



PORTLAND MARKET REPORT

SEPTEMBER
IN VIEW

A COUNTRY WHOSE STRENGTH ON THE PITCH IS ECHOED IN THAT EXHIBITED IN ITS ENERGY POLICY DELIVERY

The Rugby World Cup (RWC) is now well under way and in a 'tradition' that goes back to the 2012 London Olympics, we will link this month's report to a major global sporting event. As hosts and joint favourites to win the tournament, the French rugby team combines power, technical prowess and an uncharacteristic dose of on-field discipline. Does France's energy sector have the same characteristics and have two wholly unrelated subjects ever been so clumsily linked?!

As one would expect for the world's 7th largest economy (GDP), France has a mature and competitive petroleum retail sector, with over 11,000 petrol stations (this compared to the UK's 8,500). As you'd also expect from a developed western economy, petroleum products in France are heavily taxed! At 69 cents per litre (equivalent to 59 pence per litre – 59ppl), French duty on petrol is notably higher than in the UK (53ppl) and this results in a price for gasoline (167ppl) that is around 15% higher than in Britain. When it comes to diesel, France is in line with almost every other country in Europe, whereby excise duty is applied at a lower rate to petrol. Therefore, French diesel buyers pay 61 cents per litre tax, which is in fact about the same as the UK's 53ppl, contributing to an overall diesel price of around 160ppl per litre in both countries.

**“AN INCREDIBLE 93%
OF FRENCH ELECTRICITY
IS GENERATED BY
'EMISSIONLESS'
SOURCES.”**

Unlike its North Sea neighbours, France has no indigenous oil production. Instead, the country is one of the largest importers of crude oil in the world, bringing in over 665,000 barrels (105m litres) per day, predominantly from Norway, USA and the Middle East (obviously Russia prior to 2022). Processing all of this is the once mighty French refining industry, now reduced to only 6 refineries – that is down from 12 only 10 years ago. All but 2 of today's refineries are owned by France's energy giant

Total Energies, a company that enjoys almost monopolistic power in France's fuel sector and is run by the no-nonsense Patrick Pouyanné.

This engineer son of a customs officer (born in Rouen, but raised in France's deep South-West), Pouyanné became CEO in 2014 and has successfully transformed the company from a one-trick exploration pony (which many saw as little more than a supplementary arm of the French foreign office), to a truly global energy colossus. It is the 3rd largest 'Big Oil' company on the planet (after Exxon and Shell), with revenues over \$185 billion and annual profits of around \$16bn (twice that of BP). Since 2014 it has provided the highest level of shareholder returns in the 'oil major' community, with a whopping 75% return since 2014 (by comparison, Shell sits at 50% and BP a lowly 30%). Such success has placed Pouyanné under considerable public scrutiny in his home country, but there are few signs that 'Le Boss' is craving either affection or praise. In 2022, he publicly bemoaned the fact that "all politicians seem to have only just discovered that the price of electricity is linked to the price of gas". Moreover, he has been unapologetic in his views around continued oil and gas exploration, even though the company has low carbon investments to the tune of around \$35bn – twice that of the industry average. Nonetheless, Pouyanné is insistent that only continued oil and gas exploration can generate the necessary returns to pay for new renewable energy projects.

The other energy company in France that comes close to monopolistic status is Electricity de France (EDF). Generating over 80% of the country's electricity, EDF runs every single one of France's 56 nuclear reactors, which account for over 70% of France's electricity. Developed in the 1950s, but rapidly expanded by the French Government after the 1974 oil shock, France's nuclear power sector is the most developed nuclear industry in the world and this position of global nuclear leadership is something the French Government is very keen to maintain; they have plans to build up to 14 new nuclear generators by 2050. Whether nuclear is a truly green industry is a debate for another day, but if you lump nuclear generation

in with energy from hydro power (11%), wind (7%), solar (3%) and bio/waste (2%), you end up with an incredible 93% of French electricity being generated by 'emissionless' sources – an unprecedented state of affairs anywhere in the world. It also results in France having one of the lowest carbon footprints in Europe. Only 6 tonnes of CO2 are emitted per person per annum, compared to coal-hungry Germany (9 tonnes, ie, 50% greater) and Britain at around 7.5 tonnes.

**“THE COUNTRY'S
NUCLEAR INDUSTRY
DELIVERS A LEVEL OF
LOW CARBON ENERGY
INDEPENDENCE, THAT
MOST DEVELOPED
NATIONS WOULD DIE
FOR.”**

To this observer, France's energy policy (along with their 2023 RWC squad) looks pretty formidable. The country's flagship oil and gas company makes billions in profits and is run by a grounded technocrat who neither shirks from the realities of energy complexity, nor engages in the tedious world of greenwashing. At the same time, the country's nuclear industry delivers a level of low carbon energy independence, that most developed nations would die for.

We may be loath to admit it but, not only do France's Rugby team look very possible winners of this year's tournament, successive French governments have also done pretty well in various Energy World Cups!

For more pricing
information,
see page 38

Portland
www.stabilityfromvolatility.co.uk