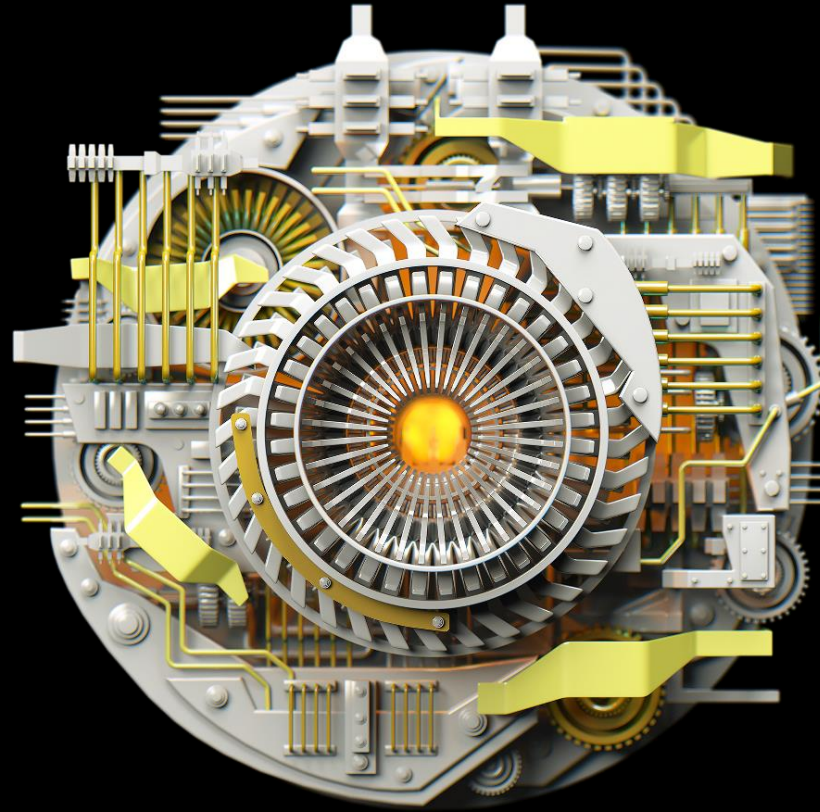


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Regulatory framework and support programs for the decarbonization of industry in France

Monday April 17, 2023

International Context

U.S. IRA: what can Europe do to stop its firms relocating to America?

March 17, 2023 by [Charles Wessner](#) and [Srishti Khemka](#)



There's been plenty of news about Europe's worries over the U.S. Inflation Reduction Act, launched in August last year. It will deliver a broad range of subsidies, incentives, and domestic manufacturing requirements that promote green technological innovation in the U.S., encompassing wind, solar, hydrogen and more, backed with a budget of \$369bn. It also is designed to encourage the

purchase of U.S.-made green energy products like EVs. Europe is concerned that European firms will relocate to the U.S. to take advantage of the support, and it's already happening. Charles Wessner and Srishti Khemka at CSIS summarise the IRA before reviewing European concerns and looking at the attempts to address them. Can Europe match the support? What about speeding up and easing access to existing support instead? Whatever happens in detail, Europe is poised to make significant efforts to maintain its position in the rapidly growing green tech economy, say the authors.

Getting Real on the Inflation Reduction Act. Evolving European Reactions

Energy Post, March 17, 2023

The Inflation Reduction Act (IRA) implements, among other incentives :

- Massive tax credits for individuals (purchase of electric vehicles, VAT on energy equipment, etc.)
- \$30B in production tax credits on renewable energy equipment (PV, batteries, wind turbines, etc.);
- \$10B in tax credits for investing in green industries;
- \$30B in tax credits for the energy transition of industry;
- \$6B in tax credits to reduce GHGs from the most polluting industries (chemicals, steel, cement, etc.);
- Massive tax credits for the purchase of environmentally friendly fuels and “clean” commercial vehicles;
- An increase in carbon capture tax credits;
- ...

The French “Green Industry” Bill



Bruno LE MAIRE

French Minister of Economy

Le Monde, le 05/01/23:

The Minister of the Economy announced that a text comprising "fiscal, regulatory and legislative provisions" would be presented in April so that
"France becomes the first low-carbon nation in Europe"
"We will commit France to rapid, massive, planned green reindustrialisation"

The future green industry bill aims to meet two objectives:

- Make France **the champion of green industry and technologies** that will enable decarbonization. Heat pumps, carbon-free hydrogen, photovoltaic panels, batteries or even semiconductors... These technologies and tools are essential for carbon-free industrial sovereignty.
- **Supporting decarbonation of the industry**, which today represents the fifth of greenhouse gas emissions in France.

The French “Green Industry” Bill

1. Transforming taxation to grow green industry

What would be the most effective tax lever to accelerate green industrialization in the territory?

2. Open factories, rehabilitate wasteland and make land available

How to maximize existing sites to accelerate the industrialization of the territory?

3. Produce, order, buy in France

How to promote "Made in France" and promote French environmental excellence in public procurement and/or in private procurement?

4. Financing the French green industry

How to better channel French savings towards green investment projects?

5. Training for jobs in the green industry

What are the examples of industrial training that attract young people / women and that work in the territory? What initiatives are companies implementing to get closer to the world of education and vice versa?

The French “Green Industry” Bill

Priority Area 1 - Transform taxation to grow the green industry

#1 - Help the industry commit to decarbonization

To encourage industries to invest in the decarbonization of their processes and products, aid will be prioritized according to a result objective, instead of a means objective as currently.

Industrial sites committing to a decarbonization plan will receive a subsidy or tax credit covering part of their investments, spread over a 5-year period with verification, each year, of the achievement of decarbonization milestones.

#2 - Support green production through tax credits

Producers of components related to the key technologies below will benefit from subsidies, tax credits, or even accelerated depreciation, depending on the amount of investment or, if possible, the quantity of products manufactured in France.

- *Batteries and metals*
- *Electrolyzers*
- *Heat pumps*
- *Next-generation nuclear*
- *Photovoltaic & Wind*
- *Carbon capture, utilization, and storage*
- *Semiconductors and electrical grids*

#3 - Give visibility to the industry with the assurance of long-term decarbonized energy contracts

This measure will provide industries with access to green and low-cost energy through a tax aid on the purchase tariffs of long-term electricity contracts backed by new installations. The measure specifically targets green hydrogen producers to make this production more competitive in France.

#4 - Finance the announced measures

To finance the announced measures, it is proposed to act on several levers:

- reduce brown fiscal spending, in particular by raising certain reduced TICPE rates;
- act on the automobile bonus/malus, for example by increasing the malus weighing on the most polluting vehicles;
- re-examine certain advantages of the Research Tax Credit ;
- continue to mobilize "France 2030" to support the green industry.

The French “Green Industry” Bill

Priority Area 2 - Open factories, rehabilitate brownfields, make land available

#6 - Prepare more "turnkey" sites to reduce implementation delay

These measures make it possible to prepare the land that will host tomorrow's industrial installations: developers who wish to do so can anticipate certain administrative steps on this land before the arrival of the project, and save about six months for the industries (preparation of his file and effective launch of the authorization procedure).

#9 - Reduce the deadlines of the National Public Debate Commission for the green industry

A major green industry project must currently be subject to a public debate or preliminary consultation under the auspices of the CNDP (National Public Debate Commission), the organization of which requires at least 6 months. The measure aims to reduce the CNDP processing time for projects related to the green industry. An alternative could be to exempt them from going through the CNDP as long as they contribute to decarbonization.

#10 - Parallelize and improve administrative procedures to accelerate reindustrialization

The environmental authorization procedure required to carry out an industrial project currently takes an average of 17 months in France compared to 8 months in Germany. The measure aims to reduce administrative procedures using several levers:

- start the public consultation at the beginning of the instruction procedure and not at the end. In return, the public consultation would be extended to 3 months;
- carry out the public consultation and various administrative consultations simultaneously and from the beginning of the procedure, which are currently carried out in series;
- set up within the DREAL a support unit for project leaders in the constitution of better quality files.

The French “Green Industry” Bill

Priority Area 5 - Training for green industry jobs

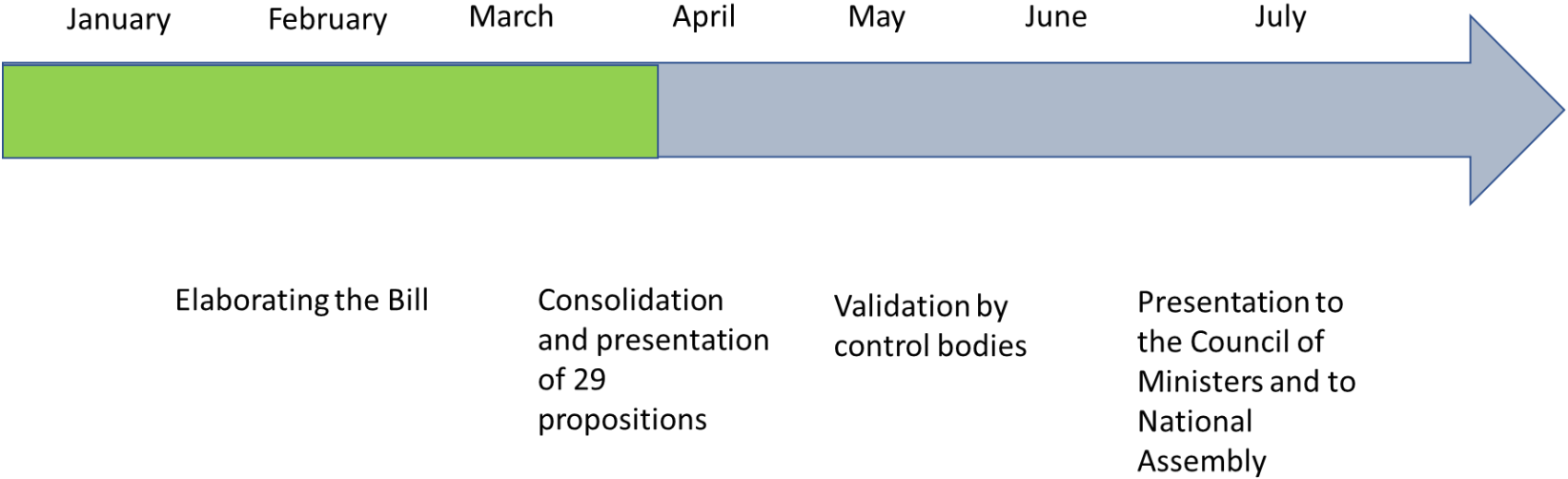
#27 - Training more for industry jobs: increase the industrial talent pool in schools, universities, and professional training

To address the shortage of engineers in the coming years, this measure plans to increase the talent pools through three levers:

- open additional places in IUTs and professional licenses, engineering schools, master's and doctoral scientific training;
- increase social diversity in the pathways of scientific training;
- promote the recognition of the engineer's title through the Validation of Acquired Experience (VAE).

The French “Green Industry” Bill

Planning for the French « Green Industry » Bill



As of April 4, 2023, more than 300 hearings have been conducted over 3 months with civil society actors, whether companies, professional federations, environmental associations, schools and universities, etc.

Public support for the decarbonization of industry in France

The main criteria to look into before applying for public funding



01 Environnemental impact

- What is the environmental impact of the project, in terms of GHG reduction, carbon footprint, etc.?
- How can I quantify it?



02 Economical and social impact

- What are the expected social and economic benefits of the project?
- (investment in the territory, spin-offs in terms of jobs, creation or consolidation of a new sector, etc.).
- Location of the spin-offs (Europe, national, regional, etc.)



03 Scientific and technological impact

- What scientific or technological barriers does the project need to overcome?
- What are the limits of the state of the art with regard to the technical objectives of the project?
- What technical and scientific progress has been made within the framework of the project?

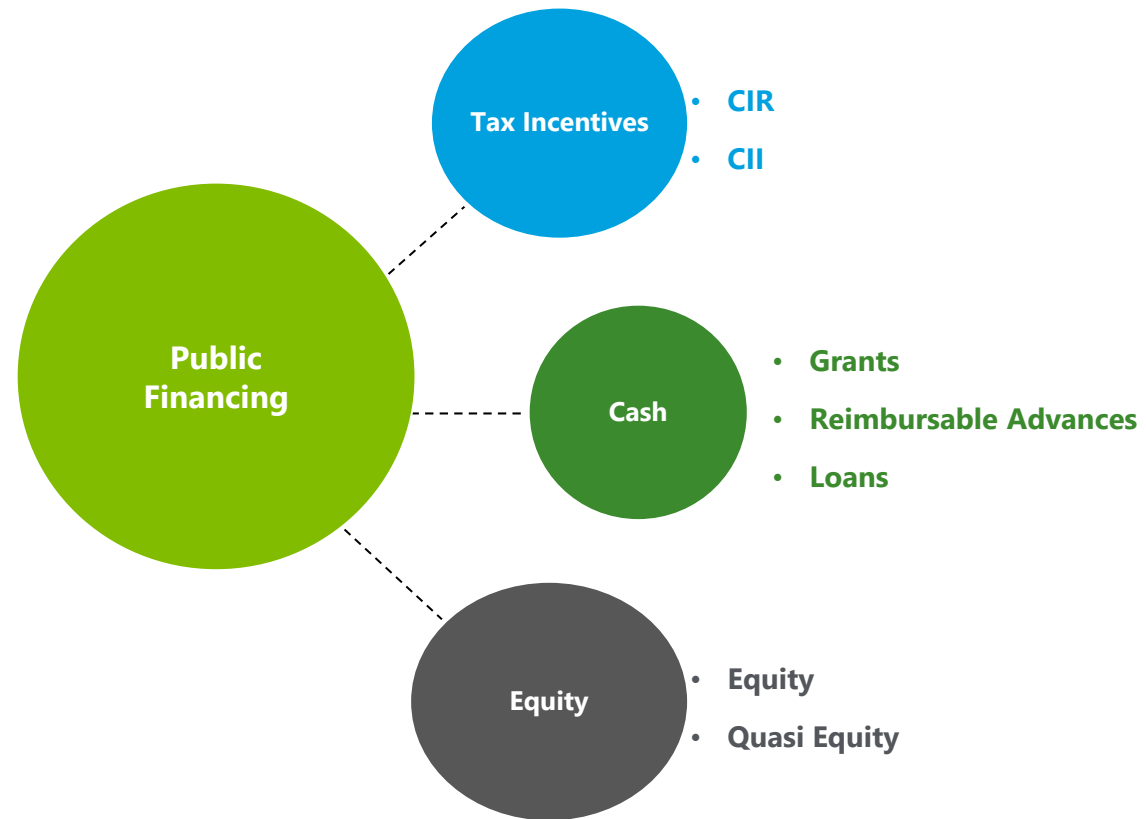


Additional criteria Consortium

- Which consortium should I establish?
- Number of partners, SMEs/academics/large groups, national/regional/international consortium?)
- The typology of the consortium conditions the available grants

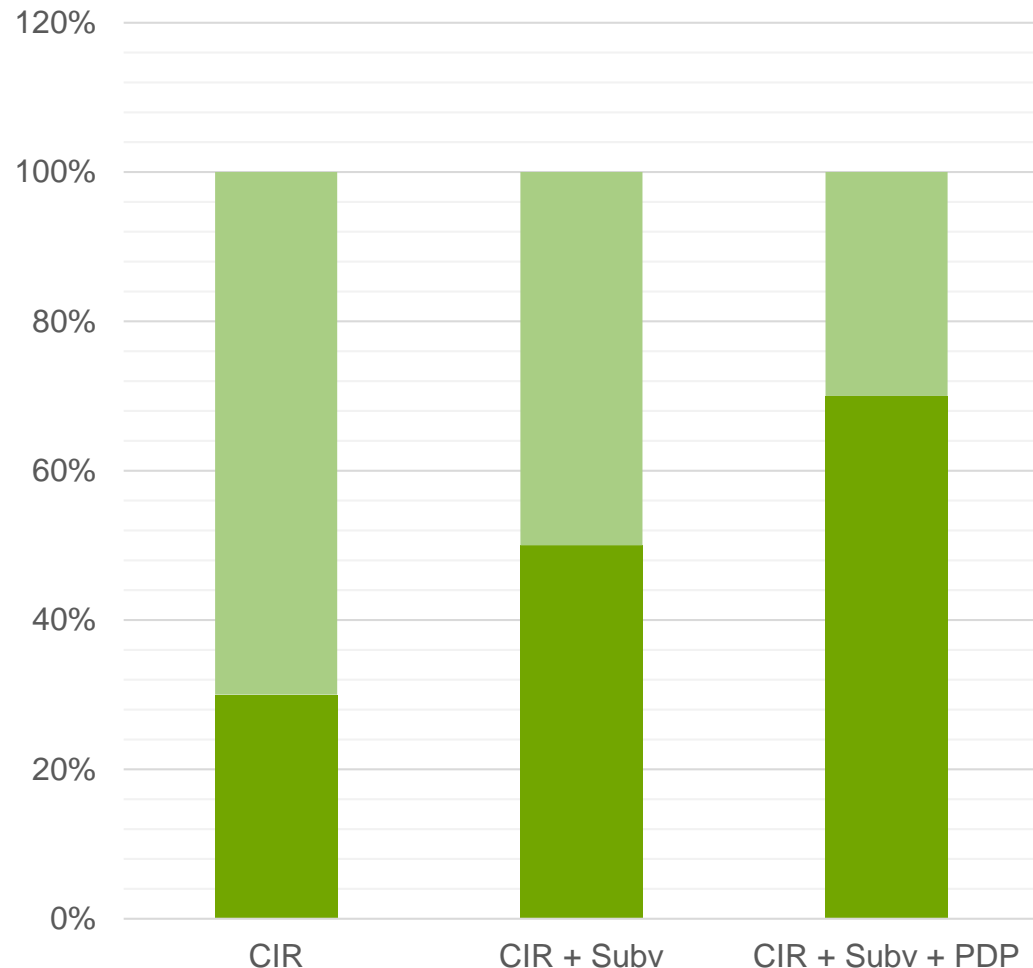
Public support for the decarbonization of industry in France

Multiple public funding opportunities



Public support for the decarbonization of industry in France

Combining Public Financing in France – R&D Tax Credit, Grants and Public Equity



In Summary :

- The overall financing of an innovative decarbonation project can reach more than 50% of the project expenses (and even beyond for a Mid-Size / SME, or collaborative projects, etc.)
- Subsidies for innovative decarbonization projects can be combined with the CIR and therefore represent an attractive opportunity: it helps to minimize the equity contributions of companies

Public support for the decarbonization of industry in France

Maximum intensity rate and amount per company and per project as per EU State Aid Rules (not exhaustive)

		Large enterprise	Maximum aid amount
No SA.58995 related to aid for research, development and innovation (RDI) for the period 2014-2023	Fundamental research	100%	55 M€
	Industrial research	50%	35 M€
	→ In case of a collaboration and/or large results diffusion*	65%	
	Experimental development	25%	25 M€
→ In case of a collaboration and/or large results diffusion*	40%		
	Feasibility study	50%	8.25 M€
No SA.59108 related to aid for the protection of the environment for the period 2014-2023	11 different aids depending on the type of action or investment. Minimum and maximum intensity rate: <i>(depending on the investment type and area where it is procured)</i>	5% to 60%	15-30 M€
		<i>30% to support investments in energy efficiency measures</i>	
N°SA.102077 related to investment support for a sustainable recovery (applicable until 31/12/2023)	Support investment of industrial companies for a sustainable recovery (energy transition and environment protection)	15%	10 M€
No SA.58979 related to the supported areas for the period 2014-2023	Aid for the development of territories in difficulty by supporting, in particular, the initial investments of large companies and SMEs and/or the creation of jobs linked to these investments.	10%	12.38 M€

The maximum rates and amounts of aid are currently being reviewed by the European Commission.

- The aids scheme presented below are only an overview of the existing aids in France, the list is not exhaustive

* An effective collaboration exists between a company and one or multiple public research organizations if these organizations are supporting at least 10% of eligible costs and have the right to publish results of their own research

Public support for the decarbonization of industry in France – France 2030



France 2030 decarbonization subsidy program in 2022

- Component 1: support for the **production of heat from biomass** ("BCIAT")
39 projects were validated for **€174.2 million in aid** and will enable the avoidance of approximately 2,278 GWh/year of primary energy of fossil origin and 492 MtCO₂e/year;
- Component 2: support for large-scale energy efficiency and process development projects ("DECARB IND")
16 projects have been validated for **€51 million** and will enable the avoidance of approximately 735 GWh/year of primary energy of fossil origin and 170 MtCO₂e/year.
- Component 3: support for small decarbonization projects carried out by SMEs and ETIs ("DECARB-FLASH")
the selection of projects is being finalized, with a budget of **€25 million**.

Public support for the decarbonization of industry in France – France 2030



New France 2030 decarbonization subsidy program in 2023

- In order to allow the continuation of decarbonization efforts in the French industry, a new **DECARB'IND** call for projects has been launched within the framework of France 2030 and operated by ADEME aimed at reducing the consumption of fossil fuels in industry. It will be endowed with **€125 million** for the first shift.
- New selection methods will be introduced, in order to allow for proper competition between projects. In addition, non-price criteria will be introduced in the selection process, aimed at favoring technologies presenting a specific strategic interest, and whose orientation and ambition are compatible with a vision of a zero-emission industry over the long term. Industrial companies will have to provide a roadmap intended to justify the quality of the decarbonization trajectory over the long term.
- This system is centered on large-scale projects that may require **up to €30 million in subsidies**, and must represent a minimum investment of €3 million, making it possible to reduce the emissions of the industrial site by **at least 1,000 tCO₂/year**.

Public support for the decarbonization of industry in France – France 2030



New France 2030 decarbonization subsidy program in 2023

Maximum aid rate on the eligible cost base *	Large Company	Medium Company	Small Company
Theme 1 – reduction of GHG emissions through energy efficiency	30 %	40 %	50%
Theme 2 – reduction of GHG emissions through to a modification of the energy mix	40 %	50 %	60 %
Theme 3 – reduction of GHG emissions through a modification of the material mix	40 %	50 %	60 %
Theme 4 – CO2 capture, storage and use	30 %	40 %	50%

* Higher rates for projects in supported areas may apply.

- Deadlines for DECARB'IND file submission are **27th June 2023** and **12th December 2023**

Public support for the decarbonization of industry in France – France 2030



New France 2030 decarbonization subsidy program in 2023

- A call for projects on biomass heat (AAP BCIAT) will also be launched in April for a similar amount of **€125 million**, in order to deploy biomass solutions more widely in industry, making it possible to further reduce fossil energy consumption in a context of energy crisis.
- In addition, other over-the-counter schemes will follow to finance very large industrial projects allowing the deep decarbonization of large industrial sites. **50 sites are specifically engaged** in an investment planning process following the request made by the President of the Republic on November 8, 2022 to halve their emissions in 10 years, and allowing the identification of solutions to achieve the new European objectives (-55% emissions in 2030).

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