Keynote speech

Louis Schweitzer, General Commissioner for Investment (France)

Ladies and Gentlemen, good afternoon. I am pleased and honoured to have been invited to address such a distinguished group of people. I am not an expert in this area but I had a long-term interest in energy and climate change issues as President of Renault from 1992 to 2005. I believe that climate change is an essential and urgent issue, and I very much welcome the COP21 decisions. I hope they will be implemented with full speed and maximum energy. I am not certain that that will happen but I very much hope that it will.

I will begin with a few words about my experience as an automobile manufacturer, where we considered that climate change was the major issue facing the car. The car industry faces a number of challenges: pollution, congestion, and safety. For these 3 major issues, the combination of improved technologies and regulations will lead to significant and continuous progress toward an acceptable future. That is not the case for fuel consumption, which remains an issue that is not fully addressed by the automobile industry.

There are 2 main reasons for this. First, the technology. There is no significant alternative today to the internal combustion engine in terms of cost, range or efficiency. Second, and more importantly, there is no price or market pressure to improve the current situation. That is true for almost all cases of fossil energy consumption. The current drop in oil prices has led, in the United States, to unprecedented levels of sales in sports vehicles, 4x4s, light trucks and so on – the most inefficient vehicles one can buy. In Europe, the largest profits are generated by overweight machines that are able to move at over 200 km/h. Therefore, the market does not push towards lean and light vehicles, and fuel consumption is not being reduced as it should.

This is even more worrisome because the cars being sold today will be on our streets for 15 years or more to 2030, while the climate change issues we face are urgent and immediate. We are therefore in a situation where the problem is known, and the solution is at hand, but it is not being implemented as fast as it should be because of an inadequate market and economic environment.

I will now focus on my present activity as General Commissioner for Investment, in the context of which I am responsible for France's Future Investment Programme (Programme d'investissement d'avenir). This Programme was set up in 2010 by the then French President Sarkozy. Responsibility for defining the programme was conferred on a committee chaired by 2 former Prime Ministers from both sides of the political spectrum: Alain Juppé and Michel Rocard. They defined the programme and still chair the Supervisory Committee that oversees our activity.

The programme is funded by the French state, to the level of €47 billion made up of subsidies, grants (that are reimbursable only in the case of success), and equity. It is managed by a small team of 35 people, with the support of a number of entities that manage the funds. Funds are allocated, on the basis of advice from international juries and experts, to programmes or projects that fulfil the following characteristics.

- First, they must be excellent. We fund the best research, the best companies and the best programmes.

- Second, we only fund innovation. That is we would not fund a company that is very active but in a more traditional manner.
- Third, we fund projects that involve cooperation between different players – between universities and companies, between public research and private research bodies, or between large companies and small companies.

In all this area of cooperation, France is probably lagging behind both Germany and the United States.

This investment programme is now complemented by the EU's Juncker programme which is located downstream of our programme. The Juncker initiative funds programmes that are already mature and could easily become self-sufficient in the current market.

Energy transition and climate change were considered as a top priority by our Committee. We are therefore supposed to be active in the 4 fields of energy production, energy distribution, energy storage and efficient energy use. Out of the €47 billion fund, €4 billion have been set aside for energy efficiency (which also covers renewables), including €3 billion that have already been committed to specific projects. That is significantly less than what was envisioned at the start. Frankly, we have more funds than projects to fund. In addition, the projects we fund are taking longer to mature than we expected.

Why is that? First, we are seeing that, at the large scale, this is a sector of step-by-step innovation rather than breakthrough innovation. Second, there is clearly a lack of confidence by economic players in the growth of this activity. In the digital economy – another area where we are very active – everyone is rushing towards digital. However, no one is rushing to the low carbon economy. Some innovative research is underway but the economic actors, as a whole, are dragging their feet. This is primarily due to price volatility and the lack of a clear price signal. There is a no sign of an efficient carbon market, and there is no sign of a significant carbon tax. Therefore, even though everyone agrees on the need to move, we are not moving full steam ahead.

We are now preparing a third programme of €10 billion in funds, in line with the previous programmes. First, we fund research. We have specifically created a number of ITEs (energy transition institutes) that are dedicated to collaborative research between the public and private sectors. Second, we are supporting investment in start-ups in the energy field. We provide grants of up to €200,000, that can be complemented by refundable grants of up to €2 million and by up to €20 million in equity. The idea is to fund ideas and the growth of real companies. Third, we are investing in new technologies, for example, floating wind turbines, tidal energy, and so on. Our principle of investment is to accept a high risk in return for a reward in the case of success that is in line with the risk taken. We invest in equity only if we find private investors who are also prepared to invest. However, it is not particularly easy to find people who are ready to invest significant funds on the energy transition.

Finally, when we subsidise innovation or improvement plans in others fields, we require that whenever possible there will be a positive impact on the environment.

In conclusion, the main message I would like to leave you with is that (a) there is money available, and (b) we are looking for ideas and projects that have an impact on France. These are French public funds and we expect them to have an impact on France.