Waiting on Macron

Five months on from the election of Emmanuel Macron as President of France, renewable energy developers and investors are keenly anticipating the detailed policies, plans and administrative decisions that will flesh out the headline pledges made during his campaign.

Without doubt, those pledges are positive for the industry. Prior to the election, Macron promised to implement the previous administration’s 2015 Energy Transition Law, which includes reducing the share of nuclear energy in France’s energy mix to 50% by 2025, down from around three-quarters at present – but questions persist over the feasibility of that timetable.

Macron also backed the target to double renewable energy capacity by 2022, from 21.4GW in 2016, set out in the programmation pluriannuelle de l’énergie (PPE), the multi-year energy investment program approved in October 2016 that set targets for the periods of 2016 to 2018 and 2019 to 2023.

In addition, Macron promised a tender for 26GW of renewables at the beginning of his term, requiring €30b (US$36b) in private sector investment, and pledged an additional €15b (US$18b) in state spending on energy and the ecological transition. The latter is likely to be directed at funding innovative clean energy technologies. Macron also pledged to close all coal-fired power plants by 2022 – they currently supply just 1% of the nation’s electricity.

Since the election, the Government has released its Plan Climat, a five-year program to accelerate the climate and energy transition, in line with the Paris Agreement. That plan bans onshore and offshore oil and gas exploration in both France (where shale gas fracking is already banned) and its overseas territories, reaffirms the target of increasing the share of renewable energy to 32% (including a 40% target for electricity) by 2030, and proposes ending the sale of cars with internal combustion engines by 2040.

The Government is also reviewing the PPE, which will set new targets for the period from 2019 to 2023 covered by the existing plan, as well as targets for 2024 to 2029. Specifically, the new PPE – which should be released by the end of 2017 – will provide a timetable for renewable energy tenders.

For the renewables sector, the election result was the best of the likely outcomes: compared with the right-wing candidate François Fillon, knocked out in the first round, and the climate-skeptical Front National contender Marine Le Pen, Macron is considerably more committed to clean energy and addressing climate change. His ecology minister, the environmental activist and TV personality Nicolas Hulot, is an enthusiastic advocate of the energy transition. Importantly, he is backed by a strong and experienced team of civil servants, led by Michèle Pappalardo.

However, the industry wants clarity on the Government’s plans. In the first half of this year, the volume of new onshore wind capacity installed was 13% lower than the same period in 2016, at 492MW. The dip was attributed to developers and financiers wrestling with a new support scheme, the “complément de rémunération,” which is similar to the Contracts for Difference model used in the UK, which replaces the previous feed-in-tariff program.

The process, which applies to any project involving more than six wind turbines, involves the Government paying renewable energy generators a variable premium that is added to the wholesale price to match the “strike price” determined by a competitive auction and tender process. The first wind tender – for 500MW – is due in November, followed by five others in 2018 and 2019.

In the offshore sector, 10 companies have been preselected for a third tender, for between 250MW and 750MW off Dunkirk in Northern France. The winner is due to be announced in early 2018. The tender follows auctions for 2GW of capacity in 2012, and 1GW in 2014.

France Énergie Éolienne (FEE), the French wind energy association, is calling for the Government to more vigorously support the floating wind sector. Four pilot projects are under way, initiated by the previous administration, which also instructed local authorities to identify potential zones for commercial projects. FEE would like to see tenders for 2GW of floating wind next year, with a view to a total of 6GW installed by 2030.

Solar installations, meanwhile, are proceeding apace. In July, Hulot announced that 77 bidders had been awarded tenders to supply 500MW of solar power, at an average cost of €55.5/MWh (US$66.3/MWh) for larger installations, and an overall average of €63.9/MWh (US$76.3/MWh).

Strong political support for renewables in France is encouraging consolidation in the sector. In June, electricity and gas retailer Direct Energie announced the acquisition, for €300m (US$358m), of French renewable energy producer Quadrant. The same month, EDF Énergie Nouvelles completed its purchase of a two-thirds stake in wind developer FUTUREN in a deal that valued the company at around €320m (US$382m).

Such acquisitions are demonstrating commitment to the energy transition of big utilities, whose large balance sheets will help underpin continuing development. At the same time, they allow mid-sized developers to access end consumers, as well as delivering successful exits for their investors.

These transactions coincide with growing interest from infrastructure funds and other European utilities in French renewable energy assets, illustrating the growing attractiveness of a market underpinned by strong policy support. However, more detail on the Macron Government’s plans to further promote renewables in France are expected in the months to come – with industry watchers expecting announcements around the President’s high-profile international climate conference, to be held in Paris in December.

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