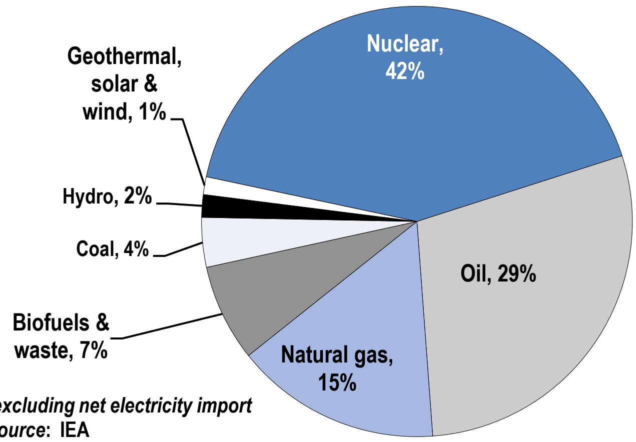
France

The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries and eight partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa).

Energy resources and market structure

Total Primary Energy Supply* in 2017



*excluding net electricity import
Source: IEA

France has very limited fossil-energy resources and imports most of its oil, natural gas, and all of its coal. The country has pursued a policy of developing its nuclear energy industry to reduce its dependence on fossil energy imports, though almost all of the uranium needed to fuel its nuclear power plants is imported (mostly from Canada and Niger). In 2016, nuclear power accounted for roughly three-quarters of France's electricity generation and 43% of its total primary energy supply, fossil fuels accounting for 47%. Treating nuclear power as domestic supply, indigenous production meets just over half of the country's energy use. Petroleum products accounted for 28% of energy use, having dropped steadily from 37% in 1990 and nearly two-thirds in the 1970s.

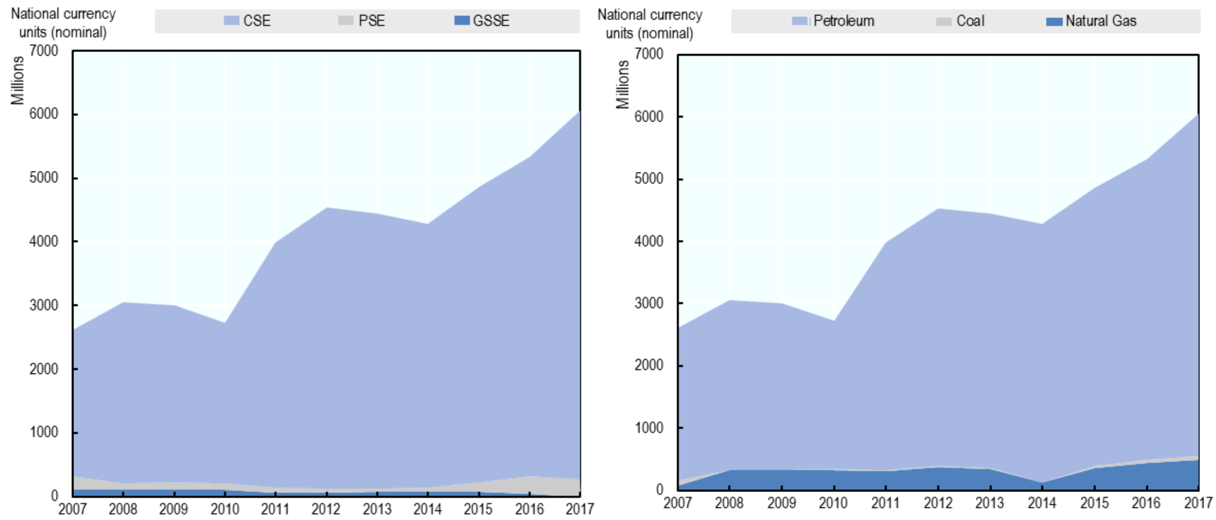
France has liberalised its electricity and natural-gas sectors progressively to comply with EU directives, eliminating the monopoly rights of the two state companies, *Électricité de France* (EDF) and *Gaz de France* (GDF). As a result, high government ownership of energy companies has somewhat diminished in recent years. Further actions taken included the unbundling of the transmission and distribution networks of natural gas and electricity, the introduction of negotiation of third-party access to underground storage of natural gas, and the establishment of both a regulator, the *Commission de Régulation de l'Énergie* (CRE), and a mediator to protect electricity and gas consumers.

The oil industry has been private since the state sold its share of the international oil company, Total, was completed in the late 1990s. A number of other private companies, many of them foreign-based multinationals, are also active in the French refining, distribution, and marketing businesses. Despite efforts to liberalise the electricity sector, EDF and its subsidiaries still account for the bulk of power generation, transmission, and distribution. This is reflected by low consumer-switching rates (less than 10%), although electricity consumers in France have been able to choose their supplier since 2000. Similarly, Engie (formerly GDF Suez) remains the dominant player in the natural-gas market, importing the bulk of the country's gas needs. Engie and other historical gas suppliers have retained most of the retail market (79% of residential customers and 78% of non-residential customers in September 2018, but only 68% of non-residential consumption).

Energy prices and taxes

Prices of all forms of energy other than electricity and natural gas are set freely by the market in France. The CRE is responsible for proposing changes to the regulated tariffs and for regulating tariffs for access by third parties to gas and electricity infrastructure, but the government still has the final say over whether or not to approve the proposed changes (though not modify them). Energy products and services are subject to normal VAT at the rate of 20%, with the exception of some segments of electricity supply, natural gas, and LPG, for which the rate is 5.5%. Excise duties in the form of the TICPE (*Taxe intérieure de consommation sur les produits énergétiques*) are payable on all sales of oil products at varying rates while separate consumption taxes apply to deliveries of coal, natural gas and electricity. A part of this rate is directly linked to the fuel carbon emissions.

Total support for fossil fuels in France by support indicator (left) and fuel type (right)



Note: CSE=Consumer Support Estimate; PSE=Producer Support Estimate; GSSE=General Services Support Estimate. The peak in support in 2006 is linked to capital grants to the public mining company Charbonnages de France. Such grants ended after the dissolution of the company at the end of 2007.

Recent developments and trends in support

There exists a number of different mechanisms and arrangements supporting the use of specific fuels and categories of end users in France. These mainly take the form of partial or full exemptions and refunds from VAT and excise duties on oil products. In many cases, the total volume of the different forms of support is modest, though it can still represent a substantial transfer from the perspective of the recipient. In 2015, with the addition of a carbon tax to the taxation of energy products in France, exemptions to energy-intensive industries that are not part of the EU ETS and are exposed to the risk of carbon leakage were introduced to shield concerned sectors from increases in excise tax rates on fossil fuels. The resulting positive growth in support to fossil fuels between 2014 and 2016, as illustrated in the graph above, is directly linked to the exclusion of energy-intensive industries from the new carbon tax on fossil fuels.

Examples of measures	
Excise Refund for Diesel Used in Road Freight Transport (1999-)	The excise tax levied on diesel fuel used in road freight vehicles weighing at least 7.5 tonnes is, under this tax provision, partly refunded to eligible beneficiaries. Freight companies registered in other EU countries can benefit from this measure provided they are able to attest having purchased diesel fuel in France for use in eligible vehicles.
Overseas Excise Tax for Fuels (2001-)	Motor fuels consumed in French overseas *départements* (Guadeloupe, Guyane, Martinique, Mayotte and La Réunion) are subject to a special tax (*Taxe Spéciale sur la Consommation*), whose rate is decided locally, generally lower than the final consumption tax and cannot exceed the excise tax rate applied in Metropolitan France. In addition, there are no taxes applied to fuel for heating or cooking purposes. This concession aims at supporting investment in territories that are both geographically and economically disadvantaged.