GREEN RECOVERY TRACKER

GREEN RECOVERY TRACKER REPORT: FRANCE

The French government presented 'France Relance', a large €100bn recovery package drawing on funding from both the domestic and EU budget, in September 2020.[1] In April 2021, France's finance minister Le Maire presented the final €40bn national Recovery and Resilience Plan (RRP)[2], which finances the national 'France Relance' package. The EU recovery facility thus provides 40% of the funding for the French recovery plan. Overall, French recovery measures make a moderate contribution to the green transition, as our analysis identifies the following spending shares:

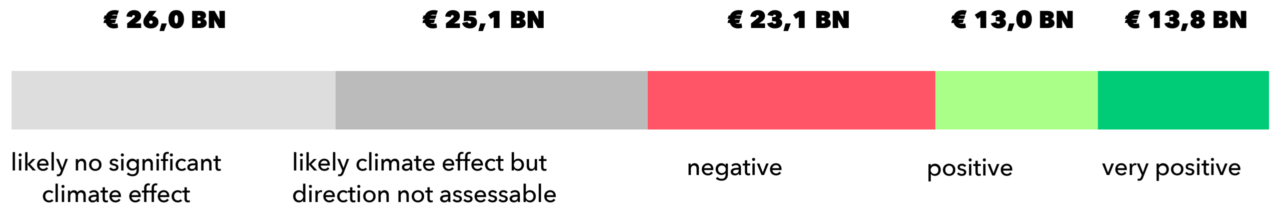

Figure 2: Amounts committed by assessment category (all recovery measures)

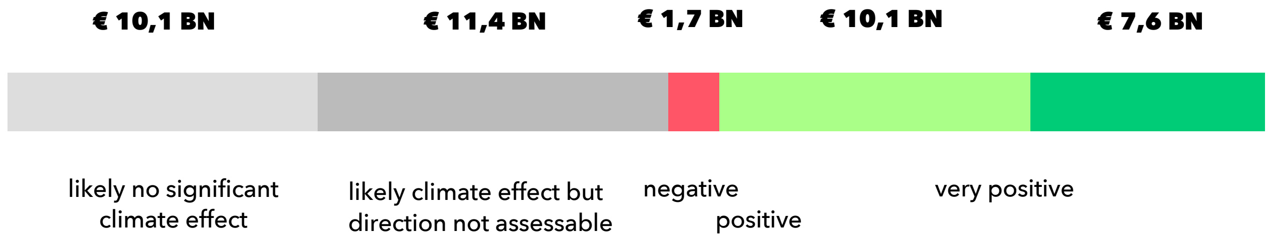

Figure 1 Amounts committed by assessment category (only measures included in Recovery and Resilience Plan)

The recovery effort of the government covers three areas: Ecology, Competitiveness and social and territorial cohesion. Especially the measures under the ecologic thread can be mostly indicated as 'green'. The overall vision of the recovery package can be described as future-oriented and aiming for an ecologic transition.

In focus: Green Spending Share

We find that the measures in the domestic French recovery package overall achieve a green spending share of 19%. The analysis of the RRP in the context of the EU Recovery Facility shows a green spending share of 29%, below the EU's 37% benchmark. According to the government, the plan's climate spending share is 50%, whereas the EU Commission has conceded 46% climate spending (see page 7 for more details). In contrast, 23% (€23.1bn) of all measures have a negative impact. Furthermore, we find that 25% (€24.8bn) of all measures may have a positive or negative impact on the green transition depending on the implementation of the relevant measures, illustrating the importance of further scrutiny during the further planning, review and implementation of the recovery measures.

Our calculation of the green spending share aims to mirror the approach used for the official assessment of national recovery plans, which distinguishes between measures contributing fully to the green transition (100% coefficient) and measures contributing partly (40% coefficient). Therefore, we fully count "very positive" measures towards the green spending share, while "positive" measures are weighted using a coefficient of 40%, which is applied to the associated costs. All individual assessments can be accessed via the country page on our website.

OUR HIGHLIGHTS

Good Practice

Promoting behavioral change in the mobility sector

France is embedding several measures in the mobility sector which aim to promote a behavioral change, for example supporting daily mobility with public transport projects and improving and increasing the rail offer.

Bad Practice

Tax reductions without climate conditionalities

The government lowered production taxes (€20bn for two years), a measure that will continue after Covid-19 (i.e. as a €10bn/year cut). This measure did not initially include climate conditionalities, thus the issue was debated in the parliament following the publication of the plan. This led to an amendment with new obligations in terms of the environment, parity and social dialogue. However, companies will not be penalized if they fail to meet these obligations.

To Our Surprise

No support for renewable energy production

While renewable energy consumption will be boosted by a number of measures, (e.g. dedicated to hydrogen, transport or decarbonisation of industry) there is no support for renewable energy production foreseen.

GENERAL CONTEXT

Before the crisis, the political debate in France was dominated by social, economic and environmental issues. The Yellow Vest protests erupted in October 2018 over the rise of the carbon tax combined with oil prices being over $80 on international market turned into a revolt over living standards and sparked a "Grand Debat National" (a three-month exercise which took place from January to April 2019) which found that a majority of the French population were in favor of tax reforms such as lower tax income or the fact that inflation must be taken into account when making the calculation of small pensions.

Another challenge in France lies in addressing unemployment and reducing public debt and fiscal pressure, which led to proposed reforms to unemployment insurance and the pension system. While these topics were put on hold during the Yellow Vest movement and the Covid-19 crisis, Emmanuel Macron is trying to carry out these reforms before the end of his mandate. In addition, there is a recurring debate in France around "degrowth" which crops up in many political debates. Security matters are a recurring issue which has constantly appeared in political debates in various forms (immigration, police brutality…). President Macron has faced public criticism in tackling all of these challenges, including through regular strikes and street protests. Public opinion on President Macron was at an all-time low at the end of 2018 after the

Yellow Vest protests started, although it has steadily increased since making him having a higher confidence rate than both François Hollande and Nicolas Sarkozy one year prior to the end of their mandate. Furthermore, it is important to say that another discussion came up in 2018-2019, when Macron cancelled certain taxes against the "ultra-rich" (e.g. "exit tax") but then taxed the poorest (via e.g. the carbon tax).

Climate action has been high on the political agenda, with France seen as a champion on climate in the EU by other member states. In 2021, I4CE[3] published a report analysing France's spending for climate in the last decade: In ten years, the spending for climate has considerably increased (from €15 to €30 millions a year, from 0.7% to 1,3% of the GDP). Moreover, the study also mentions that this budget should still increase in order to cover all the reforms necessary to decarbonise the economy. It also highlights the fact that further reforms are needed to include everyone in this transition as climate policies should ensure affordable alternatives for everyone.

In the last years, political debates focused on reduced dependence on nuclear (from 70% to 50 of its electricity mix by 2035), renewables expansion (with both offshore and onshore wind turbine being subject to heated/hysterical debates), the restructuration of French energy company EDF, building renovations and oil boiler conversions, a coal phase-out by 2022, financial aid for electric vehicles, as well as the agro-ecological transition and green public budgeting after France pioneered corporate and investor disclosures. In addition, France set out the creation of a "High Council for Climate" in mid-2019 and launched a "Citizens' Convention for Climate" in late 2019 stemming from the "Grand Débat National".

Context indicators[4]	**France**	**EU average**
GDP (2019)	**2419 bn €**	
GDP (per capita, 2019)	**41767 €**	**31130 €**
Debt (% of GDP, 2019Q4)	**98.1 %**	**77.6 %**
Debt (% of GDP, 2020Q3, provisional)	**116.5 %**	**89.8 %**
Unemployment Rate (December 2019)	**8.6 %**	**6.5 %**
Unemployment Rate (August 2020)	**9.0 %**	**7.7 %**
Unemployment Rate (December 2020)	**8.9 %**	**7.5 %**

Real GDP forecast for 2020[5]	**- 9 %**	**- 8.3 %**
Real GDP forecast for 2021[6]	**+ 5 %**	**+ 5.8 %**
Total recovery spending	**100 bn €**	
EU recovery funding (grants only, provisional)	**39.4 bn €**	

KEY FOCUS AREAS OF THE FRENCH RECOVERY DEBATE AND THE RECOVERY PACKAGE

The framing for the recovery package was laid out by Prime Minister Jean Castex on 3rd September 2020 after President Macron announced a recovery plan in a speech on Bastille Day (14 July 2020). The government's announced priorities were to "maintain jobs" as a priority and "create jobs for young people" with "massive investments" in training. Another priority was to "support domestic industry and services", highlighting the over-dependence on imports. Prime Minister Castex also talked about "green growth" and tackling climate change. He also stressed that pension reforms were necessary but would be negotiated in the future. The NRRP which was published on 27th of April 2021 follows those priorities.

The political debate on the response and recovery measures in advance of the government's announcement first focused on support for struggling businesses and low-income households. The debate then expanded to improving industrial competitiveness, diversifying supply chains, relocalising strategic production centres and turning the ecological transition into a lever of the recovery. The debate also focused on the extent to which different sectors and major companies should receive support, with President Macron announcing his intention to rebuild French agricultural, health, industrial and technological independence. Moreover, erasing the debt from the Covid-19 pandemic crisis was also highly discussed among French economists but the government ruled it out from the beginning.

Within the field of economic expertise, the debate was among others on a disagreement whether it was acceptable to let companies with a fossil-fuel economic model go bankrupt during the pandemic ("good riddance") or whether they should be bailed out, protect their jobs and be transformed over several years. The second stance was mostly adopted, on the basis that it was unacceptable to see thousands of job losses during a crisis year.

With an announced budget of €100bn over two years (2021-2022), the recovery package is on par with what most observers expected, though the climate community criticises that the measures are mostly calibrated on the second carbon budget of the national low-carbon strategy, which is a rather timid first step towards France's GHG mitigation ambition since it commits to just a 40% emissions reduction by 2030 (instead of the new EU target of 55% emissions reduction by 2020).

The objectives are to bring economic activity back to its pre-crisis level in two years, and by doing so lowering unemployment rates and improving competitiveness. The government plans to finance 40% of the recovery plan through the EU budget. During the parliamentary debates on the 2021 budget, members of the parliament were divided over how to achieve the goal of a green transition and spent hours debating the green strings that should be attached to state aid from the recovery plan. The "ecological transition" (including biodiversity, climate and environmental pollution) is one of the three key pillars of the plan, with €30bn earmarked for greening the economy, which was raised from an initial €20bn announced in the summer, after the government faced backlash from environmental groups.

The package's three pillars are:

- Ecology: €30bn public investment programme to help France meet its climate goals through a series of support measures for green sectors
- Competitiveness: a €20bn tax cut for French companies which, almost uniquely in Europe, have to pay levies according to the value added in their production on top of social charges and corporation tax
- Cohesion: €35bn is being earmarked for social and regional cohesion, the lion's share going to job protection, vocational training, apprenticeships and hiring subsidies

From a green transition perspective, the most controversial issue relates to the lack of conditionality on lower production taxes in the recovery plan and on the €15bn in financial aid that was provided to the automotive and aerospace industry in the summer. In addition, the exceptional car conversion bonus implemented in the summer remained eligible for fossil fuel cars.

The recovery plan was also criticised for a lack of resources mobilised for renewable energy, instead focusing on a moderate level of support for nuclear energy and substantial support for hydrogen, including non-renewable forms. [7] The credibility of green investments has been questioned given the lack of conditionalities and the lack of visibility regarding the additionality of investments and their continuity after the two years of implementation.

FINANCING AND ADDITIONALITY OF FRANCE'S RECOVERY PACKAGE

The government anticipates that it will take on €345bn in new debts in 2020, and a further €282bn in 2021, to finance its crisis response and recovery measures. The recovery plan 'France Relance' (€100bn) calculates with about €40bn from the EU recovery package. A large part of this EU money flows into projects labelled under the category "ecological": According to our analysis, the French recovery package across all measures is reaching a green spending share of 19%, whereas the RRP is reaching a green spending share of 29%. This suggests that especially 'green' measures are financed through the EU Recovery Facility in order to fulfil the target of 37% investments in the climate transition. According to the government, the RRP's climate spending share is 50% whereas the European Commission conceded 46% climate spending arguing that the plan mostly follows the methodology for climate tracking. This deviation between our numbers and official numbers can be explained by methodological differences, including the fact that our methodology only considers climate mitigation and not adaptation effects. But the key reason for this divergence is that, based on our methodology, we only provide the 'positive' 40% climate coefficient to some measures which the government seemingly fully calculates into the climate spending share.

The recovery package lacks additionality of investments compared to existing measures and previous announcements made by the French government: About 25% of the measures included in the recovery budget were already announced before Covid-19. So, the additional domestic funding which has been mobilised by the French government is just about 35% of the package (equivalent to around €35bn). Questions also remain on how the continuity of investments will be ensured after the 2-year period of implementation and whether the package will represent a sustained and increased effort.

GOVERNANCE OF THE RECOVERY PACKAGE

The 'France Relance' recovery package contains 'green' indicators under some measures, but these are only in a few cases (e.g. on the decarbonization of industry) backed by specific targets. In addition, the recovery package does not include a specific governance for the achievement of climate-related goals. Though, the consistency of measures under the NRRP with the territorial just transition plan and the energy-climate plan, and participation in achieving the 2030 climate objectives and the 2050 climate neutrality objective is explored. Moreover, there is a dedicated "follow-up" committee ('comité de suivi') which will define implementation and impact indicators to monitor each measure, in which NGOs are invited to comment along with other stakeholders.[8] But it is unclear how much coordination this committee will achieve.

However, the green measures stem from the national low-carbon strategy or 'Strategie Nationale Bas-Carbone' which is backed by evaluations (albeit against "normal" economic conditions) and contains a vast set of indicators to assess whether the economy as a whole is progressing towards emission reductions.[9] Each measure is therefore implemented within the existing sectoral framework of performance assessment. In addition, French climate legislation is supported by an extensive governance system, including through a High Council for Climate (HCC) and an Ecological Defense Council. There is potential for these to play a role in the climate governance of the recovery package.

The HCC published a report in December 2020[10] which is challenging the government's assessment by taking a more stringent definition of what constitutes climate-friendly spending, thus reducing the share of the recovery plan dedicated to climate objectives:
More specifically, the HCC is reacting to the government's own climate spending assessment, which was published in September 2020 along with the budget bill. That assessment was led by the Inspection Générale des finances (IGF), a team within the Ministry of finance. While the national budget bill draft issued by the government ("projet de loi de finances" (PLF)) claims that €30.6bn are "climate favorable" and €69.6bn are "climate neutral", the HCC however, comes to the conclusion that €27.7bn are "climate favorable" and €70.4bn are "status-quo" (the remaining €2.1bn are uncertain). The HCC argues that there is no "neutral" spending and moreover, "status-quo" spending, although not fossil, could still create lock-in and following this argumentation, HCC is calling for a more stringent definition of what constitutes climate-friendly spending.

Moreover, the way how the do-no-significant-harm'-principle was examined in the RRP is very descriptive and detailed in comparison to plans of other states: Each measure is broken down in detail and explicitly with regard to the 'do-no-significant-harm'-principle taking into account the effect on climate mitigation, climate adaptation, water, waste, pollution and biodiversity. It is indicated whether there is a positive, neutral or negative impact.

NOTEWORTHY SHORT-TERM LIQUIDITY AND STATE AID DECISIONS ("COMPANY BAIL-OUTS")

In March 2020, France announced in response to the hard lock-down of the economy €45bn in direct tax breaks and direct state payments for the country's businesses in addition to €300bn of loans. At least €21.1bn in public financial support for sectors which have a direct impact on

GHG emissions had been adopted in the first months of the crisis. This does not include the €20bn in recovery funding for the ecological transition announced by the French Prime Minister in July 2020.

Direct support measures for sectors which are key to the energy transition amounted to €3.3bn. These cover the reinforcement of the ecological bonus for electric or plug-in hybrid vehicles, financial support for the pilot plant for the manufacture of electric batteries, a bicycle plan, support for R&D for a carbon-neutral plane and an increase in the allocation to support local investment in the fields of energy transition and health.[11] In contrast to support for fossil fuel-intensive sectors, energy transition support measures are based solely on direct investment and subsidies.

The larger share of the public financial aid has gone to high-emission sectors, amounting to €17.8bn. Almost 75% of this aid is in the form of guaranteed loans or cash advances. This is particularly the case for the €7bn in state-guaranteed loans and cash advances for Air France-KLM. A share of 17% are green measures that are needed for research and development of greener airplanes as well as for the diversification, modernisation and green transformation of assembly lines. Moreover, an €8bn bailout was put forward for the auto industry including €5bn in state-guaranteed loans for Renault and other support measures for the automotive industry (including a conversion bonus to which some internal combustion vehicles are eligible), or the postponement of the withdrawal of tax breaks for non-road diesel. The loans have three conditions: the companies must commit to increasing their focus on electric cars; they must "respect" their subcontractors; and they must relocalise "technologically advanced" activities to France.

Out of this €17.8bn, €13.8bn is conditional on environmental requirements. Yet what these conditions imply more concretely has not been announced and these requirements remain very vague: they do not include legally binding commitments and most of them are insufficiently detailed. For example, the Air France-KLM rescue plan includes the reduction of short-haul domestic flights on routes where rail alternatives exist, but specific goals have not yet been published. The Minister of Finance, Bruno Le Maire, has underlined that all state aid to companies must be oriented towards decarbonizing the French economy and improving its competitiveness. Public debate has concentrated mostly on the latter.[12]

DEEP DIVE: THE MOST IMPORTANT RECOVERY MEASURES AND HOW WE ASSESS THEM

The most important measures with an effect on the green transition are:

- A permanent cut of the production taxes (€20bn), which we assess as negative as such generalised incentives granted without any binding environmental or social conditionality could support the recovery of environmentally harmful activities.

- A number of measures to support the building sector, e.g. renovation of public buildings (€4 bn), energy retrofits of private buildings (€2bn) and energy renovation and heavy rehabilitation of social housing (€0.5bn), which we assess as positive. Most of those measures include indicators such as reductions in energy consumption and greenhouse gas emissions, but however, there is limited clarity on the metrics that would be used to monitor depth of renovation achieved, and the level of energy savings or emission reduction the programme as a whole aims to achieve. This makes it difficult to assess the degree how the measures will contribute towards France's targets of 30% reduction in energy consumption in the buildings sector, and 40% reduction in the tertiary sector by 2030.

- €4.7bn earmarked for the development of the rail industry and €1.2bn to support daily mobility which we assess as very positive since this could help accelerate the transition in the transport sector, the largest source of emissions in France.

- A Future Investments Program: Innovating for the Green Transition (€3.4bn) which will support green innovation projects selected through competitive procedures, that can be carried out by companies, laboratories, communities, often in collaboration with each other. The clear green focus of the programme as well as the inclusion of an indicator of tons of CO2 saved leads us to a very positive assessment.

- A package on the decarbonization of industry (€1.2bn) that aims to improve energy efficiency, improve manufacturing processes, particularly through electrification, and decarbonize heat production. We see this a very positive measure as the objective is to support the sites identified as the highest emitters (particularly in the cement or oil and gas sectors or metallurgy) in order to significantly and rapidly reduce French greenhouse gas emissions. Moreover, clear emission reduction targets are set.

- Developing a low-carbon hydrogen industry in France (€2bn), which we assess as positive as the strategy is committed to low-carbon hydrogen. Low-carbon hydrogen means here that it is produced by either renewables or nuclear energy. Thus, the mitigation effect of low-carbon hydrogen will be counted in total positively, but not as very positive (which we assess for 100% green hydrogen only, which means hydrogen produced from renewables only).

- "New Climat products from Bpifrance"[a] (€2.5bn) aims to support the emergence and growth of greentechs, i.e. any solution, mainly technological, that allows to fight against global warming, water, air and soil pollution and contributes to the preservation of natural resources. Saved emissions are being tracked. We assess this measure as very positive, though Bbifrance itself is still supporting gas and oil projects across the world.[13]

The package furthermore contains a significant number of measures that do not directly relate to the green transition but are still important and potentially transformative, such as:

- Partial activity (€6.6bn) was the Government's response to support employees and employers during the containment period. After a reform in March, aimed at moving from a flat-rate approach to a proportional approach, partial activity is now being adapted to the stimulus package to give employees and employers greater visibility.

- A health investment plan (€6bn) over 3-5 years to finance structural investment priorities in the health and medico-social sectors as well as in the digital health sector.

- Support for local authorities (€4.1bn) which aims both to support the operating revenues of communities faced with the consequences of the crisis and to contribute to their investments.

IMPORTANT CLIMATE POLICY DECISIONS TAKEN DURING THE CRISIS AND RECOVERY PERIOD

A number of climate strategies were published during the crisis. The key summary of the national low-carbon strategy 'Stratégie Nationale Bas-Carbone' published in April 2020 acts as a climate neutrality roadmap which will be renewed every five years. The Citizen's Convention for Climate published 149 proposals in June 2020. President Macron initially backed almost all

[a] Bpifrance is a French investment bank set up as a joint venture of two public entities.

of the proposals, some of which involve substantial investments and subsidies but would also generate new tax revenues. The tax proposal on corporate dividends, and the speed reduction on highways are one of those which were rejected by Macron. Furthermore, he is now rolling back on the measures and received calls in October 2020 to reaffirm his commitment. Moreover, the senate is currently discussing the 'Loi Climat' (Climate law) which was a big disappointment for green activists as they hoped that Macron would do more. However, some of the ambitions have been lowered. The HCC and 'Le Conseil Economique, social et environmental' argue that the 'Loi Climat' is not aligned with the Paris Agreement targets.

It is also worth mentioning that in October2020, Economy Minister Le Maire has announced a Climate plan for public export financing ('Plan climat pour les financements export publics'). However, the plan was met with criticism from NGOs as the plan still allows for the financing of international oil projects for another 15 years, which is seen as irresponsible and incoherent with the Paris Agreement targets[14].

ANNEX: MOST IMPORTANT MEASURES OF THE RECOVERY PACKAGE BY SECTOR

Sector	**Most important measures with effect on green transition**
Energy	• Developing a low carbon hydrogen industry in France. (€2bn, positive - RRP) • Support for the nuclear sector (€0.2bn, negative) • Modernization of waste sorting, recycling and recovery centers (€0.27bn, positive -RRP)
Mobility	• Everyday mobility: developing a bicycle plan and public transportation projects (€1.2bn, very positive - RRP) • Implementation of a support plan for the railway sector (€4.7bn, very positive - RRP) • Help with the purchase of a clean vehicle as part of the automobile plan (bonus, CAP, top-ups) (€1.9bn, positive -RRP)
Industry	• Decarbonisation of industry (€1.2bn, very positive - RRP) • Lower production taxes (€20bn, negative) • Strengthening the equity capital of VSE/SMEs and ETIs (€3bn, likely climate effect but direction not assessable)

	Furthermore, there are significant overlaps with measures in other sectors (e.g. hydrogen projects, transformation of the automotive industry)
Buildings	• Energy retrofit of private buildings (€2bn, positive - RRP) • Renovation of public buildings (€4bn, positive- RRP) • Ecological transition and energy renovation for VSE/SMEs (€2bn, positive - RRP)
Agriculture	• Accelerate the agro-ecological transition to a healthy, safe, sustainable, local and quality food for all. (€0.4bn, very positive)
Cross-cutting	• Future Investments Program: Innovating for the ecological Transition (€3.4bn, very positive – partly RRP)

This report was written by Helena Mölter (Wuppertal Institute) and Sara Dethier (E3G). We are grateful to Hadrien Hainaut (I4CE), Phuc Vinh Nguyen (Jacques Delors Institute), Claire Godet and Felix Heilmann (both E3G) for providing valuable inputs.

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