



The energy transition and decarbonisation: an asset or a hindrance to competitiveness?

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The international context of the last few months has reminded us of something we had somewhat forgotten: the competitiveness of businesses is first and foremost a question of energy. The cost of energy and the predictability of its prices are among the main levers available to our governments to ensure an attractive landscape for economic and industrial players. France has long relied on this, thanks to its large nuclear fleet, which provides abundant, cheap and carbon-free energy, as well as its considerable hydroelectric resources. By contrast, other European economies – including Germany – have long relied on supplies of cheap Russian gas for their energy mix. This situation has been shattered.

The conflict in Ukraine has clearly revealed the fragility of an energy system that, sooner or later, would have faltered. But it is the need to act quickly and decisively to decarbonise Europe's energy mix that is changing the game: we need to consume less and more efficiently, and we need to give priority to non-fossil-fuel energy sources in sufficient quantities. The investment required to achieve this is colossal: the decarbonisation of French industry alone is estimated to cost €50 billion, including €30 billion for the 50 sites with the highest emissions in the country. By 2050, €210 billion will be needed to decarbonise European industry, according to [a study by Allianz Trade](#). For the first time in their history, companies will have to adopt energy technologies that are less competitive – because they are more expensive – than those they have been using until now. It is true that decarbonisation offers many opportunities to reduce costs, but they have yet to be rigorously quantified.

Yet the transition to carbon-free energy is not an option. It is essential if we are to meet the challenges of climate change and fulfil our commitments to be carbon neutral by 2050, as set out in the Paris Agreement. The transition must include all sectors of the economy. Indeed, it is giving rise to new and fierce competition between the world's major economic blocs: Europe is trying to find the best way to strike back following the Inflation Reduction Act (IRA) in the United States, which, despite its name, aims above all to promote clean energy sources. This raises a major question: how can Europe combine the energy transition, decarbonisation and competitiveness?

Coordinated action at the European level

Targeted government intervention is essential. It is a question of pragmatism. The French government's France Relance plan has provided unprecedented support for the decarbonisation of French industry, with €1.2 billion of public funds allocated to 244 projects to decarbonise production, energy efficiency and renewable heat production processes. As a knock-on effect, this public support has generated almost €5 billion in investment and may save 5% of industry emissions – no mean feat, of course, but we need to act even faster and even harder. Other initiatives exist at the European level to facilitate and accelerate decarbonisation projects through incentive measures, but let's be clear: it cannot be up to the public authorities – French or European – to finance decarbonisation. Above all, the public authorities must provide guidance and incentive so that manufacturers, businesses, investors and consumers ultimately play their part.

Given the scale of this transition, its global dimension and the macroeconomic issues it raises, it seems most appropriate to take action at the European level. Coordinated action for the European market can encourage the decarbonisation of our economies, while ensuring fairer competition between our companies and those of other countries.

The size of the European market and the European Union's "regulatory creativity" are essential, whether in terms of strengthening the Emission Trading System (ETS) or the new systems adopted as part of the "Fit for 55" package, such as the Carbon Border Adjustment Mechanism (CBAM). This last mechanism is critical to limit the temptation of "climate dumping" by third countries, including China, and therefore to avoid penalising European companies in the face of competitors with less stringent climate standards.

While these carbon regulation mechanisms are in practice pushing economic players to adapt, the crux of the matter lies elsewhere: in the setting of energy prices and the organisation of the European electricity market. The reform of this market was the subject of a provisional agreement at the end of the year, with the aim of supporting the development and financing of low-carbon energy assets. This is the real signal that investors and businesses have been waiting for. In this context, there are a few measures to keep an eye on: those relating to contracts for difference (CfDs) and other forms of long-term energy



purchase agreements. These are vital to ensure greater visibility of long-term energy costs for investors, guaranteed income for producers and a degree of stability for end consumers. This is the key to stimulating investment and encouraging the financing of low-carbon energy solutions, with more attractive and demonstrable rates of return.

For a technological and energy transition

Encouraging investment is therefore a priority to ensure effective decarbonisation and to finance low-carbon innovations in the energy sector. This is critical if we are to maintain our quality of life and the growth of our economic activity, while limiting the impact of global warming. The energy transition is also a tremendous breeding ground for innovation. It is already stimulating the development of new technologies: the production of green or yellow hydrogen (produced from nuclear energy), carbon capture and storage and the creation of mini-nuclear reactors, such as SMRs or XSMRs, are all areas where the European Union can be at the forefront.

But let's not be naive: financing innovation is undoubtedly the greatest challenge facing European economies, which sometimes struggle to keep pace with the United States or Asian countries. We need to support research, development and the scaling up of these new technologies, while also ensuring that all sectors of the economy end up benefitting from them, from very small businesses to large corporations. It is crucial to create more favourable conditions for investment in decarbonisation technologies. Several initiatives are moving in this direction in France (the France 2030 plan and the Green Industry Act, adopted in October by the French National Assembly) and at the European level (the Net-Zero Industry Act, recently approved at the first reading in the European Parliament). In each case, the aim is to strengthen and increase European manufacturing capacity for net-zero technologies, making them more competitive and attracting investment. These initiatives are to be welcomed, as they aim to stimulate and support innovation. We must now hope that they remain as easy as possible for European companies to understand and implement, without being swamped by bureaucratic constraints.

The energy transition is undeniably as much an economic challenge as an ecological one. To go beyond the stage of major commitments and make it a reality, we need to approach it as a lever for performance, competitiveness and innovation. Finally, we must bear in mind that decarbonisation cannot be limited to energy alone. Sustainable and effective decarbonisation of our industries also involves financing mobility and supply chains that emit less carbon, while at the same time triggering a genuine resource-based economy, with greater circularity in the consumption of water and rare materials in particular. For all these challenges, it is essential to consolidate business models and demonstrate investment potential.



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