



PHOTO CREDITS : © CDC – JM PETTINA

# LANDSCAPE OF CLIMATE FINANCE IN FRANCE IN 2011

## Executive Summary

October 2014

### AUTHORS:

ROMAIN MOREL, IAN COCHRAN, ROMAIN HUBERT, JEANNE DEQUESNE (CDC CLIMAT RESEARCH)

MORGAN HERVÉ-MIGNUCCI (CLIMATE POLICY INITIATIVE)

This study identifies and analyzes the investment spending in France in 2011 that contributed directly or indirectly to the reduction of greenhouse gases emissions (GHG); this corresponds to investment in low-carbon infrastructure and fixed capital (renewable energy, building high environmental quality, public transport, etc.). This study has adopted the methodology developed by Climate Policy Initiative (CPI), which has been applied elsewhere both at global scale and to national flows in Germany [2012] and Indonesia [2014].

Funding for the energy transition is a central issue for which the available data are often incomplete. This report presents the first comprehensive view of climate finance flows in France to reduce GHG emissions. This report aims to further the current debate by providing economy-wide estimates.

The main objective of this study was not to measure as precisely as possible climate finance in France in 2011. Rather, it has focused on order of magnitude estimates rather than precision to the nearest euro. The collected information has been used to identify the distribution of flows across sectors, the share of different instruments, their use and the role of different actors.

## **22.2 billion EUR invested in 2011, principally by the private sector**

This analysis has identified EUR 22.2 billion of investment in France in 2011 in physical or tangible assets that reduce greenhouse gas emissions. Across all sectors, renewable energy accounted for EUR 9.0 billion of investment, including investment subsidies of 1.0 billion EUR.

Energy efficiency was the second largest area of climate investment, totaling EUR 8.3 billion. The share of grants and concessional loans – with thus a cost for the public sector – totaled EUR 2.3 billion. These investments are concentrated in the construction sector (buildings) (EUR 6.7 billion).

Private actors financed 75% of renewable energy and energy efficiency investments. In the transport sector, the picture is less clear as project were initiated principally by public bodies, and with financing provided (through debt and other means) in part by private actors.

## **However, public actors are over-represented relative to their share in the economy**

The share of public actors in investment spending was larger in climate-related areas - 40% including expenditure on transport – compared to the share in the rest of the economy. Typically, public sector intervention served principally to partially subsidize a project (EUR 3 billion), with additional funding provided by private actors. This form of intervention is more developed in France than it is in Germany, where public funds were used to provide concessional loans.

## **Insufficient flows, but achievable objectives**

The EUR 22.2 billion in annual investment estimated by this report – and excluding investments in nuclear energy - is below the annual flows identified as necessary to achieve long-term objectives by the French National Debate on the Energy Transition (DNTE). However, it should be noted that the types of assets, projects and the scope used by this study and the DNTE scenarios differ. The orders of magnitude of the values from the two studies are nevertheless similar – with the DNTE calling for approximately EUR 50 billion per year in the scenarios with a clearly broader scope.

Comparing these totals, however, may be deceptive as 2011 represented a peak in renewable energy investments in France. The changes in investment trends were concomitant with regulatory changes - such as reductions in feed-in tariffs. While not directly addressed by this study, the role of incentivizing policies should not be overlooked.

The financing challenge should thus not be underestimated. The 2011 Landscape of climate finance in France suggests that part of the funding needed for the energy transition is already being provided, however efforts are still needed to reach long-term climate and objectives.

## Overview of results and further areas for study

The complex picture of climate flows in France in 2011 is summarized in Figure 1. The results themselves may raise more questions than they answer, and thus point to further questions for analysis.

Comparisons between countries are also difficult to make given the need to take into account national and local contexts. Nevertheless, the role of various intermediaries and financing channels show some differences between France and Germany. Thus, the role of KfW in Germany and its leveraging of the existing local banking network has no direct equivalent in France in terms of financing climate related investments. Further analysis of the roles of retail banks and financing and investment banks could be useful, both to identify new approaches as well as adapt the tools already in use. This study has only briefly looked at the role of these different financial intermediaries in 2011. However, differences exist between the types and sectors of intervention (energy efficiency vs. renewable energy).

Finally, if this study has provided an initial understanding of the adequacy of existing investments compared to estimated needs for a successful energy transition, further methodological developments are necessary. Repeating this exercise over several years or across European countries would improve and deepen the analysis. Additional research is also needed on related topics, such as the impact of individual public support policies on private investment, the impact on investments on the ground, and the alignment of near-term low-carbon investment with the long-term energy transition objectives.

Figure 1 – Climate Finance Flows in France in 2011

