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Preserving public investment in the low-carbon transition in France

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France, although less affected than its neighbours by the deterioration of public capital, has seen very little increase in net investment over the past ten years. Despite a 33.5% reduction in CO_2 emissions since 2005, decarbonisation efforts in key sectors are stalling, threatening the 2030 and 2050 targets. Budgetary constraints and the lack of a clear energy plan are slowing down the transition.

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This article is a summary of Chapter 2 of the European Public Investment Outlook 2025, devoted to France and published in December 2025, co-written by Paul Malliet, Mathieu Plane, Francesco Saraceno and Anissa Saumtally.

French climate and energy policy is now part of the European Green Deal[1]. This pact sets binding targets for all Member States and structures national decarbonisation trajectories. France, like its partners, must submit national energy and climate plans (NECPs) detailing its strategy for achieving the common targets.

The deadlines for European commitments on ecological transition are approaching. The European Green Deal aims to reduce greenhouse gas emissions by 55% (Fit-for-55 package (https://climate.ec.europa.eu/eu-action/effort-sharing-member-states-emission-targets/effort-sharing-2021-2030-targets-and-flexibilities_en)) by 2030 compared to 1990 levels, France's reduction target is set at −47.5% of emissions compared to 2005, in order to achieve carbon neutrality by 2050, both in France and in Europe. France still has considerable work to do in the transport, agriculture, construction and industry sectors. It benefits from a largely decarbonised electricity mix thanks to nuclear power, which should be an asset in decarbonising these sectors through continued electrification.

The latest version of the Multi-Year Strategy for Financing the Ecological Transition (SPAFTE) (2024) estimates the additional investment needs (public and private) at around €82 billion by 2030[2] per year to enable France to achieve its climate objectives[3],

[1] For a detailed analysis of the European carbon strategy, see A. Épaulard, P. Malliet, A. Saumtally, X. Timbeau (2024), OFCE Policy Brief No. 131: *'The Ecological Transition in Europe: Staying the Course'*

[2] In the latest version of its Panorama des financements climats (Overview of climate finance), the I4CE institute estimates that investment needs are slightly higher than the government's estimate, at €87 billion per year.

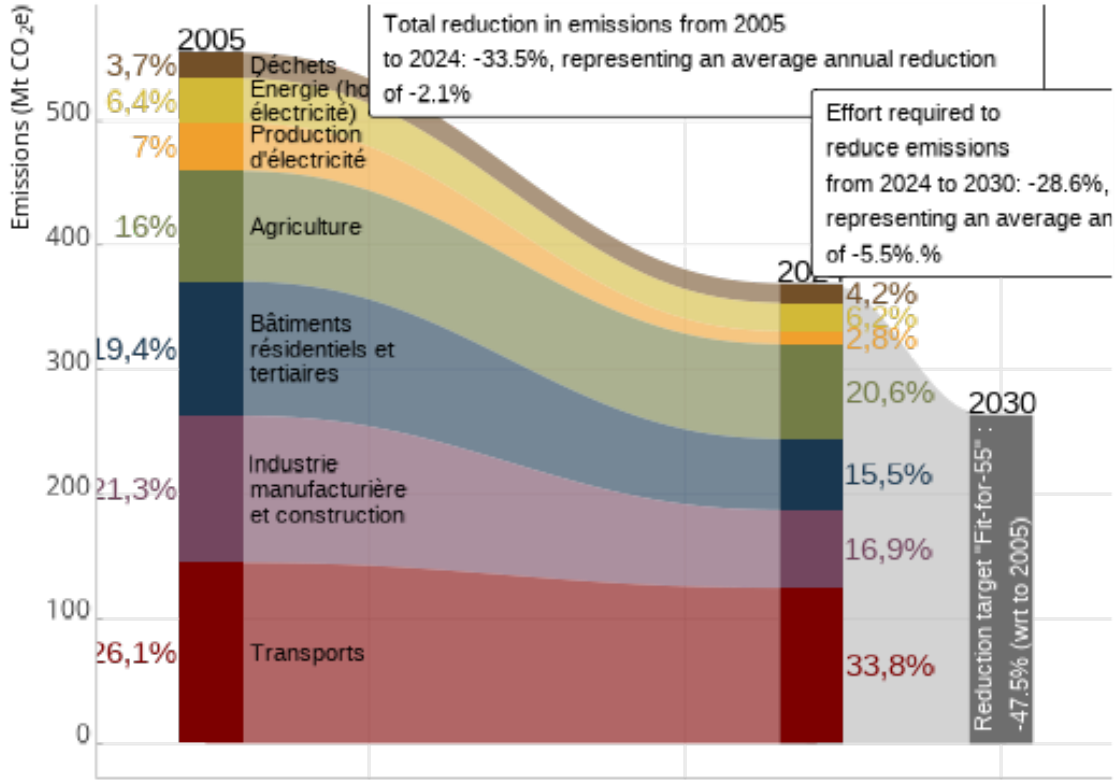
[3] This figure represents a significant upward revision from the €66 billion recommended by the report on the economic impact of climate action published in 2023.

which is almost double the investments seen in recent years[4]. However, the specific characteristics of the ecological transition (low short-term returns, high risks, public good dimension, long time horizon) make public investors an indispensable player. Beyond direct financing, it is the institutional anchoring of public commitment that determines the credibility of France's trajectory.

Against a backdrop of multiple crises and severe budgetary constraints, the temptation to divest is strong. The urgent issues of the present tend to overshadow climate challenges, whose effects, although already noticeable, will be no less devastating in the future.

A low-carbon transition halfway through

Graphic 1: Reduction in French GHG emissions by sector between 2005 and 2024



Champ : The transport sector excludes international transport.
Note : The coloured percentages indicate the respective share of emissions from the associated sector in total emissions.
Sources : CITEPA, authors' calculations, calculs OFCE.

France reduced its greenhouse gas emissions by 33.5% between 2005 and 2024, a remarkable achievement but one that masks significant sectoral disparities (graphic 1). The electricity production sector saw a 71% drop in emissions, contributing 5 percentage points to the total reduction over this period. France's unique reliance on nuclear energy (69% of the electricity mix in 2025[5]), combined with the gradual closure of coal-fired power

[4] In 2024, low-carbon investments amounted to an estimated €113 billion, a slight decrease compared to 2023 (-€3 billion).

[5] Source ember-energy.org

plants and the rise of renewable energies (13% of the mix in 2025[6], compared to <1% in 2005), means that the French electricity mix is now among the most decarbonised in Europe.

Without absolving the country of its responsibility to invest in renewables, where France remains below the European average, the pursuit of decarbonisation targets for France should now turn to sectors that emit significantly more GHG and offer greater leverage.

The building sector[7] (15.5% of total emissions in 2024) and industry (16.9%), despite significant reductions (-47% between 2005 and 2024), still need to make progress to meet climate targets. Meanwhile, the transport and agriculture sectors remain below expectations. With a reduction of only 14% in their emissions between 2005 and 2024, these key sectors have contributed only 3.6 points and 2.3 points respectively to the total reduction. The decarbonisation of French electricity and its high production capacity (which can lead to negative prices) is one of the keys to reducing emissions in these sectors through greater electrification, particularly for transport (i.e. more electric vehicles in the car fleet).

Achieving the 2030 targets therefore requires a significant acceleration in the pace of emissions reduction, particularly in these sectors. Between 2024 and 2030, nearly 29% of emissions remain to be eliminated, which corresponds to an average annual reduction rate of −5.5%, more than double the average rate observed over the last twenty years. Without a major shift in public policy, particularly through support for the decarbonisation of the identified sectors, and in behaviour, the risk of falling behind the target trajectory becomes tangible.

The recent publication of the 3rd version of the National Low Carbon Strategy (SNBC 3) specifies the trajectory for reducing emissions by 2038[8] at the sectoral level and clearly indicates what contributions are expected. In line with the areas for improvement identified above, the building sector will see the greatest efforts, with a planned reduction in emissions of 35.3% between 2024 and 2030; the transport and industry sectors are expected to reduce emissions by 26.3% and 27.9% respectively.

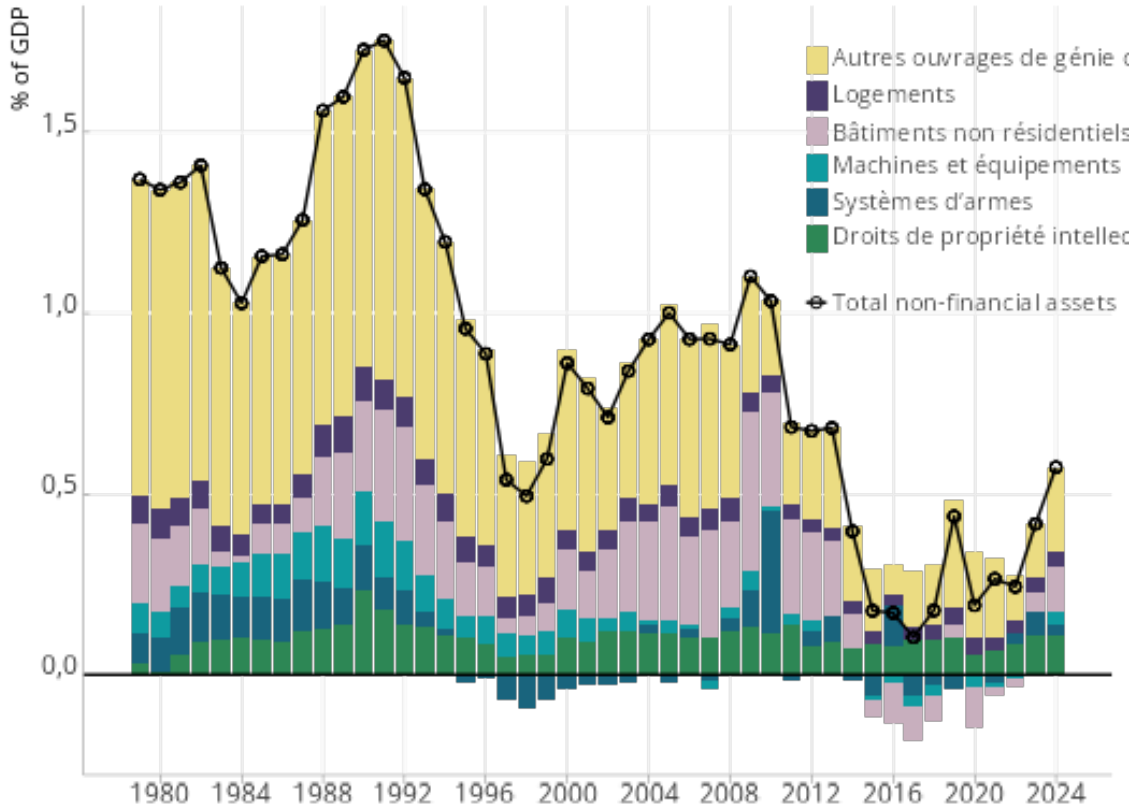
[6] Source ember-energy.org

[7] See the blog post by Épaulard, Hadzic and Laprie published on this subject, which discusses the issues specific to this sector in greater depth.

[8] The next three carbon budgets for 2024-2028, 2029-2033 and 2034-2038 are detailed in this document.

The threat of public disinvestment

Graphic 2: Public investment by type of asset (non-financial), net of capital depreciation



Note : Negative percentages indicate instances where investment is insufficient to offset capital depreciation.
Sources : Insee, calculs OFCE.

Compared to its European neighbours, France's public capital is less degraded. Nevertheless, net public investment has increased little over the past ten years, following the sovereign debt crisis of 2010 to 2012 (graphic 2). This sluggishness contrasts with the scale of the needs identified for the ecological transition.

However, the Covid-19 crisis marked a break with the launch of ambitious recovery plans. The France Relance (2021) plan, with a budget of €100 billion, including €40 billion financed by the European Union, allocates €30 billion to the ecological transition: thermal renovation of public buildings, clean transport, etc. It has been extended by *France 2030* (2021), a €54 billion investment plan[9] spread over the decade, aimed at catching up with France's industrial lag and supporting innovation in low-carbon technologies. In total, nearly 50% of the funds mobilised are directed towards climate objectives.

However, these amounts, spread over several years, remain below the needs estimated by the various expert reports. According to SPAFTE, this means that an additional €13 billion in annual investment will have to be provided by the public sector between now

[9] See the Bruegel Institute's *natural gas import tracker* on the evolution of gas imports in the European Union.

and 2030, representing a 75% increase on the level of recent years, which has been €17 billion per year since 2020.

Two structural factors threaten the continuity of the investment effort:

- **Budgetary constraints**: The available budgetary space is shrinking as a result of accumulated past deficits and rising interest rates. The path of fiscal consolidation needed to stabilise public debt, as well as the new European rules and market pressure, are limiting the French government's room for manoeuvre[10].
- **Reprioritisation of expenditure**: Faced with pressing social needs (purchasing power, health, dependency) and the desire to rearm in a tense geopolitical context, investment expenditure for the transition is likely to be sacrificed in favour of expenditure perceived as more urgent. The 2026 budget, which was finally adopted on 2 February 2026, reduces the France 2030 plan by 1.1 billion and the Green Fund by 850 million. In the race to reduce deficits, the adjustment variable is likely to focus on long-term investments. France's economic and ecological future risks being sacrificed in favour of spending on the present.

Essential political momentum

Paradoxically, the current geopolitical context should act as an accelerator rather than a brake on the low-carbon transition. The war in Ukraine has revealed Europe's energy vulnerability and the imperative of sovereignty. Reducing dependence on imported fossil fuels now serves a dual purpose[11]: climate and strategic. Similarly, investment in green technologies would reduce technological dependence on current leaders, particularly China, for key technologies needed for an energy transition that would not be subject to trade tensions.

Although these issues are recognised, France has long suffered from a lack of strategic leadership. The recent publication of the third National Low-Carbon Strategy and the Multi-Year Energy Programme (PPE), released on 13 February 2026, mark a long-awaited step forward. These documents, which are intended to guide public action and provide direction to economic actors, must now be translated into concrete budgetary commitments in order to restore the credibility of France's objectives.

To secure the transition path, a multi-year programming law for investment expenditure in low-carbon technologies appears necessary. Such a mechanism would make it possible to:

- Guarantee the predictability of public funding in the medium term, particularly in a climate of political instability and deficit reduction that jeopardises environmental decision-making
- Align budgets with the trajectories defined by the SNBC and the PPE
- Send a credible signal to private investors
- Shield this expenditure from short-term budgetary trade-offs

[10] [For more information, see P. Madec, M. Plane and R. Sampognaro (2026) 'Budget 2026: a compromise deficit', OFCE Policy Brief, No. 154, 26 February.] (https://ofce.github.io/budget2026/)

[11] See the Bruegel Institute's *natural gas import tracker* on the evolution of gas imports in the European Union.

As highlighted in our analysis in the France chapter of the EPIO 2025, coordinated European action remains essential to the success of the energy and green transition. Isolated action by Member States, however proactive, will not be enough to meet the scale of the challenge.