
“FRANCE RELANCE” RECOVERY PLAN **AND ITS CONTRIBUTION ■ TO LOW-CARBON TRANSITION**

AN OPINION FROM
THE HIGH COUNCIL ON CLIMATE

DECEMBER 2020

■ EXECUTIVE SUMMARY

At the end of 2020, the Covid pandemic, and the lockdown and restrictions put in place to limit it, resulted in a general slowdown in economic activity, with GDP expected to decrease by 9-10% in 2020 according to INSEE, combined with an increase in poverty and unemployment. At the same time, French people's concern for the climate is not waning, although greenhouse gas (GHG) emissions have indeed decreased, albeit only as a result of the economic circumstances. On 3 September 2020, the government announced a €100 billion recovery plan (4% of GDP), including €30 billion for the environment, to support the economy and boost, among other things, energy and climate transition. This stimulus plan was submitted to the French parliament as part of the 2021 finance bill (budget).

The government has carried out initial work on evaluating the recovery plan as regards the climate, and the effect of the stimulus measures on greenhouse gas emissions in France. This work is an important step to better govern low-carbon transition, but it does not, however, ensure that the plan is consistent with France's national carbon neutrality target. In accordance with its mandate to assess the government's climate policy, the High Council on Climate (HCC) assessed the extent to which the recovery plan is consistent with the national low-carbon strategy as ratified by legislation. This first analysis will serve as a framework for future evaluations of the HCC and supplements the analysis on how to "re-launch the transition" in the 2020 annual report.

The HCC evaluated the recovery plan's measures in terms of their effects on the greenhouse gas emissions trajectory, distinguishing between measures that are favourable, unfavourable, ambiguous, or that make no change to France's current emissions, which are too high. Next, the contribution of measures that are "favourable" to individual sectors or economy-wide aspects of the low-carbon strategy was assessed, as was their consistency with the policy directions of the national plan for adaptation to climate change. Their effects on the different dimensions to a fair transition (economic activity, social inclusiveness, political participation) were also analysed.

The findings of this exercise by the HCC are:

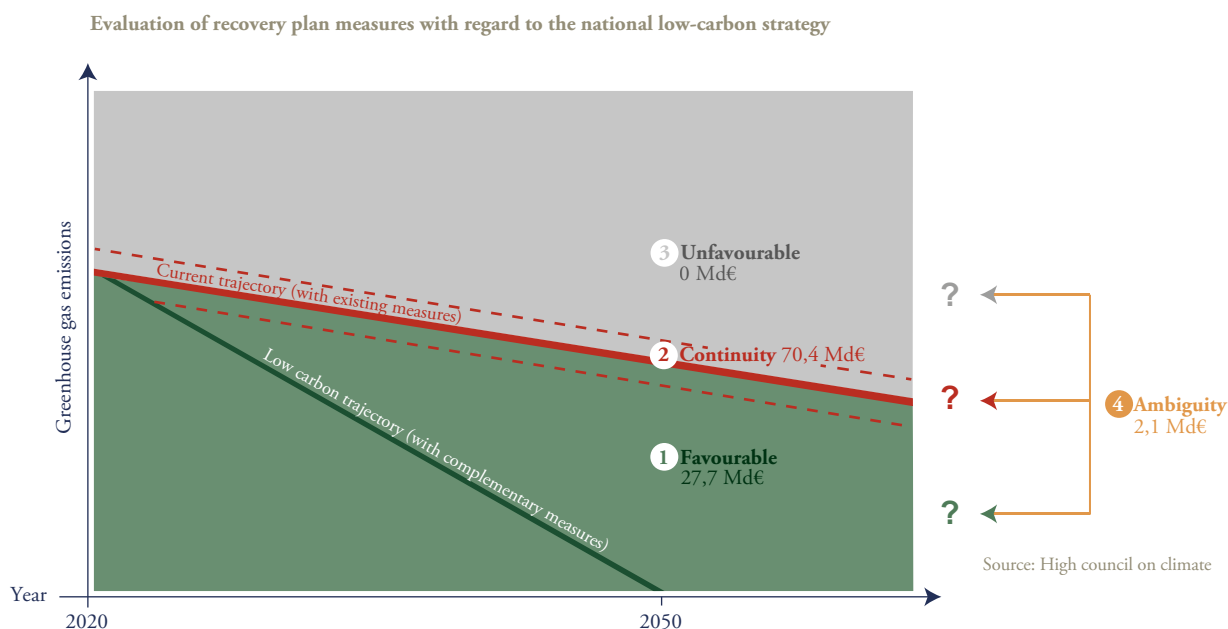
- It is possible to assess the contribution made by a stimulus plan or budget to the achievement of carbon neutrality targets. Such an assessment must take the low-car-

bon trajectory defined by the low-carbon strategy as a benchmark. The use of a hypothetical counterfactual with high GHG emissions does not make for complete consideration of consistency of the measures with achieving carbon neutrality.

- It is necessary to discard the notion of climate neutrality in public spending. Measures described as "neutral" by the government cover two separate notions, namely i) measures the effect of which is assumed to be insignificant compared to the existing situation, and therefore making no change to the current trajectory of France's emissions, and ii) measures without enough data to determine their effect and where it is important to remain vigilant.
- According to the HCC's evaluation, the recovery plan entails €28bn of spending that works in favour of lower greenhouse gas emissions. These actions bring France closer to the low-carbon strategy trajectory. This is a substantial amount and close to the government's own evaluation of the figure, but the HCC content differs in part.
- The measure to reduce production taxes applies to production at all levels of carbon impacts, and requires closer examination before being promoted as forming part of a decarbonisation policy.
- The recovery plan includes €2.1bn reckoned to have an ambiguous effect on impact reduction. It is necessary to ensure these measures are implemented in a way that reduces France's emissions, or at the very least so that they do not undermine the objective of carbon neutrality.
- Half of the "favourable" reduction funding is for the decarbonisation of transport and buildings. Agriculture and forestry are overlooked.
- The recovery plan covers about 60% of the 45 policy directions defined by the low-carbon strategy. The effectiveness of the "favourable" measures deployed could be strengthened:
 - Compared to the different approaches suggested by the national low-carbon strategy, the recovery plan's main contributions are decarbonisation, then energy efficiency, as energy restraint is not addressed by the plan.

- The recovery plan only marginally supports employment and training geared towards low-carbon transition out of the €36 billion cohesion package.
- Whether the reduction measures are truly "favourable" is sometimes questionable.
- The measures that would trigger the structural transformations necessary to decarbonise the French economy are really not clear. Furthermore, two-thirds of the stimulus plan works to support economic activity with zero change to current practices. That could have a significant upward effect on GHG emissions compared to France's planned reduction trajectory, and runs the risk of locking in high-emitting activities for the long term. The recommendations of the 2020 annual report on cross-compliance could be applied in the recovery plan.
- It is crucial that the coming decade sees the investments that will deliver the changes compatible with the Paris agreement's temperature objectives. The implementation of the recovery plan, which represents an unusual level of spending, must ensure that the climate-friendly measures, often limited to two years, have a ten-year outlook.
- The climate measures within the stimulus plan focus mainly on economic activity. The plan also contributes to the inclusiveness of our society, through the improvement of infrastructure and public services (water, energy, transport). On the other hand, the stimulus package's climate transition-friendly measures seem to be used less than its unfavourable measures when it comes to reducing income inequality.
- The regressive effects on income distribution of some measures that are effective in terms of climate need to be offset to ensure that the transition does not increase inequalities and social tensions. Such tensions could complicate the deployment and progress of a transition that could be perceived as unfair.

Figure 1 – HCC's Climate evaluation of reduction policies



- 1 - A measure is evaluated as **favourable** if it brings France closer to its low-carbon trajectory.
- 2 - A measure is evaluated as **no-change** if it does not alter the current emissions trajectory.
- 3 - A measure is evaluated as **unfavourable** if it moves France away from its low-carbon trajectory.
- 4 - A measure is evaluated as **ambiguous** if it has a controversial or mixed effect on emissions (positive or negative).

RECOMMENDATIONS

Depending on the details of its implementation, the recovery plan could make a significant contribution to reorienting the current trajectory towards carbon neutrality by incorporating the following recommendations:

1. STRENGTHEN THE COMPATIBILITY BETWEEN THE RECOVERY PLAN AND THE CARBON NEUTRALITY OBJECTIVE SET BY LAW

- Orient economic recovery towards low-carbon production and consumption through joined-up public policy - economic incentives, direct regulations, information programmes.
- To better reconcile the challenges of control over demand, with job creation, and energy efficiency and restraint being identified by the low-carbon strategy as two of the main drivers for decarbonising France.
- Strengthen the consistency of stimulus policies, particularly in the transport sector, the largest domestic emitter of greenhouse gases. The conflicting measures taken cause confusion and encourage long-term dependency on carbon-intensive solutions.

2. MAXIMISE THE BENEFITS OF THE STIMULUS PLAN FOR LOW-CARBON TRANSITION

- Accompany the stimulus plan with non-budgetary policies to set in motion the breakthroughs expected by the national low-carbon strategy in relation to current trajectories, including through the ministries' roadmaps announced in January 2020.
- Ring-fence and increase levels of expenditure on areas favourable to carbon reduction, which remain below the levels generally reckoned to be needed. Transformation measures must be viewed from a ten-year perspective, as stakeholders and investors need a clear framework.
- Enhance support for sectors facing greater issues in reduction and adaptation, currently poorly supported by the recovery plan, in particular agriculture and carbon sinks, including by reorienting the content of existing measures that do not include any climate criteria.
- Develop and strengthen measures specifically aimed at adaptation to a changing climate.

3. BETTER ANTICIPATE AND HIGHLIGHT THE CHALLENGES OF FAIR TRANSITION WITHIN STIMULUS POLICIES

- Assess the impacts of the recovery plan's climate policy with a view to various economic, social and political dimensions.
- Highlight the potential benefits shared across the climate transition, social inclusiveness and reduction of inequalities aspects, to bring about a sustainable reduction in general vulnerability to climate change and transition policies. Sectors such as agriculture (the second largest domestic emitter) and sustainable food, plus transport and buildings could be better promoted in this respect.

4. MONITOR AND EVALUATE IMPLEMENTATION OF THE RECOVERY PLAN

- Plan to monitor and evaluate the recovery plan from a climate perspective, based on the recommendations of the HCC report on the evaluation. This involves ensuring the necessary data is available and collected.
- Assess the effect of the plan on France's imported emissions.
- Develop a management system able to make adjustments according to the results of the evaluation, in order to redirect funding towards the most efficient and fairest measures.

5. IMPROVE CLIMATE ASSESSMENT METHODOLOGIES

- Take the low-carbon trajectory of the national low-carbon strategy as the benchmark, and not the existing trajectory.
- Distinguish between spending that is consistent with this trajectory and spending that represents "no change" from the current GHG emissions trajectory.
- Include an assessment with regard to those aspects involved in a fair transition.
- Develop more operational terms of reference for action and evaluation for adaptation policies.
- This methodology could be used to evaluate the measures proposed by the Citizens' Climate Convention that will eventually be implemented.

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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.