

CHART OF THE WEEK

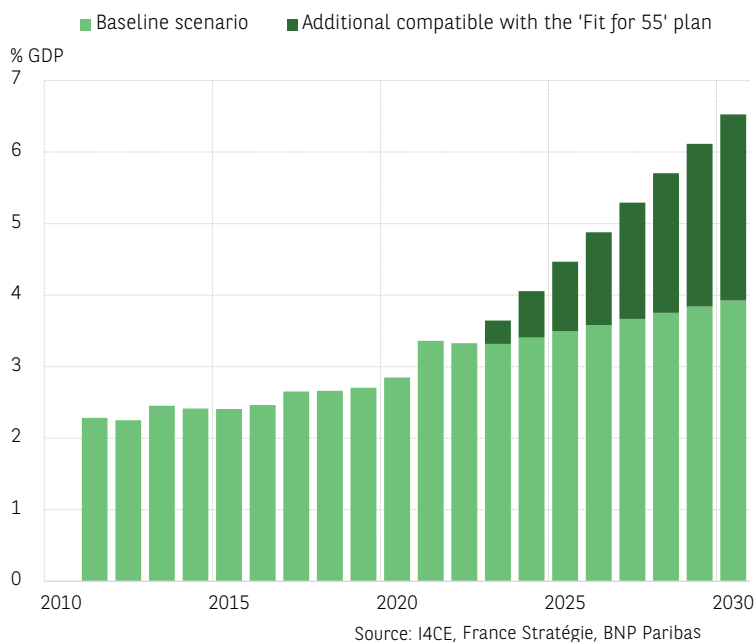


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ECOLOGICAL TRANSITION: WHAT IT COSTS

Jean-Luc Proutat

France: climate related investments



The most comprehensive and well-documented assessment to date of the cost of France's ecological transition has just been published by the France Stratégie institute, in a widely commented report¹. By 2030, meeting our climate commitments - which involve a 55% reduction in greenhouse gas (GHG) emissions compared to 1990 levels - will require almost EUR 70 billion or 2.5 points of GDP in additional annual expenditure². Roughly speaking, this is equivalent to doubling the rate at which climate investments have progressed to date in constant euros; or, to use the authors' expression, "to do in ten years what we've struggled to do in thirty".

How can this be achieved? The report takes into account the effect of replacing "brown" capital with "green" capital. Future savings on fossil fuels will facilitate the switch from internal combustion vehicles to electric vehicles, from oil- or gas-fired boilers to heat pumps, and so on. But they won't be enough, notably because the investment multiplier associated with the ecological transition (the extra GDP that can be expected) is considered low. This is due to the high proportion of "green" technologies (solar panels, batteries, wind turbines) imported from Asia (China, Japan, Korea) as well as the evolution of consumption patterns moving towards sobriety and that could lead, for example, to a limitation of the individual use of the automobile.

Since a self-financed transition is unrealistic, the question inevitably arises of how to support it through taxation or borrowing. While the authors of the report do not ignore either option, they point out that the conditions for additional debt (estimated at 9 points of GDP for the State by 2030) will depend crucially on the level of interest rates which should preferably be kept below the path of economic growth.

¹ Pisani-Ferry J., Mahfouz S. (2023) «Les incidences économiques de l'action pour le Climat» Report by France Stratégie, May.

² At constant 2023 prices. The estimates given on pp. 88 and 112 of the report, which segment additional expenditure by major type of item (housing renovation, replacement of energy sources, etc.), give a figure of EUR 66 to 67 billion.

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