

Financing our Energy and Climate Strategy: *let's give ourselves the means to meet our commitments*

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In order to meet our European commitments to be carbon-neutral by 2050 and to adapt our society to the impacts of climate change, France will increase its national reduction targets for greenhouse gas (GHG) emissions. The first step is to reduce our emissions by 55% in 2030 compared with 1990. With this in mind, the Government is preparing its road map, the French Strategy for Energy and Climate (SFEC), which will be set out in a new 5-year planning law on energy and climate (LPEC), supplemented by the updating of the National Low-Carbon Strategy 3 (SNBC 3), the National Plan for Adaptation to Climate Change (PNACC 3) and the Multi-Annual Energy Programme (PPE 3).

However, beyond the technical implementation of this strategy, the question of funding is crucial to ensure its effective implementation. In order to provide input for the parliamentary debate, the ESEC is presenting this opinion on the economic and financial levers to be used to ensure that the SFEC is financed in line with our commitments, requiring the mobilisation of all stakeholders and integrating the issues of social justice.



of additional climate investments per year by 2030 to be on the carbon neutrality path



STAKEHOLDERS AND ISSUES

WHO NEEDS TO STEP UP TO PROVIDE THE FUNDING AND WHAT ARE THE ISSUES?

The cost of inaction far exceeds the cost of action. All actors must be mobilised:

- **The state** must provide more impetus and support
- **Local and regional authorities** must at least double their climate investments

- **Businesses will need to invest** to decarbonise their production and supply chains
- **Households** will have to change their consumption patterns
- **Financial institutions** must move away from brown investments and prioritise green projects

The challenges of financing the SFEC reflect societal choices: sharing the effort between private/public, collective and individual action, while ensuring social justice.

Proposals to finance the French Strategy for Energy and Climate (SFEC)

1 KEY MESSAGES

- **All tools will have to be mobilised**, including regulation and planning, which are necessary to accompany the financing of the transition.
- We will need to schedule public climate finance needs over time to ensure that targets are met.

2 CONCRETE PROPOSALS (SUMMARY)

→ Improve the calibration and targeting of public aid:

- Phase out climate-unfriendly budget and tax expenditures within 10 years;
- Reform the tariff shield with a view to social justice and efficient public spending;
- Establish a multi-annual public finance programme for the climate.

→ Strengthen the capacity of local and regional authorities to massively finance the ecological transition.

→ Rethink the role of environmental taxation:

- Resume a credible carbon price pathway with full transparency on revenue allocation and targeted support measures;
- Use a share of the land value added generated by investment in infrastructure to facilitate the financing of projects favourable to the ecological transition.

→ Improve the mobilisation of household savings:

- By orienting the Livret A towards financing the ecological transition and by modernising the LDDS to dedicate it to the ecological transition.

→ Act at European level to drive investment momentum for the transition:

- Propose the establishment of a European Investment Pact for the Ecological Transition and the creation of a European Fund for the Ecological Transition, on the basis of a common loan;
- Propose differentiated interest rates favourable to green investments by the ECB, so that monetary policy contributes more to the transition.

→ Strengthen the role of financial institutions through prudential regulation:

- Integrate financial institutions' transition plans into prudential regulation;
- Implement an equity-only financing restriction for new fossil fuel investments.

→ Go beyond the financial aspects:

- Other levers are being explored: ecological planning, regulation, competition rules and structural reform of energy markets.

THE RAPPORTEUR

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