concrete recommendations for how to achieve these goals.

Full text

SUBJECT:France's failed energy transition.

SIGNIFICANCE: In the run-up to last year's presidential election, then-candidate (and now president) Francois Hollande promised that France would follow Germany's example and engage in an ambitious energy transition: a gradual phasing out of nuclear power accompanied by the development of renewable energy sources and carbon pricing that would achieve a cleaner, more-balanced and resilient energy mix by 2020. However, under heavy pressure from MEDEF, the main employers' lobby, the government-convened Commission on Energy Transition watered down its report last month, offering a 'synthesis' of issues rather than concrete recommendations for how to achieve these goals.

ANALYSIS: Impacts.

The government will include in the 2014 budget cosmetic environmental taxation measures to appease the Greens.

Shale gas will remain a 'red line' for the Greens, who remain part of the presidential majority, albeit amid growing

tensions.

The French energy landscape will be very conservative for the next decade, in sharp contrast to Germany's booming energy transition.

Hollande was the first presidential candidate in the last five decades to break away from the nuclear consensus during his campaign, vowing to reduce the share of nuclear supply of electricity from the current level of 75% to 50% by 2025. This was a result of his political agreement with the French Green party -- Europe Ecologie Les Verts, or EELV (see FRANCE: Greens safeguard aims amid coalition tensions - November 6, 2012) -- and was modelled on Germany's commitment to phase out nuclear power (see GERMANY: Nuclear U-turn will boost natural gas - June 1, 2011).

However, it soon became apparent that this commitment would be watered down under pressure from the powerful nuclear lobby (see FRANCE: Nuclear shows signs of growing vulnerability - September 28, 2012):

No need to cut nuclear energy.

France does not need to phase out nuclear energy in order to reach Hollande's target of a reduced share of nuclear supply of electricity -- it can simply increase its energy production, as the head of the national electricity company, Electricite de France (EDF), has already noted.

No move towards clean energy.

Hollande's platform omitted fossil fuels, which still account for 50% of French energy consumption and represent 60 billion euros (80 billion dollars, or 3% of GDP) in imports each year.

No energy efficiency or renewables targets set.

The government did not set any energy-efficiency targets or renewables targets. This is all the more surprising since France now lags behind Germany and European countries more generally in the primary production of renewable energy. Production has increased only modestly in the last decade, following 30 years of complete stagnation.

Nuclear power at forefront.

In July, the government made two announcements which, taken together, confirm that the reduction of the share of nuclear power in electricity generation from 75% to 50% will be attained by an increase in energy production and not by a phasing out of nuclear energy in the energy mix:

The new minister for the environment and energy, Philippe Martin, confirmed that the Fessenheim nuclear plant in the Alsace region would be the only one to be closed, in December 2016 at the latest. The oldest of the French nuclear park, Fessenheim accounts for just two of the 59 nuclear reactors in France.

	2000	2010
EU-27	96,650	166,647
Euro-area	65,006	118,679
Germany	9,094	32,746
France	15,874	20,793

Primary production of renewable energy

Tonne of oil equivalent

Source: Oxford Analytica

The government confirmed its financial commitment to new-generation nuclear reactors developed by Areva and EDF.

Shale gas banned until at least 2017.

Also in July, Minister for Industry Arnaud Montebourg announced his intention to form a public group for shale gas

exploitation, only to be contradicted immediately by Hollande and Prime Minister Jean-Marc Ayrault, who insisted that shale gas would not be exploited in France during their tenure (see EUROPEAN UNION: Member states will drive shale gas - September 27, 2012).

Slow convergence of taxation between diesel and petrol.

To further appease the Greens, the government is considering including new environmental taxation measures in the 2014 budget. These could comprise increasing by 1 cent per year the tax on diesel in order to make this converge gradually with the existing tax on petrol. In addition, fuel taxation would include a modest carbon component, gradually increasing until 2020.

However, this is very far from a consistent carbon-pricing strategy that members of the parliamentary majority have demanded. There remains no clear vision on the regulatory and market instruments that would allow France to attain its own climate targets for cutting greenhouse gas emissions (see EUROPEAN UNION: 2030 goals hinge on next two years - April 12, 2013).

Defanged report on energy transition.

The Commission on Energy Transition's efforts over nine months to spark the public debate on energy transition have largely failed. Its final days were marked by a controversy that eventually became public, when it emerged that representatives from the MEDEF (France's main business sector association) had apparently betrayed an earlier agreement and refused to sign the final report, which had been described as "recommendations for the government". Instead, they insisted that the report be described as merely a "synthesis" of the Commission's work.

As a result, the final report identified 15 "major issues", instead of 15 recommendations. These are framed in very broad terms such as "engaging in sustainable mobility" or "favouring a resilient, diversified and competitive energy mix in which renewables are developed". Among the more specific policy proposals, new efforts for retro-fitting new and old housing are likely to be included in a future law on energy transition, but they are not new. By contrast, the cost of retro-fitting the residential sector, estimated at 2 trillion euros, was only superficially addressed.

CONCLUSION: After the Commission on Energy Transition officially submits its report in September, the government will enact new legislation on energy transition. However, key issues such as energy efficiency and renewable energy development will not progress much, shale gas exploitation will be banned until 2017 and possibly longer if Hollande is re-elected to a second term, while nuclear power will remain dominant until at least 2020 -- and very likely beyond.

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