



## Surviving the Winter: France's Preparations for a New Energy Crisis

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Faced with the threat of a cut-off of gas supplies from Russia and the temporary shutdown of a large number of reactors, the French government has begun to encourage citizens and businesses to reduce their gas and electricity consumption. The most effective savings incentive would be a partial price release, but the resulting social discontent and recession could destabilise the political situation in the country, including undermining French support for Ukraine. The authorities are therefore promising to further limit price increases, while seeking alternative sources of electricity and gas supply.

The upcoming winter in France will be another season of crisis. [A year ago](#), the economy had to contend with the unscheduled shutdowns of some reactors and gas price rises artificially induced by Russia. As of September 2022, 32 out of 56 reactors remain offline due to breakdowns and scheduled maintenance, while gas supplies from Russia to France (whose share has fallen from 17% to 7-9% of imports since the start of the Russian invasion of Ukraine) have been halted by Gazprom under the pretext of partial non-payment.

The primary task of the French authorities is to ensure the continuity of gas and electricity supplies to industry and individual consumers during the winter season or, alternatively, to determine the least economically acute way of rationing these materials. A factor hampering the fight against the energy crisis in France is the price of electricity, regulated by EU rules, through its link to gas prices, which are significantly higher than the actual cost of electricity production in France. On the other hand, the situation is stabilised by the large amount of gas in storage (equal to two months' domestic consumption), access to four LNG terminals and supplies from predictable sources (Norwegian gas accounts for about 36% of imports).

**Government Action.** France was one of the first EU countries to take action to mitigate the impact of gas, electricity, and oil price increases on household budgets. The introduction

of a 4% cap on gas and energy price increases in autumn 2021 (in force until the end of this year) for private consumers and small businesses helped to limit the rise in inflation and social discontent in the pre-election period. However, the situation ahead of the 2022/2023 winter season is different, as it is not only the price but the low supply of gas and electricity threatening the continuity of supply. The government has not yet determined how it wants to modify the aid in 2023 to induce consumers to save on commodities without triggering protests.

At present, the incentive to save electricity and gas is to come from the threat of rationing or, as a last resort, short interruptions of supply. Gas cuts would only affect companies and last a maximum of two days, while power cuts could affect both companies and individuals and last no longer than two hours. Companies themselves could declare the periods of acceptable cut-offs (when they become necessary, they would be paid in return). The campaign for energy savings was launched by Macron, who announced in an interview in August 2022 "the end of the period of abundance" and unlimited access to raw materials. A more detailed programme has been presented by the government, arguing that a 10% reduction in gas and electricity consumption will allow France to survive even a harsh winter without rationing or supply interruptions. A project is also being studied to introduce, based on the EU

model of emissions trading, an internal market for trading of saved energy—the more economical companies could sell their “surpluses” to others.

The ability to meet electricity demand remains unclear. Although the manager of [France's nuclear power plants](#), the state-controlled EDF, promises to turn on the reactors currently under maintenance by February, 10 more reactors will then have to be temporarily shut down. Also, a conflict between EDF's management and the authorities has come to light: the company's outgoing CEO Jean-Bernard Lévy has accused Macron of delaying efforts to modernise French reactors, which may now result in the need to import energy.

In this context, the steps taken by Macron abroad are significant. During a videoconference with German Chancellor Olaf Scholz on 5 September, Macron agreed that France and Germany together would expand their transmission capacities so that France could transfer part of its gas reserves to Germany if necessary. In return, France can count on the energy currently produced in excess by German gas and wind power plants. Both leaders also supported the idea of a European windfall tax on the profits of energy companies, although France fears that this would undermine the development of renewable energies. Macron has also advocated common gas purchases and the introduction of a maximum price for Russian gas. However, Macron's European solidarity has limits: contrary to the demands of Germany and Spain, the French leader, citing environmental concerns and lack of economic justification, does not want the construction of an extension of the MidCat pipeline, which could deliver gas from Algeria and Spanish LNG terminals to Central and Northern Europe. During a visit to Algeria at the end of August 2022, Macron was instead promised France would receive an increase in Algerian gas supplies by up to 50% (currently it amounts to around 8% of imports supplied by pipeline via Italy or in the form of LNG), which could replace Russian supplies.

**The Energy Crisis and Macron's Priorities.** An important element of Macron's energy and [environmental](#) policy has been his opposition to measures leading to a slowdown in economic growth. The situation on the energy markets following Russia's full-scale invasion of Ukraine, exacerbated by the inefficiency of France's nuclear power industry, has forced the president to re-evaluate and turn to a call for energy savings. This will have a negative impact on economic growth, already weakened by record high energy and gas prices for companies (although currently estimated to be around 2.3% in 2022 instead of the 4% predicted at the beginning of the year).

Instead, positive social mobilisation may be fostered by accelerating the ecological transition through energy

savings. Macron stressed that the crisis should not be a pretext for slowing down the transformation, as the move away from hydrocarbons will make the EU less dependent on unpredictable suppliers like Russia. To add credibility to his declarations, he announced an even more intensive state effort to thermally modernise buildings and develop low-carbon transport. However, the demand to accelerate the green transition is at odds with other government decisions, such as increasing the universal fuel discount from 18 to 30 cents per litre in August 2022.

From the point of view of France's allied credibility, Macron's declarations of willingness to uphold the sanctions imposed on Russia regardless of Vladimir Putin's energy blackmail are significant. The president has thus entered into a direct polemic with a part of the opposition, notably the National Rally led by Marine Le Pen and Jean-Luc Mélenchon's France Unbowed, which are calling for the lifting of sanctions and a return to normal trade with Russia. By encouraging the French to accept the consequences of the energy crisis as the “price of freedom”, Macron claims that France's national interest is at stake.

**Prospects.** The French authorities are concerned about the need for electricity and gas rationing and disruption in the event of an exceptionally harsh winter, with the risk of an electricity shortage more likely than a gas shortage. The government wants any power and gas cuts and rationing to be planned and to avoid individual consumers, so it is preparing them in advance. The prospect of rationing and supply disruptions is expected to encourage the French to voluntarily reduce their energy and gas consumption, although the effect of these measures may be limited without raising prices.

The ongoing crisis in the French nuclear power sector is disrupting France's long-built image as a model of energy independence. It is therefore to be expected that European solidarity and close cooperation with Germany, which produces surplus electricity, will be Macron's policy priorities in the coming months, despite France's criticism of the German economy's dependence on Russian gas and its rejection of nuclear power.

The crisis is an opportunity for the French authorities to accelerate the energy transition and move away from fossil fuels. It should not be expected to support measures advocated by Poland going in the opposite direction and leading to an increase in demand for gas, oil, and coal, for example, by lowering EU carbon permit rates, which do not harm the French economy due to the high level of decarbonisation of the energy sector. Instead, France's priority will be to decouple the EU market electricity prices from the price of gas.