

French Automotive Industry: Development & Business Opportunities (Part 1)

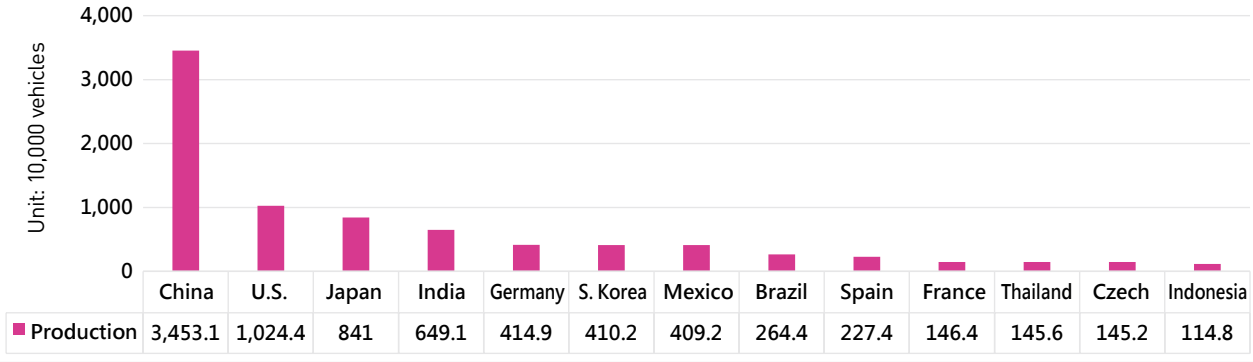
French Economy and the Position of Its Automotive Industry

France operates a mixed economy that combines market-oriented principles with a policy of balancing agriculture, manufacturing and services. The government seeks to avoid placing excessive emphasis on, or neglecting, any single sector, helping French products meet domestic needs. Based on nominal GDP in 2025, France was the world's seventh-largest economy.

France produced 1.464 million vehicles in 2025, including 1.062 million passenger cars and 402,000 commercial vehicles, ranking 10th worldwide and behind only Germany and Spain among European countries (*Figure 1*). Vehicle sales totaled 2.043 million, comprising 1.632 million passenger cars and 411,000 commercial vehicles, making France Europe's third-largest market after Germany and the UK (*Figure 2*). From the end of World War II until 2000, France consistently ranked as the world's fourth-largest vehicle producer. French brands once supplied most vehicles in French-speaking African countries, but Japanese brands began gaining ground in these markets in the 1970s.

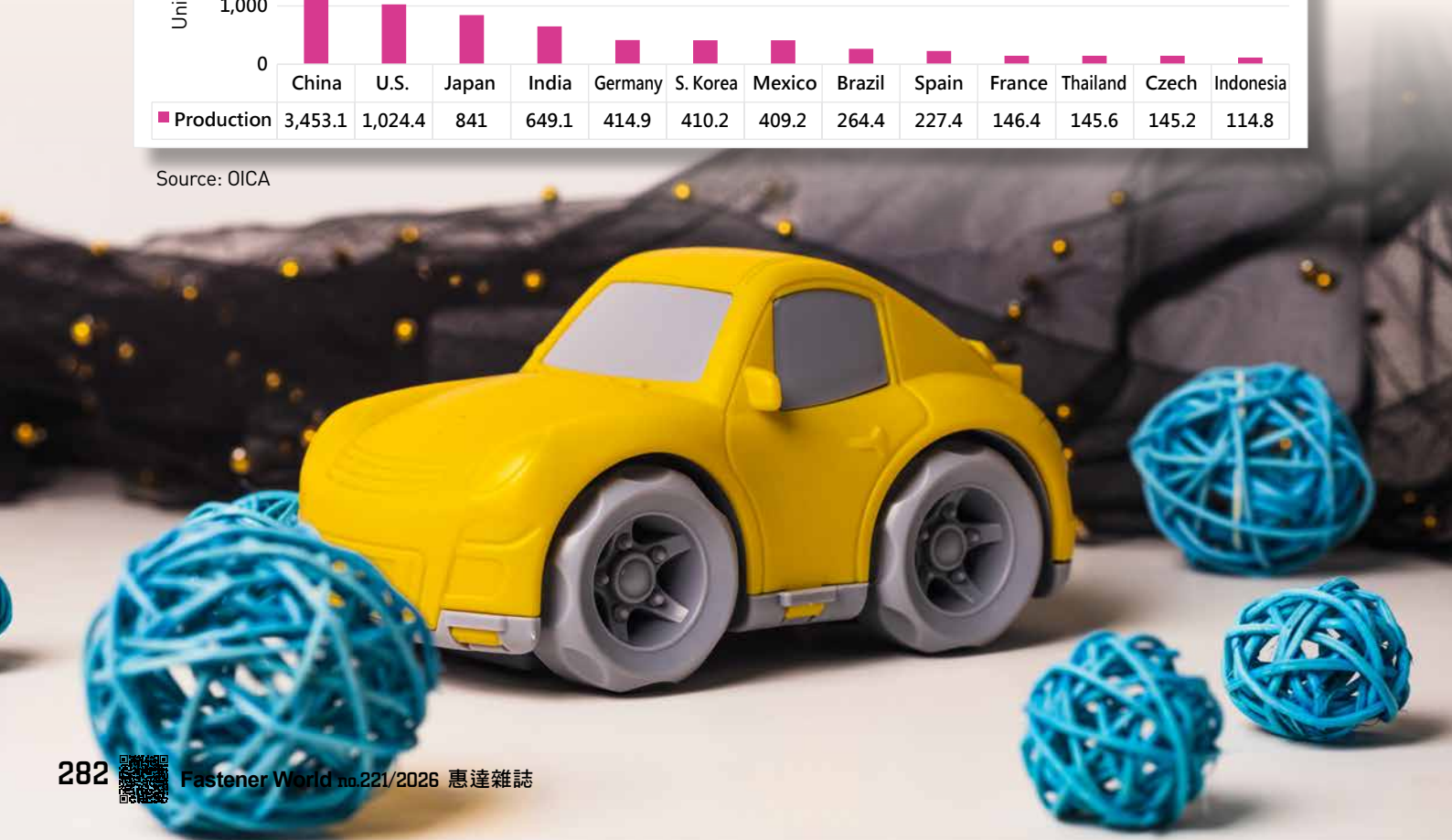
In 2025, the automotive industry accounted for 16.3% of French manufacturing output. Stellantis includes brands formerly associated with PSA and FCA, such as Peugeot, Citroën, DS and Opel. The state-owned Renault Group includes Renault, Alpine and Dacia. Renault Trucks is a commercial-vehicle manufacturer belonging to the Volvo Group. The luxury car brand co-run by Bugatti, Porsche,

Figure 1. Vehicle Production in Major Countries in 2025



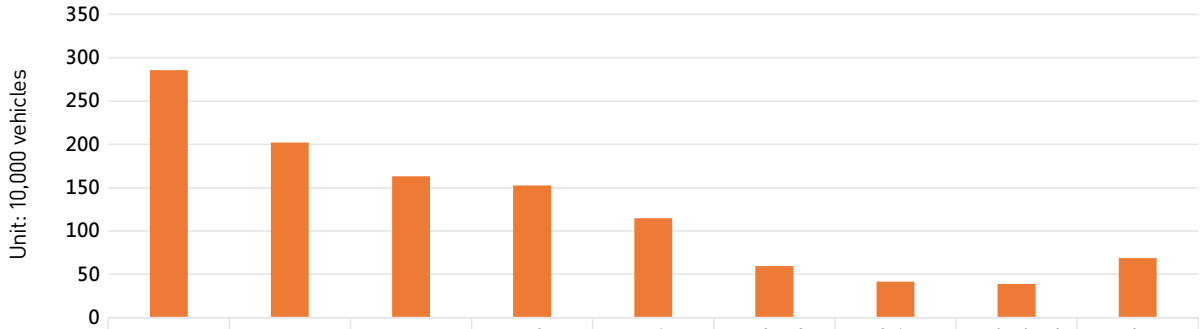
	China	U.S.	Japan	India	Germany	S. Korea	Mexico	Brazil	Spain	France	Thailand	Czech	Indonesia
Production	3,453.1	1,024.4	841	649.1	414.9	410.2	409.2	264.4	227.4	146.4	145.6	145.2	114.8

Source: OICA



and Nevera is headquartered in Molsheim; Venturi is a small sports-car manufacturer and a Formula E team sponsor. Aixam and Ligier are microcar brands associated with Polaris, headquartered in Aix-les-Bains; Microcar and Ligier are also identified as microcar brands under DrivePlanet, headquartered in Abrest. French vehicle and automotive-component industries play an important role in continental Europe.

Figure 2. Passenger Car Sales in Major European Countries in 2025



	Germany	UK	France	Italy	Spain	Poland	Belgium	Netherlands	Others
Production	285.8	202.0	163.2	152.5	114.9	59.7	41.5	38.8	68.8

Source: OICA

French Automotive Industry Policies

(1) Social Leasing Scheme for Electric Vehicles

In July 2026, the French government continued its social leasing scheme, offering affordable lease terms to help lower-income households access electric vehicles and increase market penetration. French EV purchase subsidy, officially known as the ecological bonus, was introduced through Decree No. 2023-886 issued by the Ministry for Energy Transition in September 2023 to stimulate EV purchases. Its central feature is an environmental scoring system that determines eligibility, with subsidy amounts linked to buyers' income and vehicle carbon footprints. The policy has been revised several times: the maximum subsidy was cut by €1,000 in February 2024 and reduced further to €4,000 in November. The scoring mechanism is intended to support French automakers while excluding most EVs manufactured in China.

The core mechanism links the subsidy to the income of the buyer or lessee and to carbon emissions generated during vehicle and traction-battery manufacturing. As of December 2024, the maximum subsidy was €4,000. A minimum environmental score is required: out of 100 points, a vehicle must score above 60 to qualify. At least 70% of the score is based on the vehicle's life-cycle carbon footprint before it enters service in France, covering 6 main areas: ferrous metals, aluminum and aluminum alloys, other automotive materials, traction-battery production, product assembly, and logistics and transportation. Carbon footprints can be calculated using the default emission factors prescribed by regulation or actual emission factors substantiated by manufacturers. Where appropriate, the use of recycled and bio-based materials and the repairability of traction batteries may also be considered; these factors can account for up to 30% of the score.

The subsidy is an extension and practical measure under French Green Industry Act, designed to support domestic green industries. Its central aim is to link the ecological bonus to an EV's environmental footprint and encourage consumers to choose vehicles produced domestically. The policy aligns with French national reindustrialization agenda and seeks to bring EV manufacturing back to the country. It also reflects French long-standing push for pressure on Chinese EV imports into the EU and for EU anti-dumping and anti-subsidy investigations. **By using its own scoring system, France excludes Chinese-made EVs from subsidies.** Meanwhile, the government considers lower EV costs, driven by economies of scale, advances in battery technology, and rising market penetration, reasonable grounds for reducing subsidies.

(2) Purchase Subsidies and Carbon-Footprint Standards

France offers standard vehicle-purchase subsidies of €3,500–€5,700, plus an additional €1,200–€2,000 for vehicles using European-made traction batteries. The green-bonus eligibility threshold excludes imported vehicles with higher carbon footprints, including measures that weaken the competitiveness of Chinese-made EVs, and encourages automakers to relocate production lines and supply chains to Europe. Citing carbon footprints, France explicitly excludes Chinese-made EVs from the subsidy scheme. After the European Commission announced an investigation into Chinese EV subsidies, France introduced new eligibility rules preventing Chinese-made models from benefiting. Carbon emissions from traction-battery production in China are said to be 1.7 times those in France. French EV buyers may qualify for cash incentives of up to €5,000, and the government allocated more than US$1.3 billion to the "green bonus."

The new French rules automatically exclude almost all EV models manufactured in China, whose factories rely heavily on coal-fired power, whereas France generates electricity from a more diverse energy mix. As a result, buyers of French-made vehicles can benefit from the green bonus. Emissions from small passenger cars made in China are 45.4% higher than those of comparable European-made models. Differences in energy structures mean that producing traction batteries in China generally generates substantially more carbon emissions than producing them in

France. EV manufacturers account for half of the 10 companies receiving the largest subsidies.

(3) "France 2030" Investment Plan

The government's investment plan aims to produce two million electric and hybrid vehicles domestically by 2030. French Directorate General for Enterprise (DGE), under the Ministry of the Economy and Finance, is responsible for driving the automotive-industry transition. Nearly US$7.5 billion has been earmarked to support EV research and development, localize vehicle and component production, and address the effects of industrial and technological change, with an **annual production target of two million electric vehicles by 2030.**

Transforming the automotive industry is a key priority for the French government as companies face urgent decarbonization requirements. The government has established "Equipe France Auto", led by the DGE, to roll out support measures. Bpifrance, the French public investment bank, and the automotive industry association Plateforme automobile (PFA) will provide a one-year support program for small and medium-sized automotive companies, similar to an accelerator. Investment is also being directed toward automotive decarbonization and environmental projects, with a budget of US$1.1 billion allocated for 2023–2026.

In early 2024, France launched a new call for proposals under the Automotive and Mobility Research Orientation Committee (CORAM). Separate calls covered the industrialization of vehicle components and modernization of factory equipment. 49 companies were selected, representing investment of US$800 million, including US$200 million in government funding. The government will also provide support for environmental-footprint assessments and ecological transition, and is considering launching a second-generation Future Automotive Fund to finance the industry's transition toward a greener and more innovative future.



In workforce development, the French government has launched several training programs, aiming to train at least 135,000 workers by 2030. The total required funding exceeds US$180 million, including €80 million in government support. Initiatives include developing key skills for the automotive energy transition through the CMA skills-and-industry program; helping workers retrain in digital and ecological-transition fields, including batteries and hydrogen; and supporting regional industry and safeguarding jobs through the Industrial Territories and Rebound Industrial Programs, helping communities adapt to the impact of industrial transformation.

(4) Cross-Application of Civilian and Military Technologies

By drawing on the mass-production, automation and cost-control strengths of major domestic automakers, France is redirecting some automotive capacity toward mass production of military drones to strengthen its defense-industrial autonomy. In response to the severe market and transition challenges facing the industry in 2026, the French government and automotive-component suppliers are taking several initiatives:

1. **Expansion into Defense and Drones:** Strategic reindustrialization has become one of the most notable developments in French supply chain. The government is bringing the automotive industry's capabilities in automated mass production and supply-chain management into the defense sector. Valeo is expanding into defense and plans to begin mass-producing electric motors without heavy rare-earth elements in France in 2027 for military-grade drones, reducing dependence on Chinese rare earths. Forvia and Renault are also partnering with major European defense companies to establish production lines in France capable of manufacturing thousands of drones per month.

2. **Targeting AI Data Centers and Energy Storage:** Major automotive-component suppliers are applying their expertise in vehicle thermal management and electrical systems to other markets. Valeo, for example, is actively targeting liquid-cooling solutions for AI data centers and battery energy storage systems, opening up high-margin opportunities beyond the automotive sector.

3. **Calling for an EU "Industrial Shield":** The French Automotive Equipment Industries Association and major labor unions are pressing the EU to adopt "Made in EU" legislation. **They want 40–50% of the components assembled into vehicles sold in Europe to be produced locally, with the share potentially reaching 80% of total vehicle value. The aim is to curb the penetration of Chinese components by raising local-content requirements.**

Electrification and Transformation of French Automotive Industry

(1) Diverse Competition Is Accelerating French Shift to EVs

Recent French media coverage and market-research reports indicate that French automotive market remained weak in 2025. New-vehicle registrations in the first half fell noticeably year on year, and the market had yet to return to its pre-pandemic level in 2019. Economic uncertainty and an aging vehicle fleet, averaging around 11.5 years, weakened demand for both new and used cars. Internal-combustion vehicles still accounted for nearly 90% of the total, but diesel's share fell below 50% for the first time. New-energy vehicles—including battery-electric, plug-in hybrid and hydrogen vehicles—accounted for only 5.5%, while EVs, supported by ecological subsidies, represented 17.1% of new registrations. Around 71.2% of vehicles fell into low-pollution categories, indicating a gradual decline in the share of high-emission vehicles.

New-vehicle sales in 2026 are forecast at around 1.6–1.65 million units, well below the annual average of 2.1 million from 2010 to 2020, showing that France is among the hardest-hit markets in Europe's automotive crisis. Key factors behind falling demand include declining purchasing power, rising vehicle prices, regulatory uncertainty and mandated electrification. French automakers are also under pressure: plants in Poissy, Mulhouse, Rennes and Douai struggle to support higher-priced models, while demand for affordable cars is shifting to lower-cost factories in Slovakia, Serbia, Türkiye and Morocco. The relocation of production brought French vehicle output down to 1.35

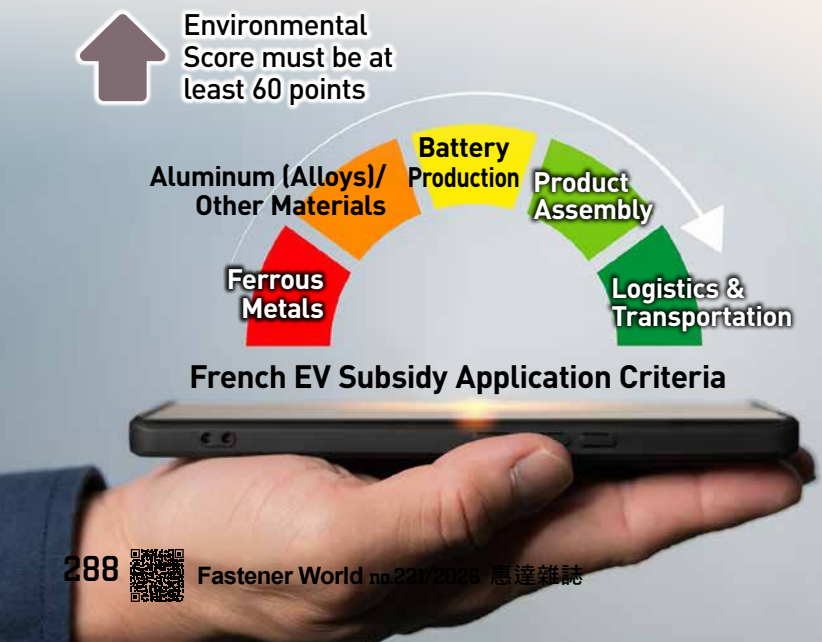
million units in 2022 and widened the automotive trade deficit to US$23.57 billion. Nearly 39,000 jobs were lost over 5 years, and further layoffs may continue over the next decade.

Meanwhile, **French automotive-component industry is undergoing rapid transformation.** Since the Climate and Resilience Act took effect in January 2023, market concentration among manufacturers has been challenged, encouraging supplier diversification and digitalization. 72 percent of French consumers say they are willing to buy components online. Despite component prices rising 9.2% and repair costs increasing 11.5%, the market reached US$13.42 billion in 2024. The use of reused components rose by 20%, but still accounted for only 3.6% of all replacement parts. Globally, driven by repair demand and the development of new-energy vehicles, the industry is projected to grow from US$662.5 billion in 2022 to US$1.119 trillion in 2032. Amid inflation and technological change, companies must innovate, expand the use of used components and respond flexibly to evolving consumer trends.

European automotive-component suppliers say the region is losing competitiveness against Asia, where components are priced 15–35% lower. Without swift action, EU value creation could fall by 25.4% before 2030, putting 350,000 jobs at risk. They are calling for a level playing field, including reduced administrative burdens, stronger support for suppliers and a strict legal definition of "Made in Europe." They also propose requiring 70–75% local manufacturing content, excluding traction batteries.

According to the French publication Usine Nouvelle, the country's automotive industry is facing sweeping changes and challenges. The EU's plan to ban sales of conventional internal-combustion cars by 2035 would bring rapid and far-reaching transformation. The industry must prepare early for electrification, while component makers and upstream suppliers face multiple challenges as combustion engines gradually disappear.

Although the Renault Group and Stellantis are pursuing different electrification strategies, both recognize that the future automotive industry will be technology-driven and that software will play a key role as they seek to maximize profits. Established automakers must compete directly with Tesla and major electronics companies worldwide. Component manufacturers need to diversify to survive in the new ecosystem. Unlike large companies, which have more resources to invest heavily in new technologies, many small and medium-sized businesses may face the challenge of repositioning themselves in the market, along with risks of layoffs and job losses. Statistics indicate that industrial transformation has led to the closure of numerous factories over the past decade. Upstream automotive employment has fallen by 85,000 jobs, declining by an average of 2.2% annually, and electrification may intensify this trend.



(2) France Moves Ahead with Automotive-Industry Transformation

French automotive industry is facing the challenge of transformation, and the government and industry are preparing to sign a new sector agreement to accelerate vehicle electrification. This would be an important milestone for the industry and provide greater confidence. From 2018 to 2022, EV sales increased fivefold, with the total number exceeding one million. Public charging points also continued to expand, surpassing 100,000 and laying an important foundation for the transition to electric mobility.

Looking ahead, France has set ambitious targets: between 2024 and 2027, it plans to quadruple the number of zero-emission vehicles to 800,000, while the number of commercial vehicles is to increase sixfold to 100,000. The country is also working to reduce carbon emissions from buses, coaches and trucks. In addition to promoting electric vehicles, France is incorporating hydrogen into its energy mix. Although hydrogen's applications are not yet clearly defined, France has begun exploring the field with the aim of producing carbon-free hydrogen and further reducing the environmental impact of transport.

The new industry agreement places particular emphasis on environmental protection and innovation. A multidimensional life-cycle assessment approach will be adopted to minimize the industry's environmental impact. The government is also encouraging bioenergy and other alternative energy sources to reduce dependence on conventional oil and steer the French automotive industry toward more sustainable development.

The French government is actively building a traction-battery ecosystem, with EV battery manufacturing offering a new opportunity for the automotive industry. According to the PFA, the transition is expected to create 23,000 local jobs, most of them related to battery manufacturing. **A new battery ecosystem is taking shape in northern France.** Automotive Cells Company, a joint venture between Stellantis, TotalEnergies and Mercedes-Benz, established its first traction battery gigafactory in France in May 2023. It is the first of 4 planned battery factories in the country; the others include Envision's facility in Douai, Verkor's plant in Dunkirk and ProLogium. The factories are expected to enter operation in 2026. French nuclear group Orano is also partnering with China's XTC New Energy in Dunkirk to establish facilities for manufacturing cathode active materials and their precursors (pCAM). The PFA is optimistic about the industry's prospects but urges the government to maintain financial support to ensure France remains competitive in global markets. ■

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