

A business perspective on the INDC of France



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MEDEF and the French energy system

- **MEDEF is the leading network of entrepreneurs in France** with 750,000 members, 90 % of whom are SMEs with less than 50 employees. MEDEF members are sectoral federations and regional/local branches.
- We interact with decision-makers at local, national, EU and international level
- The French economy relies on **several historical energy assets** :
 - Infrastructure investments allowing a high level of **security of supply**
 - A remarkable performance in terms of **CO2 : 1 % of global emissions**
 - Relatively **low electricity prices** but this trend has evolved recently for energy-intensive industries (vs. protection of German industry against the costs of the energy transition)
 - A recognized **know-how and expertise in the energy field** : energy production and networks, energy efficiency, products and services in industry, buildings, transport...



The INDC of France results from two processes

- 1. At a national level**, the national debate on energy transition which took place from end 2012 to early 2014.
 - The process focused on mix (nuclear vs. renewables), energy efficiency and the cost-effective development of renewables.
 - Business associated but major issue of representativeness. Challenging to make the voice of business heard
 - Major challenge to have the economic dimension integrated : **energy competitiveness, CO2 abatement costs, economic impact of energy transition scenarios**
 - The parliamentary process has lasted around one year. The energy transition program law has been adopted in August 2015
- 1. At a EU level**, the consultation work around the EU INDC in the EU Energy and climate policy framework for 2030. MEDEF has pushed for a central CO2 target and strengthening the pivotal role of the ETS for reducing CO2 emissions in a cost-effective way.



Energy transition (LTECV) : main positive aspects

- Intendedly, a **clear and predictable low-carbon strategy** (SNBC, carbon budgets) that relies on the CO2 performance of the French economy
- **A pragmatic multi-energy investment plan** (PPE) with more flexibility to adjust the energy mix evolution according to the economic and energy situation
- Energy transition relying on **all activities**, not just « green » sectors
- Recognition of active and passive **energy efficiency** and definition of regulatory, incentive, fiscal tools to boost buildings refurbishment
- **Industrial competitiveness recognized** among objectives : energy prices, achieve a global level playing field
- Operational measures to improve the situation of **electro- and gaso-intensive industries** exposed to carbon leakage
- Reform of feed-in tariffs and « CSPE » to ensure **cost-competitiveness of renewables**



Energy transition (LTECV) : main points of concern

- **No clear economic impact assessment** : which impact on energy prices, CO2 price, industrial competitiveness, GDP and employment ?
- **No visibility on mechanisms** : the proposed tools (carbon tax trajectory, CSPE reform, diesel tax, ETS floor price...) raise concerns. Need for visibility, coherence and stability of the already very high tax and energy price burden
- **Regulatory burden** increased (dozens of decrees under preparation, cf. Grenelle de l'environnement)
- The role of business in the implementation of the energy transition is key and is not reflected in the **governance system** (CNTE, PPE, etc.)
- The role of regulation should not be to push for a solution against another one but to keep **technology-neutral** and send the right signals to allow the development of the most efficient solutions (ex : electric vehicle against other solutions in transport)



Energy transition (LTECV) : main points of concern

- **Lack of clarity due to multiple targets**
 - **GHG target : -40 % from 1990 to 2030, - 75 % from 1990 to 2050**
 - Nuclear share in electricity consumption : from 75 % to 50 % by 2025
 - Nuclear cap : 63.2 GWh
 - Development of renewables : 23 % in 2020 and 32 % in 2030 incl. 40 % for electricity, 38 % for heat, 15 % for fuels and 10 % for gas
 - Final energy consumption : -50 % from 2012 and 2050
 - Primary fossil fuel consumption : -30 % from 2012 to 2030
- **Multiple deadlines**, some of the targets are potentially conflicting
- **For clarity and effectiveness, the GHG target has to remain central**

