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Recommendation for a

COUNCIL RECOMMENDATION

on the 2022 National Reform Programme of France

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 121(2) and 148(4) thereof,

Having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances[1], and in particular Article 6(1) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

(1) Regulation (EU) 2021/241 of the European Parliament and of the Council[2], which established the Recovery and Resilience Facility, entered into force on 19 February 2021. The Recovery and Resilience Facility provides financial support for the implementation of reforms and investment, entailing a fiscal impulse financed by the Union. It contributes to the economic recovery and to the implementation of sustainable and growth-enhancing reforms and investment, in particular to promote the green and digital transition, while strengthening the resilience and potential growth of the Member States' economies. It also helps strengthen sustainable public finances and boost growth and job creation in the medium and long term. The maximum financial contribution per Member State under the Recovery and Resilience Facility [was] updated on [XX] June 2022, in line with Article 11(2) of Regulation (EU) 2021/241.

(2) On 24 November 2021, the Commission adopted the Annual Sustainable Growth Survey, marking the start of the 2022 European Semester for economic policy coordination. It took due account of the reaffirmed joint commitment of the Porto Social Summit of May 2021 to further implement the European Pillar of Social Rights, proclaimed by the European Parliament, the Council and the Commission on 17 November 2017. The European Council endorsed the priorities of the 2022 Annual Sustainable Growth Survey on 25 March 2022. On 24 November 2021, on the basis of Regulation (EU) No 1176/2011, the Commission also adopted the Alert Mechanism

[1] OJ L 306, 23.11.2011, p. 25.

[2] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

Report, in which it identified France as one of the Member States for which an in-depth review[3] would be needed. On the same date, the Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, which was adopted on 5 April 2022 by the Council, as well as the proposal for the 2022 Joint Employment Report analysing the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights, which was adopted by the Council on 14 March 2022.

(3) Russia's invasion of Ukraine, in the wake of the global pandemic, has significantly altered the geopolitical and economic context. The impact of the invasion on Member States' economies has been felt for example through higher energy and food prices and weaker growth prospects. The higher energy prices weigh particularly on the most vulnerable households, notably those experiencing or at risk of energy poverty. The EU is also seeing an unprecedented inflow of people fleeing Ukraine. In this context, on 4 March 2022, the Temporary Protection Directive was triggered[4] for the first time, granting displaced persons from Ukraine the right to legally stay in the EU, as well as access to education and training, labour market, healthcare, housing and social welfare.

(4) Taking account of the rapidly changing economic and geopolitical situation, the European Semester resumes its broad economic and employment policy coordination in 2022, while evolving in line with the implementation requirements of the Recovery and Resilience Facility, as outlined in the 2022 Annual Sustainable Growth Survey. The implementation of the adopted recovery and resilience plans is essential for the delivery of the policy priorities under the European Semester, as the plans address all or a significant subset of the relevant country-specific recommendations issued in the 2019 and 2020 Semester cycles. The 2019 and 2020 country-specific recommendations remain equally relevant also for recovery and resilience plans revised, updated or amended in accordance with Articles 14, 18 and 21 of Regulation (EU) 2021/241, in addition to any country-specific recommendations issued up to the date of submission of the modified plan.

(5) The General Escape Clause has been active since March 2020[5]. In its Communication of 3 March 2021[6], the Commission set out its view that the decision on the deactivation or continued application of the general escape clause should be taken as an overall assessment of the state of the economy, with the level of economic activity in the EU or euro area compared to pre-crisis levels (end-2019) as a key quantitative criterion. Heightened uncertainty and strong downside risks to the economic outlook in the context of war in Europe, unprecedented energy price hikes and continued supply chain disturbances warrant the extension of the general escape clause of the Stability and Growth Pact through 2023.

(6) Following the approach in the Council opinion of 18 June 2021 on the 2021 Stability Programme, the fiscal stance is currently best measured as the change in primary

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3 Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p. 25).

4 Council Implementing Decision (EU) 2022/382 of 4 March 2022 establishing the existence of a mass influx of displaced persons from Ukraine within the meaning of Article 5 of Directive 2001/55/EC, and having the effect of introducing temporary protection, OJ L 71, 4.3.2022, p. 1.

5 Communication from the Commission to the Council on the activation of the general escape clause of the Stability and Growth Pact, Brussels, 20.3.2020, COM(2020) 123 final.

6 Communication from the Commission to the Council on one year since the outbreak of COVID-19: fiscal policy response, Brussels, 3.3.2021, COM(2021) 105 final.

expenditure (net of discretionary revenue measures), excluding COVID-19 crisis-related temporary emergency measures but including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other EU funds, relative to medium-term potential growth[7]. Going beyond the overall fiscal stance, in order to assess whether national fiscal policy is prudent and its composition is conducive to a sustainable recovery consistent with the green and digital transitions, attention is also paid to the evolution of nationally-financed[8] primary current expenditure (net of discretionary revenue measures and excluding COVID-19 crisis-related temporary emergency measures) and investment.

(7) On 2 March 2022, the Commission adopted a Communication providing broad guidance for fiscal policy in 2023, aiming at supporting the preparation of Member States' Stability and Convergence Programmes and thereby strengthening policy coordination[9]. The Commission noted that, based on the macroeconomic outlook of the 2022 winter forecast, transitioning from an aggregate supportive fiscal stance in 2020-2022 to a broadly neutral aggregate fiscal stance would appear appropriate in 2023, while standing ready to react to the evolving economic situation. The Commission announced that the fiscal recommendations for 2023 should continue to differentiate across Member States and take into account possible cross-country spillovers. The Commission invited the Member States to reflect the guidance in their Stability and Convergence Programmes. The Commission committed to closely monitor the economic developments and adjust its policy guidance as needed and at the latest in its Semester spring package of late May 2022.

(8) With respect to the fiscal guidance provided on 2 March 2022, the fiscal recommendations for 2023 take into account the worsened economic outlook, the heightened uncertainty and further downside risks, and the higher inflation compared to the winter forecast. Against these considerations, the fiscal response has to expand public investment for the green and digital transition and energy security, and sustain the purchasing power of the most vulnerable households so as to cushion the impact of the energy price hike and help limit inflationary pressures from second round effects via targeted and temporary measures; fiscal policy has to remain agile so as to adjust to the rapidly evolving circumstances, and be differentiated across countries depending on their fiscal and economic situation, including as regards the exposure to the crisis and the inflow of displaced persons from Ukraine.

(9) On 28 April 2021, France submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines of Annex V to that Regulation. On 13 July 2021, the Council adopted its Decision on the approval of the assessment of the recovery and resilience plan for France[10]. The release of instalments is conditional on a decision by the Commission, taken in accordance with Article 24(5) of Regulation

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7 The estimates on the fiscal stance and its components in this recommendation are Commission estimates based on the assumptions underlying the Commission 2022 spring forecast. The Commission's estimates of medium-term potential growth do not include the positive impact of reforms that are part of the Recovery and Resilience Plan and that can boost potential growth.

8 Not financed by grants from the Recovery and Resilience Facility and other EU funds.

9 Communication from the Commission to the Council: Fiscal policy guidance for 2023, Brussels, 2.3.2022, COM(2022) 85 final.

10 Council Implementing Decision of 6 July 2021 on the approval of the assessment of the recovery and resilience plan for France (ST 10162/2021; ST 10162/2021 ADD 1).

(EU) 2021/241, that France has satisfactorily fulfilled the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory fulfilment presupposes that the achievement of preceding milestones and targets has not been reversed.

(10) On 4 May 2022, France submitted its 2022 National Reform Programme. It did not submit its Stability Programme. In accordance with Article 27 of Regulation (EU) 2021/241, the 2022 National Reform Programme also reflects France's bi-annual reporting on the progress made in achieving its recovery and resilience plan.

(11) The Commission published the 2022 country report for France[11] on 23 May 2022. It assessed France's progress in addressing the relevant country-specific recommendations adopted by the Council in 2019, 2020 and 2021, and took stock of France's implementation of the recovery and resilience plan, building on the Recovery and Resilience Scoreboard. Based on this analysis, the country report identified gaps with respect to those challenges that are not addressed or only partially addressed by the recovery and resilience plan, as well as new and emerging challenges, including those emerging from Russia's invasion of Ukraine. It also assessed France's progress on implementing the European Pillar of Social Rights and on achieving the EU headline targets on employment, skills and poverty reduction, as well as progress in achieving the UN's Sustainable Development Goals.

(12) The Commission carried out an in-depth review under Article 5 of Regulation (EU) No 1176/2011 for France and published its results on 23 May 2022[12]. The Commission concluded that France is experiencing macroeconomic imbalances. In particular, vulnerabilities relate to high government debt and weak competitiveness, which have cross-border relevance, in a context of low productivity growth.

(13) On 23 May 2022, the Commission issued a report under Article 126(3) TFEU. This report discussed the budgetary situation of France, as its general government deficit in 2021 exceeded the 3% of GDP Treaty reference value, while its general government debt exceeded the 60% of GDP Treaty reference value and did not respect the debt reduction benchmark. The report concluded that the deficit and debt criteria were not fulfilled. In line with the Communication of 2 March 2022, the Commission considered, within its assessment of all relevant factors, that compliance with the debt reduction benchmark would imply a too demanding frontloaded fiscal effort that risks to jeopardise growth. Therefore, in the view of the Commission, compliance with the debt reduction benchmark is not warranted under the current exceptional economic conditions. As announced, the Commission did not propose to open new excessive deficit procedures in spring 2022 and it will reassess the relevance of proposing to open excessive deficit procedures in autumn 2022.

(14) On 20 July 2020, the Council recommended France to take in 2020 and 2021 all necessary measures, in line with the general escape clause, to effectively address the pandemic, sustain the economy and support the ensuing recovery. It also recommended France to pursue, when economic conditions allow, fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. In 2021, based on data validated by Eurostat, France's general government deficit fell from 8.9% of GDP in 2020 to 6.5% in 2021. The fiscal policy response by France supported the economic recovery in 2021, while temporary emergency support measures declined from 3.3% of GDP in

[11] SWD(2022) 612.

[12] SWD(2022) 632.

2020 to 2.6% in 2021. The measures taken by France in 2021 have been in line with the Council Recommendation of 20 July 2020. The discretionary budgetary measures adopted by the government in 2020 and 2021 were mostly temporary or matched by offsetting measures. At the same time, some of the discretionary measures adopted by the government over the period 2020 to 2021 were not temporary or matched by offsetting measures, mainly consisting of a permanent reduction in taxes on production as of 2021 and the increase of civil servant wages, mainly in the healthcare system. Based on data validated by Eurostat, general government debt stood at 112.9 % of GDP in 2021.

(15) Based on policy measures known at the cut-off date of the forecast, the Commission 2022 spring forecast projects a government deficit for 2022 and 2023 of 4.6% of GDP and 3.2% respectively. The Commission 2022 spring forecast projects a general government debt-to-GDP ratio of 111.2% in 2022 and 109.1% in 2023. Based on the Commission's analysis, debt sustainability risks appear high over the medium term.

Based on the Commission spring 2022 forecast, the medium-term (10-year average) potential output growth is estimated at 1.0%. However, this estimate does not include the impact of the reforms that are part of the Recovery and Resilience Plan and can boost France's potential growth.

(16) In 2022, the government phased out the majority of measures taken in response to the COVID-19 crisis, such that the temporary emergency support measures are projected to decline from 2.6% of GDP in 2021 to 0.4% in 2022. The government deficit is impacted by the measures adopted to counter the economic and social impact of the increase in energy prices, which in the Commission spring 2022 forecast are estimated at 0.7% of GDP in 2022 and are expected to be phased out in 2023.[13] These measures mainly consist of social transfers to poorer households, cuts to indirect taxes on energy consumption, price caps on retail and wholesale prices, subsidies to energy-intensive enterprises. These measures have been announced as temporary. However, in case energy prices remain elevated also in 2023, some of these measures could be continued. Some of these measures are not targeted, notably the general price cap on electricity and gas prices as well as an outright subsidised discount on fuels. The government deficit is also impacted by the costs to offer temporary protection to displaced persons from Ukraine, which in the Commission 2022 spring forecast are projected at 0.1% of GDP in 2022 and 0.1% in 2023.[14]

(17) On 18 June 2021, the Council recommended that in 2022 France[15] should use the Recovery and Resilience Facility to finance additional investment in support of the recovery while pursuing a prudent fiscal policy. Moreover, it should preserve nationally-financed investment. It also recommended France to pursue, when economic conditions allow, a fiscal policy aimed at achieving prudent medium-term

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13 The figures represent the level of annual budgetary costs of those measures taken since autumn 2021, including current revenue and expenditure as well as – where relevant – capital expenditure measures.

14 The total number of displaced persons from Ukraine to the EU is assumed to gradually reach 6 million by the end of 2022, and their geographical distribution is estimated based on the size of the existing diaspora, the relative population of the receiving Member State, and the actual distribution of displaced persons from Ukraine across the EU as of March 2022. For budgetary costs per person, estimates are based on the Euromod microsimulation model of the Commission's Joint Research Centre, taking into account both cash transfers people may be eligible for as well as in-kind benefits such as education and healthcare.

15 Council Recommendation of 18 June 2021 delivering a Council opinion on the 2021 Stability Programme of France, OJ C 304, 29.7.2021, p. 43.

fiscal positions and ensuring fiscal sustainability in the medium term, and at the same time, to enhance investment to boost growth potential.

(18) In 2022, based on the Commission's 2022 spring forecast, the fiscal stance is projected to be supportive at -1.7% of GDP.[16] France plans to provide continued support to the recovery by making use of the Recovery and Resilience Facility to finance additional investment as recommended by the Council. The positive contribution to economic activity of expenditure financed by Recovery and Resilience Facility grants and other EU funds is projected to decrease by 0.2 percentage points of GDP compared to 2021. This decrease in 2022 is due to the frontloaded financial support from the Recovery and Resilience Facility in 2021. Nationally-financed investment is projected to provide a neutral contribution to the fiscal stance in 2022.[17] Therefore, France plans to preserve nationally financed investment, as recommended by the Council. At the same time, the growth in nationally-financed primary current expenditure (net of new revenue measures) in 2022 is projected to provide an expansionary contribution of 1.6 percentage points to the overall fiscal stance. This significant expansionary contribution includes the additional impact of the measures to address the economic and social impact of the increase in energy prices (0.5% of GDP) as well as the costs to offer temporary protection to displaced persons from Ukraine (0.1% of GDP). Other current expenditure measures include those put forward in the resilience plan to address the economic consequences of the conflict in Ukraine, such as direct subsidies to ad hoc sectors (0.1% of GDP), and the increase of civil servant wages (0.1% of GDP). On the revenue side, the cut in the corporate income tax rate (0.1% of GDP) and of the housing taxes (0.1% of GDP) are also projected to contribute to the expansionary fiscal stance. The higher increase in consumer prices compared to the GDP deflator is projected to affect the expansionary contribution of nationally financed primary current expenditure in 2022 by increasing public consumption and social benefits. Based on the Commission's forecast, these measures and drivers of higher expenditure are not fully matched by offsetting measures.

(19) In 2023, the fiscal stance is projected in the Commission 2022 spring forecast at +0.9% of GDP on a no-policy change assumption.[18] France is projected to continue using the grants from the Recovery and Resilience Facility in 2023 to finance additional investment in support of the recovery. The positive contribution to economic activity of expenditure financed by Recovery and Resilience Facility grants and other EU funds is projected to decrease by 0.1 percentage points of GDP compared to 2022, reflecting the frontloaded financial support from the Recovery and Resilience Facility in 2021 and 2022. Nationally-financed investment is projected to provide a neutral contribution to the fiscal stance in 2023.[19] At the same time, the growth in nationally-financed primary current expenditure (net of new revenue measures) in 2023 is projected to provide a contractionary contribution of 0.7 percentage points to the overall fiscal stance. This includes the impact from the

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16 A negative (positive) sign of the indicator corresponds to an excess (shortfall) of primary expenditure growth compared with medium-term economic growth, indicating an expansionary (contractionary) fiscal policy.

17 Other nationally-financed capital expenditure is projected to provide an expansionary contribution of 0.2 percentage points of GDP.

18 A negative (positive) sign of the indicator corresponds to an excess (shortfall) of primary expenditure growth compared with medium-term economic growth, indicating an expansionary (contractionary) fiscal policy.

19 Other nationally-financed capital expenditure is projected to provide a contractionary contribution of 0.1 percentage points of GDP.

phasing out of the measures addressing the increased energy prices (0.7% of GDP). Therefore, the contractionary contribution of nationally-financed current expenditure relies on the phasing out of the measures to address the impact of the increase in energy prices as currently planned.

(20) The current pension system in France is complex, consisting of more than 40 co-existing schemes. These schemes apply to different groups of workers and functions according to different sets of rules. Based on Eurostat data, at 14.6% of GDP in 2019, public pension expenditure in France was the third highest in the EU. The high cost is related to a relatively high replacement ratio (i.e. pension compared to final annual wages), life expectancy, a relatively early effective retirement age (around 62 years) and an elevated number of pension beneficiaries out of the total population. According to both the Commission 2021 Ageing report and the latest annual report by France's Pensions Advisory Council (Conseil d'orientation des retraites), after some decline projected until 2024, pension expenditures are projected to increase moderately between 2025 and around 2030, by about 0.2 percentage points of GDP. High total public expenditure, with pension expenditure being one of the main items, contributes to the accumulation of public debt despite a heavy tax burden, leading France to face high fiscal sustainability risks over the medium term. Over the longer term, pension expenditure would start declining steadily until 2070, mainly due to the indexation of pension benefits to inflation, which offsets the effect of the increase in the dependency ratio due to ageing. The simplification of the pension system, by unifying the different regimes, would help improve its transparency and fairness, while entailing positive effects on labour mobility and the efficiency of labour allocation, and could underpin fiscal sustainability. In 2018, the French government initiated a reform process with the objective of unifying the rules of the multiple pension regimes. The reform was halted with the outbreak of the COVID-19 pandemic. In presenting the objectives of the French recovery and resilience plan, the government confirmed its commitment to pursue an ambitious reform of the pension system, aiming to improve its fairness and sustainability.

(21) In accordance with Article 19(3), point (b) of Regulation (EU) 2021/241 and Annex V, criterion 2.2, the recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. These help address all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to France by the Council in the European Semester in 2019 and 2020, in addition to any country-specific recommendations issued up to the date of adoption of a plan. The implementation of the French plan is well underway. France's first payment request was positively assessed by the Commission, taking into account the opinion of the Economic and Financial Committee, leading to a disbursement of EUR 7.4 billion in financial support (net of pre-financing) on 4 March 2022. The related 38 milestones and targets cover reforms in the areas of public finance, the labour market, health and long-term care. Investment has been made in energy efficiency of buildings (public, private, and social housing), sustainable transport (purchasing clean vehicles), decarbonising industry, youth employment and education. Several research strategies in key green and digital technologies were validated and calls for projects will be launched in 2022 and 2023.

(22) The implementation of the recovery and resilience plan of France is expected to contribute to making further progress on the green and digital transition. Measures supporting the climate objectives in France account for 46.0% of the plan's total allocation (with major investment in energy renovation of buildings), while measures

supporting digital objectives account for 21.3% of the plan's total allocation. The fully fledged implementation of the recovery and resilience plan, in line with the relevant milestones and targets, will help France swiftly recover from the fallout of the COVID-19 crisis, while strengthening its resilience. The systematic involvement of social partners and other relevant stakeholders remains important for the successful implementation of the recovery and resilience plan, as well as other economic and employment policies going beyond the plan, to ensure broad ownership of the overall policy agenda.

(23) France submitted its cohesion policy programming documents[20] on 17 December 2021 for the Partnership Agreement and most of the programmes before 17 March 2022. In line with Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021, France shall take into account the relevant country-specific recommendations in the programming of the 2021-2027 cohesion policy funds. This is a prerequisite for improving the effectiveness and maximising the added value of the financial support to be received from cohesion policy funds, while promoting the coordination, complementarity and coherence between these funds and other Union instruments and funds. The successful implementation of the Recovery and Resilience Facility and cohesion policy programmes also depends on the removal of bottlenecks to investment to support the green and digital transition and balanced territorial development.

(24) Beyond the economic and social challenges addressed by the recovery and resilience plan, France faces a number of additional challenges related to the shortage of skills and the deployment of renewable energy. Enhancing the skills of workers would contribute to increasing labour productivity and consequently to improving the overall competitiveness of the French economy.

(25) Labour shortages are on the rise and employers report the lack of skilled workers as the main barrier to recruitment in more than 50% of cases, notably for jobs requiring technical skills, such as those needed for the green and digital transition (industry, construction). Current investment in the up-skilling and re-skilling of workers takes time to pay off and its effectiveness is undermined by the low level of basic skills of more than one fifth of 15-year-old pupils, who then tend to benefit less from training later on in life. Low performance in mathematics (with French pupils scoring lowest among the 22 participating EU countries in Trends in International Results in Mathematics and Science (TIMSS) 2019) and science is of specific concern, given the shortages of technical skills. In addition, evaluations indicate that the low skilled tend to benefit less from training that leads to a qualification.

(26) Despite good outcomes overall, high socio-economic and regional inequalities in the French education system impact the level of basic skills. According to PISA, France is one of the EU Member States where socio-economic background most influences pupils' performance. Indicators show that 35.3% of disadvantaged 15-year-olds and 44.5% of first-generation migrant pupils do not have sufficient basic skills in reading, compared to 20.9% on average. To address this issue, in 2017 France introduced a pilot reform consisting of 'halving class sizes' in early years of education for students

[20] Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy. OJ L 231, 30.6.2021, p. 159.

in priority areas, to enable pupils to benefit from more personalised support in an atmosphere conducive to learning. In 2021, the French Court of Auditors highlighted shortcomings in the school system, especially impacting the learning outcomes of disadvantaged pupils, and called for greater autonomy and evaluation of schools. Lower rates of participation in continuous training by teachers and high student-to-teacher ratios may exacerbate socio-economic inequalities. Science teachers working in disadvantaged areas tend to have lower levels of certification to a larger extent than in other EU countries. The 2018 reform of vocational education and training and significant incentives for employers boosted the number of apprentices, with a positive impact on employment rates for graduates.

(27) In response to the mandate by the EU Heads of State or Government set out in the Versailles Declaration, the REPowerEU plan aims to phase out the European Union's dependence on fossil fuel imports from Russia as soon as possible. For this purpose, the most suitable projects, investments and reforms at national, regional and EU level are being identified in dialogue with the Member States. These measures aim to reduce overall reliance on fossil fuels and shift fossil fuel imports away from Russia.

(28) According to 2020 data, France's import dependency on Russian oil, gas and coal is 9%, 17% and 34% respectively, below the EU 27 average[21]. France has a more limited exposure to Russian fossil fuels than the EU average in large part because the French energy mix relies chiefly on nuclear energy (40.6% of its gross inland energy consumption). The weight of fossil fuels in the energy mix is lower than the EU 27 average: oil, gas and solid fossil fuels (including coal) represent 28.6%, 15.4% and 2.3% of gross inland energy consumption respectively in France. In addition, France has 4 LNG terminals, allowing for a more diversified source of gas imports. Nevertheless, the current geopolitical situation and high energy prices are increasing the urgency for France to further step up its efforts to meet renewable energy targets laid down in its National Energy and Climate Plan. Renewable energy represented 19.1% of France's gross final energy consumption in 2020, below the target of 23% set in its national energy and climate plan. Further increases in ambition for reducing greenhouse gas emissions and increasing renewables and energy efficiency will be needed for France to be in line with the 'Fit for 55' objectives. The rapid decarbonisation of industrial processes and building heating can be helped by increased public support for technologies such as small- and large-scale heat pumps and geothermal energy, including support for district heating networks, as well as the faster deployment of sustainable anaerobic digestion ('méthanisation') and other technologies linked to the sustainable production of sustainable biogases such as biomethane. Such investment would also help reduce dependence on natural gas imports from Russia. An accelerated phase-out of remaining fossil fuel subsidies would improve the competitiveness of renewable energy compared to fossil fuel alternatives. Investment in renewable energy, both utility-scaled and decentralised, can also strengthen macroeconomic resilience and competitiveness by increasing energy security and innovation in the energy sector.

(29) The deployment of utility-scale renewable energy projects in France, in particular onshore and offshore wind farms and solar photovoltaic projects, suffers from restrictive regulation and high administrative and permitting barriers. Under-investment in the electricity grid at national level has also led to a scarcity of access

[21] Eurostat (2020), share of Russian imports over total imports of natural gas, crude oil and hard coal. For the EU 27 average, the total imports are based on extra-EU 27 imports. For France, total imports include intra-EU trade. Crude oil does not include refined oil products.

points, increasing grid connection costs and delays in grid connection that can currently last up to several months. Onshore wind farms are not permitted to be built within 5-30 km of surrounding meteorological, military and civil aviation radars, leading to some 45% of new projects struggling to find suitable locations. Procedures should be improved to avoid safety-related military obstructions at a very late stage of a project's development. An approval process involving national, regional and local administrations means that frequent requests for updating urban planning documents must be reflected in lower-level documents as well, generating additional administrative burdens. The permitting process could be accelerated by allocating to it more human and financial resources in central administrations at regional levels (i.e. for decentralised State services) as well as competent authorities and grid operators, closer involvement of regional and local administrations in spatial planning, and swifter application of tendering procedures. Reinforcing mechanisms for public participation and decentralisation would reduce third-party complaints, a source of major delays in commissioning new projects. A stable regulatory framework at national level would provide more investor certainty, particularly for longer-term planning.

(30) Boosting energy efficiency and reducing energy consumption will help reduce emissions and reliance on fossil fuels. In France, the construction and use of buildings represents 25% of all greenhouse gas emissions. The recovery and resilience plan dedicates a full component to energy renovation for buildings, helping tackle associated challenges with a broad, cross-cutting approach. Measures cover all types of buildings, with a priority for public buildings, but also significant action to renovate the private building stock and social housing, and to increase the energy efficiency of small businesses. In the context of its new national resilience plan, France is reinforcing the support mechanisms for renewable heating in buildings, e.g. by increasing the "heat fund" by EUR 150 million and the subsidy for installing renewables-based heating by EUR 1000. The French National Low-Carbon Strategy (Stratégie Nationale Bas Carbone) defines an ambitious trajectory to reduce emissions from buildings and achieve complete decarbonisation of the energy consumed in buildings by 2050. The current scheme 'Ma Prime Renov', targeted at households, mainly subsidises single renovation actions. To encourage more significant energy-efficiency gains, the policy framework could be improved to incentivise deep renovation and help France further increase the energy efficiency of its building stock. The climate and resilience law adopted in August 2021 aims to reduce energy consumption in many ways, e.g. by providing bonuses for electric bicycles and creating low-emission zones in metropolitan areas.

(31) Further support for cross-border electricity interconnectors (under development or planned) remains of crucial importance for the integration of large shares of renewables. Frontloading investment in energy infrastructure, both domestic and cross-border, will help reduce dependence on fossil fuel and in particular Russian gas. New infrastructure and network investments are recommended to be future-proof where possible, in order to facilitate their long-term sustainability through future repurposing for sustainable fuels. Interconnections are crucial for an efficient functioning of the internal energy market by pooling resources to achieve overall security of supply.

(32) While the acceleration of the transition towards climate neutrality and away from fossil fuels will create significant restructuring costs in several sectors, France can make use of the Just Transition Mechanism in the context of cohesion policy to

alleviate the socio-economic impact of the transition in the most affected regions. In addition, France can make use of the European Social Fund Plus to improve employment opportunities and strengthen social cohesion.

(33) The Council has examined France's fiscal policies, taking into account the Commission's Spring 2022 Economic Forecast, and its assessment is reflected in particular in recommendation (1) below.

(34) In view of the close interlinkages between the economies of euro area Member States and their collective contribution to the functioning of the Economic and Monetary Union, the Council recommended that the euro area Member States take action, including through their recovery and resilience plans, to implement the recommendation on the economic policy of the euro area. For France, this is reflected in all four recommendations below.

(35) In the light of the Commission's in-depth review and this assessment, the Council has examined the 2022 National Reform Programme. Its recommendations under Article 6 of Regulation (EU) No 1176/2011 are reflected in recommendations (1), (2) and (3) below. Recommendations (1), (2) and (3) also contribute to the implementation of the Recommendation for the euro area, in particular the first, second and fourth euro area recommendations. Fiscal policies referred to in recommendation (1) help inter alia address imbalances linked to high government debt. Policies referred to in recommendation (2) help inter alia reduce government indebtedness and improve competitiveness, as the full implementation of the recovery and resilience plan will support growth while strengthening the resilience of the economy. Policies referred to in recommendation (3) help inter alia address imbalances linked to competitiveness.

HEREBY RECOMMENDS that France take action in 2022 and 2023 to:

1. In 2023, ensure prudent fiscal policy, in particular by limiting the growth of nationally-financed current expenditure below medium-term potential output growth, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation. Expand public investment for the green and digital transition and for energy security, including by making use of the RRF, RePowerEU and other EU funds. For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring credible and gradual debt reduction and fiscal sustainability in the medium term through gradual consolidation, investment and reforms. Reform the pension system to progressively unify the rules of the different pension regimes to enhance its fairness while underpinning its sustainability.

2. Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 13 July 2021. Swiftly finalise the negotiations with the Commission of the 2021-2027 cohesion policy programming documents with a view to starting their implementation.

3. Address the shortage of skills by raising the level of basic skills, providing additional work-based learning options and improving the learning outcomes of all students, notably by adapting resources and methods to the needs of disadvantaged students and schools and by improving the working conditions and continuous training of teachers.

4. Reduce overall reliance on fossil fuels. Accelerate the deployment of utility-scale and decentralised renewable energies through increased public investment and by facilitating private investment, including by further streamlining permitting procedures and ensuring adequate staffing of authorising administrations. Improve the policy framework to incentivise the deep renovation of buildings. Expand energy interconnection capacity.

Done at Brussels,

For the Council
The President