

GETTING BACK ON TRACK,
■ **RECOVERING THE TRANSITION**

ANNUAL CARBON
NEUTRALITY REPORT

JULY 2020

■ EXECUTIVE SUMMARY

As 2019 saw Europe's hottest ever temperatures recorded, the health and economic crises are stress tests for the French Government's climate ambitions. If there should only be one take away recommendation from this report, it is that the recovery plan should ban all support for carbon-intensive sectors and be steered as much as possible towards effective measures for lowering greenhouse gas

emissions. **First do no harm, then pave the way for the low-carbon transition.** This condition is necessary, in light of the rising climate emergency and its increasing impacts, **possible**, as known and accessible solutions exist already today, **valuable**, given the co-benefits of climate action for employment and health, and **unavoidable** – anticipating it will allow competitiveness.

SIGNS OF PROGRESS AND RECOMMENDATIONS FOR RECOVERING FROM THE CRISIS

Climate policy governance has been strengthened but little progress has been made in the evaluation of climate legislation. The Government's "green budgeting"¹ approach shows its endeavours to increase the transparent of the environmental impact of its actions. Ministries have been asked to publish a carbon road map – an innovative approach that will help to establish the national low-carbon strategy (SNBC) as a reference framework for any government action. Public authorities are improving their planning in this regard, but tangible implementation actions are still lacking. Climate policy accountability and transparency depend on evaluating legislation and policies from a climate perspective but hardly any progress has been made so far. The planned evaluation - one year after implementation - of important framework acts has not yet taken place. A number of provisions announced during the past year remain to be implemented. The newly published SNBC presents increased carbon budgets compared to the previous version of the strategy, confirming a reduction in short-term climate ambition, and fails to shed light on the policy instruments necessary to implement its objectives and targets.

The pace of greenhouse gas emissions reduction remains too slow to meet current and future carbon budgets. The 0.9% emissions reduction observed in 2019 is similar to the average reduction observed in previous years and remains

far from the 3% annual reduction expected from 2025 onwards to remain on track for carbon neutrality. The four largest emitting sectors remain unchanged: transport (30%), followed by agriculture, buildings and industry (between 18 and 20% each). The carbon reduction deficits in recent years can largely be explained by delays in emissions reduction accumulated in both the transport and buildings sectors. Emissions from the agriculture sector remain constant but the SNBC anticipates a reduction by 2025. The temporary fall in CO₂ emissions resulting from the recent confinement measures (a reduction of approximately 13% between January and May) does not address the challenges of the low-carbon transition and remains marginal compared to the structural efforts required.

Crisis recovery plans must factor in climate considerations in order to accelerate the unavoidable changes to the economy required in light of climate change, by anticipating market developments. Redirecting investments towards climate mitigation and adaptation will also benefit employment. Solutions and sectors that are favourable to both employment and the low-carbon transition have been identified globally since the 2008 crisis, as have those that are detrimental to them. These forward-looking sectors include the retrofitting of building to increase energy efficiency, decarbonising transport and evolving towards a

1. Assessing the French State's expenditure and revenue based on its environmental targets, for the delivery of a coherent strategy to combat climate change.

more sustainable food system. They remain the best options for redirecting investments towards a low-carbon economy, while meeting economic and social expectations and bringing associated air quality and public health co-benefits (see Table/Box). In light of the increasing urgency to address climate change, the Government must develop its recovery plan around these measures and, crucially, avoid any decisions that could be detrimental to the climate. Moreover, France has a role to play internationally in encouraging the recovery plans and the new nationally determined contributions under the Paris agreement, expected in 2020.

The implementation of the national low-carbon strategy (SNBC) is hampered by a lack of firm direction and of a cross-cutting vision, which must be swiftly addressed.

Published in May, the updated version of the SNBC faces a range of difficulties, first and foremost the impending economic crisis, which could preclude low-carbon investments or throw the carbon-reduction trajectory off track by generating a strong rebound effect. The lack of alternative measures in light of the carbon tax freeze undermines the strategy's credibility. The expected rise in Europe's emissions reduction target ambition between now and 2030 will require greater efforts from France that must be anticipated. The management and implementation of the SNBC must be scaled up rapidly, drawing on the ministerial road maps currently being prepared and on the Ecological Defence Council. The High Council on Climate has specifically studied how the structural reforms can be set in motion in the four largest emitting sectors by leveraging the crisis recovery plans.

Transport is the only sector that has seen a rise in emissions over the past thirty years. The recovery plan must include investments in public transport, infrastructure for active transport and reorganisation of road space, in keeping with the SNBC's modal shift objectives. Transport is the largest emitting sector. The support plans for the automobile industry announced to date do not form part of a strategy coherent with the SNBC and fail to include criteria like vehicle weight. The future perspectives of the aviation sector must be redefined in a concerted and rigorous

manner and be subject to assessments. An improved assessment of the direct and indirect effects of remote working will enhance its role as an option for everyday mobility. The rail transport sector offers an important potential for emission reductions but has faced delays in structural investment that must be addressed.

The building sector presents an important opportunity for radical structural change, sustainable job creation and public and private economic return. It must be an area of priority focus for the months and years ahead.

Building renovation must be rolled out on a massive scale, starting with sub-sectors that are ready to be mobilised. It must take into account comfort for both winter and summer. Subsidies targeting deep retrofit projects should be conditioned to post-renovation performance. The Government must support the development of a market for deep retrofits that includes advice, monitoring, financing, auditing and capacity building. A clear strategy must be developed to identify buildings with the lowest energy performance ratings in order to enable their renovation. Renovation targets and strategies must be developed in close collaboration with stakeholders.

The manufacturing and construction industries have significantly reduced their national greenhouse gas emissions over the past three decades.

However, they require targeted green investments to accelerate emissions reduction in line with objectives for this decade. The Government's support measures for these industries have so far only marginally taken into account the requirements of the low-carbon transition. They particularly need to improve energy efficiency and electrification, develop waste and material recycling and support R&D into low-carbon industrial processes. Beyond recovery from the crisis, a roadmap compatible with the SNBC must be developed for each industrial sector on the basis of binding targets.

The agriculture sector does not currently display the structural changes needed to be in line with the low-carbon trajectory and recovery investments could support the sector in making the necessary changes by incorporating climate goals. The sector must anticipate evolutions

Potential 10-year effects of recovery plan mitigation measures

Sector	Policy	Deployment speed	Mitigation potential	Locking-in of pro-SNBC investments	Job creation
Buildings	Building renovation	●	●	●	●
	Installation of low-carbon heating	●	●	●	●
	Power microgeneration	●	●	●	○
	"Smart" buildings/infrastructure	●	●	●	●
Industry	Low-carbon cement	●	●	●	●
	Low-carbon steel	●	●	●	●
	Industrial heat recovery	●	●	●	●
	Energy R&D	●	○	●	●
Power	Deployment of renewable energy sources	●	●	●	●
	Nuclear power plants	○	●	●	●
	Carbon capture and storage	○	●	●	●
	"Smart" grids	●	●	●	●
	Batteries: storage	●	●	●	●
	Hydrogen R&D	●	○	●	●
	Biogas	●	●	●	●
Transport	Emission standards / efficiency	●	●	●	●
	Development of electric vehicles & infrastructure	●	●	●	●
	Soft transport urban infrastructure & policies	●	●	●	●
	Energy efficiency and infrastructure in the rail sector	●	○	●	●
	Rail sector: passengers	●	●	●	●
	Rail sector: freight	●	●	●	●
Ecosystems & soils	Regeneration and adaptation of forests and agroforestry	●	●	●	●
	Wetland conservation and restoration	●	●	●	○
	Carbon storage in agricultural soils	●	●	●	●
	Ending net artificialisation of land sinks	○	●	●	●
Agriculture	Plant proteins	●	●	●	●
	Livestock rearing (feed intake, manure)	●	●	●	●
	Carbon-neutral farms	●	●	●	●
Alimentación	Support for local food projects	●	●	●	●

● Strong effect/ Deployment in 2020-2021
● Weak effect/Deployment in 2025-2030

● Significant effect/Deployment in 2021-2025
○ No effect/Deployment >2030

in the Common Agricultural Policy (CAP) in line with climate and biodiversity targets. Harnessing the value of soil carbon storage, developing a strategy for plant proteins and agroecology practices for livestock rearing, and including changes in food product supply in environmental or public objectives within the European context of the CAP and the Green Deal all have potential for getting the sector on the right track by 2030. There are many co-benefits to these measures for biodiversity, combatting imported deforestation, nutrition and health, employment and France's energy independence.

Measures announced so far to help France recover from the crisis have primarily been geared, with employment in mind, towards the highly-emitting automotive and aviation sectors. However, these measures do not come with firm conditions to evolve towards a trajectory consistent with national climate targets. The recovery plan scheduled for publication this fall must be consistent with the low-carbon transition and include measures for overall assessment, oversight and monitoring.

THE ROLE OF REGIONAL ACTION AND THE JUST TRANSITION ■ TO PLAN LONG-TERM STRUCTURAL MEASURES

Regional action and ensuring a just transition are two key considerations for a cross-cutting overview of the SNBC. They are analysed in this report.

The regions are, by definition, leaders when it comes to climate action, with direct power over various drivers of the sectors defined in the national low-carbon strategy (SNBC), including in the three largest-emitting sectors in France: transport, agriculture and buildings.

The issues in terms of mitigation of greenhouse gas emissions are different depending on the region. Emissions are correlated with the population and/or wealth concentration as well as the structure of the regional economy and issues of territorial equity must be taken into account when declining the SNBC into regional targets. The national carbon neutrality target may be unsustainable for some regions, while others will be expected to go beyond. Given the national carbon budgets are not distributed among the regions, discussions between the national and subnational levels are necessary to clarify expected regional efforts. Additionally, emissions measured at the regional level mask major disparities with respect to regional carbon footprints. Some regions are home to highly-polluting activities but their final consumption takes place in other regions. This point needs to be factored into the effort-sharing.

Regional authorities must provide a strong impetus in local areas by encouraging sub-regional stakeholders to set up initiatives, through guidance and grants for example. The implementation of the regions' role as climate leaders – in terms of sub-regional stakeholders coordination, relaying of national strategies and steering of sub-regional investments - must be assessed with a view to

harmonising and improving practices. Regional councils' investment spending encompasses policy areas with high stakes for addressing climate change. This represents over eight billion euros a year. Regions must ensure that these investments follow the path to a more carbon-neutral future and evaluate them. Any budgetary rules that are obstacles to progress should be removed.

Ensuring a just transition is a central concern for climate policy and requires management and monitoring. The definition of what is meant by the "just transition" varies depending on the stakeholder and sphere in which this issue is being debated. As such, some policies can give rise to legitimate feelings of injustice which will hamper their delivery and effectiveness. Only a multidisciplinary approach can recommend or assess measures for a just transition enabling deployment of the sustainable development goals. Discussions and actions regarding the just transition must be broadened to encompass the full range of perceptions being held. The use of indicators likely to reflect different perspectives is necessary.

The debate around the carbon tax in France has taken a significant dimension for the just transition in France and needs to progress. An observation of the full set of tools that put a price on carbon is required for an objective debate and a strategy on its future implementation. The tools leading to an explicit fossil fuel price have been assessed in this report. Distribution of fossil fuel taxation is very unequal between different economic stakeholders as well as within a given stakeholder group. The current carbon price trajectory alone will not allow France to meet the objectives of the SNBC. The Government must plan for a credible strategy that can involve a renewed carbon tax increases or a strengthening of regulatory measures. In

either case, the strategy must be transparent and vigilant regarding its distributional effects. Elements of the carbon tax that adversely affect equality and fairness must be corrected.

Reflexions around the just transition are also linked to questions of employment that must be identified and anticipated. Economic changes and skills needs linked to green jobs must be identified and planned for. Employment policy should take better account of the climate and energy transition, in particular through the creation of dialogue fora open to all stakeholders.

A just transition must ensure that the inequalities and vulnerabilities caused by climate change or low-carbon policies are taken into account. In order to avoid exacerbating inequality, low-carbon policies must factor in not only income poverty but also lifestyle poverty (household structure, housing, life course). Efforts must be shared equitably across all sections of society and bear in mind the unequal vulnerability of individuals in the face of climate change and low-carbon policies. The question of stranded assets is above all a matter for shareholders, who must take action to resolve them. Collective discussions should be held on the principles of regulating the socialised compensation of climate damage, by the private and public sectors alike, over different timeframes.

Lastly, the just transition is a political issue requiring exemplary State accountability. Climate policy must learn to deal with a general sense of mistrust towards institutions. Deliberative and participatory processes can play a part in this regard, in addition to the other democratic processes, and reliance on the work of intermediaries. The contribution such processes can make to public decision-making must be afforded greater recognition and the ways in which decision-makers are accountable for them need to be clarified. The State holds the overall responsibility for the delivery and fairness of public climate

policy. In the absence of a consensus, it arbitrates between the different sources of legitimacy: the fact that there is no consensus cannot be a pretext for not taking climate action.

The finalisation of this report coincides with the submission of the Citizens' Climate Convention's proposals to the Government. An in-depth analysis is not possible in such a short space of time. Such an analysis should moreover come hand-in-hand with an estimation of the mitigation potential of these proposals in order to assess the success of the process's mission: to defining instrumental measures for reducing emissions by at least 40% in 2030 compared to 1990, in the spirit of social justice.

The Citizens' Climate Convention, a remarkable collective intelligence initiative set up by the French Government, is well worth promoting more widely. It demonstrates that people from different geographic, social, political and cultural backgrounds – many without previous experience in the key issues shaping climate change – can perceive the urgency of addressing climate change and finding common ground, in just a few months, on a series of major proposals for the transformation of French society, encompassing action for the climate and social justice. The High Council on Climate advocates for a response commensurate with the collective accomplishments achieved, in line with the Government's commitments.

Climate change continues to worsen and urgent action is required to speed up the just transition in a bid to bolster our resilience to the health and climate risks. Globally, the years 2015-2019 have been the five hottest on record; 2019 was the warmest for the surface temperature in Europe, and saw two severe heatwaves and an unprecedented period of drought in France. The first semester of 2020 is the hottest ever recorded in France. It is therefore now time to get back on track and make the recovery one towards the low-carbon transition.

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ABOUT THE HAUT CONSEIL POUR LE CLIMAT (THE HIGH COUNCIL ON CLIMATE)

The High Council on Climate (HCC) is an independent body tasked with issuing advice and recommendations to the French government on the delivery of public measures and policies aimed at reducing France's greenhouse gas emissions. Its purpose is to provide independent insight on government climate policy. The HCC was established on 27 November 2018 by the President of the Republic and then by Decree in May 2019. Its members are chosen for their expertise in the fields of climate science, economics, agronomy and energy transition.