

## **PECULIARITIES OF THE COMPETITIVE ENVIRONMENT IN THE FRENCH ENERGY MARKET**

**Stamat Viktoriia,**

PhD (Economics), Associate Professor,  
Associate Professor of the Department of Management and Marketing  
Mykolayiv National Agrarian University, Mykolaiv, Ukraine

**Sarkova Anastasiia,**

higher education applicant Speciality 073 Management,  
Mykolayiv National Agrarian University, Mykolaiv, Ukraine

The French energy sector is one of the most developed and competitive markets in Europe. It has changed significantly as a result of liberalisation and opening up to competition. This started with the European directives of 1996 and 1998. EU rules were incorporated into French national law between 2000 and 2006. Initially, the market was opened to producers, and from 1 July 2007, all consumers were able to choose the electricity and gas supplier that suits them best [1]. The EU wanted to create a European electricity market and allow different companies to compete with each other. The main goal was to reduce prices for consumers. A second goal was to make the energy market more secure. This process broke the monopoly of state-owned giants such as EDF (Electricité De France) - electricity supply - and Engie - gas supply - and allowed new players to enter the market. Despite these changes, the energy sector remains one of the most heavily regulated in the economy. A number of structural and antitrust measures ensure effective competition and consumer protection in this market.

Today, there are two types of energy suppliers on the French energy market: "historical" suppliers, such as EDF or local distribution companies (ELDs) (these are regional energy companies responsible for the distribution of electricity and gas in certain local areas where they have monopoly rights to these services) and so-called "alternative" suppliers. Energy companies such as TotalEnergies, Eni and Iberdrola are trying to position themselves in these newly liberalised markets by offering the most competitive services possible. They are focusing on green energy, for example, as part of the transition to cleaner energy sources. This is in line with government policy and European commitments to reduce emissions and develop renewable energy sources. France has benefited from a large-scale decarbonised nuclear programme in the 60s and 70s, accompanied by a huge hydropower programme (almost 15% of French electricity is generated by hydroelectric power plants). In recent years, wind and solar power have also gained an increasingly important place in France's renewable energy mix. This encourages companies to offer environmentally friendly products to consumers.

As for the type structure of the French energy market, it is diverse. The French energy mix for electricity generation is based mainly on nuclear power (about 65%),

complemented by renewable energy sources, which are distributed as follows: hydropower (~12%), wind power (~10%), solar power (~5%) and biomass (~8%), with a small share of fossil fuels to meet peak demand [2].

Table 1 shows the structure of the French energy market, its main players and their specialisation.

Table 1 Structure of participants in the French energy market in 2024

Category	Company	Main specialisation	Description
Historical suppliers	EDF (Electricité de France)	Electricity (nuclear, partially renewable)	Historic electricity supplier offering a regulated tariff for private households. Also a gas supplier.
	Entreprises locales de distribution (ELD)	Electricity and gas suppliers	ES Strasbourg, UEM Metz, GEG in Grenoble. They have a de facto monopoly on 5% of the country's market.
	Engie	Natural gas, renewable energy sources	An incumbent gas supplier and one of the main alternative electricity suppliers focusing on renewable energy sources.
Other suppliers	TotalEnergies	Electricity, gas, fuel	It has a market share with market-based offers and is actively investing in renewable energy sources.
	Eni	Natural gas, renewable energy sources	Gas competitor EDF focuses on low-carbon energy solutions.
	Iberdrola	Electricity (wind, solar, hydro)	It focuses on renewable energy sources, more specifically on wind and solar energy projects.
	Vattenfall	Electricity and gas	Small market share, specialising in renewable energy.
	VertJaune	Solar energy, energy efficiency	Offers business-oriented solutions in the field of solar energy and energy efficiency.

Source: compiled by the authors based on sources [3, 4, 5].

The competition between these companies in the French energy market is becoming increasingly fierce, not least due to new regulatory rules and changing consumer preferences.

Tariff regulation in the French energy sector remains a key tool for influencing the competitive environment. Despite the liberalisation of the market, the incumbents (EDF, ELDs and Engie) continue to charge regulated electricity and gas tariffs. These tariffs maintain price stability and protect consumers from significant changes. However, alternative suppliers who receive energy through mechanisms such as ARENH, a mechanism that makes French nuclear power available to alternative suppliers at a record price (around €45/MWh). This mechanism will expire in the next few years. Suppliers are also looking for energy sources for peak and base load in the short-term and spot markets. Financial engineering can allow them to be highly competitive, often with a greater risk appetite. 2022 demonstrated the fragility of these

market-dependent business models. Many alternative providers have ceased operations [6].

European legislation, which considers regulated tariffs as a barrier to competition, makes their use difficult. France has retained regulated tariffs for households and small businesses. And 67% of households continue to use these tariffs [7]. However, to maintain regulated tariffs, competition must be guaranteed. Alternative suppliers should be able to offer attractive tariffs. To maintain price stability, the level of regulated tariffs is reviewed every six months, not on the basis of EDF's production costs, but on the basis of conditions that encourage competition between suppliers.

The market is regulated by the Energy Regulatory Commission (CRE). It ensures that energy prices are fair to consumers. The CRE also controls the quality of services and helps people understand prices and energy efficiency options. The Commission supports renewable energy sources. It provides subsidies, sets prices and attracts investment in green energy.

The CRE also encourages the digitisation of services by introducing programmes that help consumers manage their energy consumption using new technologies, thereby making the market more transparent and accessible to all [8].

At the same time, growing competition is forcing companies to innovate. The market needs digital solutions, such as smart energy management systems, to help consumers control their costs. For example, Linky meters, which automatically transmit energy consumption data, have become an important part of this strategy [9]. Suppliers also offer additional services such as energy management apps or solar panels.

Another feature of competition in the French energy market is the consolidation process. Large companies are buying up smaller companies to strengthen their positions. For example, the acquisition of Direct Energie by TotalEnergies shows how large players seek to increase their market share to better compete with energy giants [10].

Consumer behaviour also plays an important role. French customers are increasingly looking to reduce their costs and are aware of the environmental impact of their energy supply. In 2022, there was considerable energy sobriety, with electricity consumption down by almost 8% (adjusted for weather conditions) and gas consumption down by around 12%.

Suppliers are changing their strategies to offer green tariffs, including biomethane and so-called green electricity. In this context, a number of services can be offered for environmentally conscious customers. Companies offering new ways to save energy and use green energy are becoming popular with consumers.

The energy crisis caused by Russia's invasion of Ukraine and sanctions on Russian energy supplies has also changed the energy market in Europe, including France [11]. The reduction in Russian gas supplies to the EU has forced countries to look for other energy sources. The EU plans to stop using Russian fossil fuels by 2027. This situation has stimulated investment in green energy. By 2030, renewable energy sources should account for 45% of energy, which is twice as much as in 2022.

Rising energy prices have led to an increase in demand for energy-efficient technologies such as heat pumps, as well as ways to save energy at home and in the workplace. Some countries have introduced subsidies for energy efficiency projects, making these technologies more affordable for consumers. The political situation has also accelerated the development of alternative supply routes, such as liquefied natural gas (LNG) from the US and the Middle East [12].

These developments are forcing French energy companies to optimise their business models, focusing on long-term energy security and cost-cutting strategies, which are important in a volatile price environment.

The French energy market is therefore highly regulated. The government supports renewable energy sources. Small local energy companies must develop competitive strategies based on environmental innovation, fair prices and better service. As consumers increasingly prefer green technologies, companies need to create products and services that will help reduce their carbon footprint and meet the growing demand for clean energy.

It is also important to point out that political changes, such as the REPowerEU policy (ending imports of Russian hydrocarbons), can affect prices and supply. The development of renewable energy sources is important for the environment and the economy. Companies need to invest in local energy resources to guarantee stable supply and protect their business. Despite the restrictive regulations, companies are striving to stand out from the crowd by using all available financial and marketing resources.

To succeed in the French energy market, companies need to innovate, manage their tariffs and adapt to geopolitical challenges. This will help them grow and deliver better value to consumers in the long term.

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