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How can eco-industry, innovation and tax policy be combined for a successful energy transition?

0. Introduction to the new energy technologies mastered and commercialized by Gimélec's members, both industry and energy efficiency services companies

- Smart energy management
- Smart electric grids and integration of renewables to the grid ("smart grid to smart cities")
- Peak shifting and peak management

1. A brief reminder of this French-European issue and of the public policy tools at our disposal

At issue is the acceleration of the deployment of new energy technologies mastered by French and European industries, and the contribution of tax policy, and of public policies as a whole, to the correction of major macroeconomic imbalances (current account, energy independence, public debt, attractiveness to foreign investors, etc.)

Two public policy tools are at our disposal in order to implement an ambitious energy efficiency policy:

- regulatory environment
- budgetary and fiscal policies

2. Lines of enquiry for a new energy economy : from budgetary reallocation to fiscal rationalization, through a legal environment favorable to investments

Suggestion 1: redeploy the existing fiscal potential while controlling for negative redistributive effects

This topic was previously discussed at this conference: if we refer to Ms Nicole Bricq report to the French Senate[1], there remains room for rationalizing and optimizing fiscal incentives for fossil fuel subsidies.

Suggestion 2: create a regulatory environmental favorable to investments in new energy technologies

- On the orientation of public investments: energy demand management as an integral part of energy portfolios[2] [3]

[1] Report published October 26th, 2011

- On the building sector and energy performance : sustainability, generalization[4] and the fight against energy precariousness

- From cost- and non-cost competitiveness to circular access to raw materials and rare earth in order to sustain innovation and eco-industrial production[5]

Suggestion 3: innovative financing mechanisms for energy efficiency projects and the energy transition

- Reference to the EE2012/27/UE directive : white certificates (so-called "*certificats d'économies d'énergie*", or "*CEE*"), energy performance contracting, green taxation

- The case of third party financing[6] : providing confidence to private capital with performance requirements (ecological and financial) to be met with more or less mature debt
    - Project with ROI under 5 years: targeting industry
    - Project with ROI under 10 years: targeting building
    - Project with ROI exceeding 10 years : targeting infrastructure of superstructures
      Provide a specific tax system so as to avoid any fiscal issue between third party financing and traditional project management

- The reinforcement and dynamization of white certificates towards a true market logic and in the immediate benefit of end-users

- The public electricity networks using fee (so-called « *tarif d'utilisation des réseaux publics d'électricité* », or "*TURPE*") and investments in support of smart grids: promote local projects while reflecting about governance and calculation methods to include expenses relating to the sector at hand in order for innovation to be put at the service of the optimisation of the electrical system and the country's cost- and non-cost competitiveness,

- Make subsidies conditional upon the obligation to measure and verify energy and ecological performance, and set up a business rating mechanism, that would be simpler and more readily understandable for buyers, both private and public,

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[2] CAS (Conseil Analyse Stratégique) report « Energies 2020 – 2050 » / 2012 deems energy demand management « a national priority ».

[3] See the IEA's 2012 *World Energy outlook*: energy efficiency, if widely implemented, can have us achieve 80% of our energy consumption reduction objectives by 2030.

[4] Moving from thermal regulation ("*réglementation thermique*", or "*RT*") to energy efficiency and environmental regulation ("*réglementation efficacité énergétique et environnementale*", or "*REEE*") at the French and European levels – this implies compliance with directive EPBD/2010/31 on budgetary sustainability, and anticipation of its likely evolution with new energy technologies, while preventing national regulations from barring the deployment of these mature technologies.

[5] Example of the German initiative « Recycling motors » and of the « rare earths alliance »

[6] Third party financing », or « non integrating SuperEsco», like Fedesco in Belgium, is a financing mechanism that makes it possible to deploy targeted investment funds in local territories, and thereby to include the private market, as long as the sovereign State acts as a role model, as is the case in Belgium, Germany, or Scandinavia – see the European Energy Efficiency Fund (EEEF), an example worth emulating and reinforcing.

- The State as a role model for the market: the Belgian experience with Fedesco.

Suggestion 4: the energy transition being a European and global phenomenon, orient industry and tax policy so as to make Europe a showcase of the new energy economy

- The European eco-electrical industry is still a world leader in its field[7]
- The energy transition is a truly global phenomenon
- A unique opportunity to be celebrated on the occasion of the 50th anniversary of the Elysée Treaty cementing the eco-industrial alliances within an enlarged framework including Northern and Southern Europe: the photovoltaic "Airbus", transnational (smart grid) and Euro-Mediterranean projects (Medgrids and other instances on "electricity highways").
- Carbon taxation : a continental issue at EU borders ?
- Supervision policy: at Europe's boundaries[8] ?
- Accounting: why not modify asset valuation rules to take account of the carbon footprint of buildings and assets?

Concluding remarks: while keeping budget levels and fiscal potentials constant, it is possible to initiate the energy transition in a perspective of cost- and non-cost competitiveness improvement, by working on the many "regulatory" levers at our disposal.

[7] Switzerland, Sweden, Germany, France, Italy, Spain are leaders in Europe.