

December 10, 2018

Fuel Demonstrations in France

Stratas Advisors

Like many advanced economies, France is dealing with a growing income gap among its wealthiest and poorest taxpayers. The bottom 20% of citizens earn approximately five times less than the top 20%.

The government's proposal to increase taxes on gasoline and diesel has resulted in widespread demonstrations opposing the government. The demonstrators, identified as "gilets jaunes," get their title from the fluorescent yellow safety vests that are required in every French vehicle. In the center of the dispute that the demonstrators have gathered around are tax increases on fuel. The fuel tax increases are part of the Macron administration's efforts to reduce carbon emissions.

Fuel tax increases are not new to France. Part of demonstrators' frustration stems from the fact that taxes have risen multiple times in the past years.

(c € / l)						
Evolution of domestic consumption taxes between 2013 and 2018						
	2013	2014	2015	2016	2017	2018
Diesel fuel	42.84	42.84	46.82	49.81	53.07	59.40
Superfuels SP95-E5 and SP98	60.69	60.69	62.41	64.12	65.07	68.29
Super-fuel SP 95-E10	60.69	60.69	62.41	62.12	63,07	66.29

Source: Ministry of Ecological and Solidarity Transition

According to UFIP, France's oil industry federation, diesel prices had surged more than 15% this year. While diesel taxes are lower than gasoline taxes, the French fleet is heavily geared toward diesel vehicles. While the root cause of the price rise is a recovery in crude oil prices, the sharp tax increase, combined with simmering concerns on a multitude of economic issues, sparked volatile protests. Despite President Macron agreeing to cancel the planned tax increase, protests have spread and are now calling for changes to several economic policies.

Despite recent violence, the demonstrations still appear to have broadly popular support, and for the most part have been peaceful. However, some demonstrators have blocked streets and set cars on fire. Violence has led to numerous people injured and more than 1,000 arrested. Demonstrators have been the most destructive in the wealthiest neighborhoods in

Paris, plundering luxury stores and surroundings; thus increasing tensions between the city elite and provincial poor.

Macron made a speech in support of democratic demonstrations, where he reiterated he understood where protesters were coming from and removed the tax increase, but the speech and self-criticism didn't work. Macron has previously sworn to ban the sale of petroleum-fueled vehicles by 2040. However, given the aggressive push back to a simple tax increase, clearly a shift to a no-carbon world will be highly contentious anywhere that income inequality is a growing problem.