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Agence France Trésor is tasked with managing the government debt and cash positions under the most secure conditions in the interest of the taxpayer.

## News at Agence France Trésor

### AFT launches reselection process for primary dealers

With the 2012-2015 primary dealers mandate awarded to 19 banks by AFT due to expire, the Agency issued a press release on October 5 announcing the launch of the reselection process and inviting candidates to submit their application by October 16.

The list of primary dealers who will be appointed for a three-year term expiring on December 31, 2018 will be approved by the Minister for Finance and Public Accounts on a proposal from the Director General of the Treasury based on the opinion of a selection committee. The committee, which comprises members of the Senate and National Assembly Finance Committees as well as AMF and Ministry of Finance representatives, will interview candidates before drawing up its recommendation.

The charter outlining the primary dealers' tasks is available for consultation on the AFT website. Each primary dealer must sign and comply with this charter.

Primary dealers will be responsible for guaranteeing the smooth operation of the French sovereign debt market by taking part in auctions and carrying out market-making activities on the secondary market through the distribution of Treasury securities to investors. They must also ensure that it remains one of the most liquid markets in the euro area.

In addition to these tasks, they will be expected to provide the AFT with permanent and highly pertinent advice on issuance policy, debt management, promotion of the government's creditworthiness, financial risks hedging and on the evolution of fixed income markets. They must also act in an ethical manner in compliance with best marketplace practices when carrying out market transactions.

The organisation of the banks selected must, regardless of their geographic, legal or functional make-up, enable them to provide the services agreed to under the terms outlined in the charter, in particular as regards their market-making, back office and risk management activities, as well as any operations relating to distribution or economic research and strategy.

Over the course of the three-year term, AFT will closely monitor the primary dealers selected to ensure that they comply with the charter.

# Climate change: An unprecedented investment and financing challenge

By Raymond Van der Putten, Economic Research, BNP Paribas



In December 2015, the COP21 will be held in Paris. The objective is to reach a worldwide agreement on decarbonisation of the economy. For the coming decades the challenge is twofold: our economic system based on the use of fossil fuels should move to one centred around renewable energy. For this infrastructure investment will have to be stepped up and these projects should be directed to equipment for mitigating and adapting to climate change.

## The importance of carbon pricing

Fossil fuel prices do not include a compensation for the problems caused by their use for the environment, the so-called negative externalities. This could lead to an overuse of energy relative to the social optimum and hence underinvestment in energy efficiency and conservation.

Energy taxation, be it through carbon taxes or emission trading systems (ETS), is an important tool to curb the environmental consequences of energy use. However, taxes are often too low and misaligned. Coal is the least heavily taxed of all fossil fuels. The experiences with the EU ETS have been mixed. On the positive side, the greenhouse gas emissions of installations covered by the scheme have declined. However, at only 8 euros per tonne carbon, the price for allowances is well below the social costs of carbon, estimated at 30 euros.

To improve the functioning of the price mechanism, a first step should be the phasing out of subsidies for fossil fuels. A second step could be to increase taxation on coal, the least heavily taxed of all fossil fuels, to bring it more in line with its social costs.

## The investment challenge

Investment in infrastructure will be a major determinant whether the world economy succeeds in keeping global warming below 2°C. As energy installations typically operate for decades, they may “lock in” future emission levels. The OECD estimates that moving to a low-carbon economy would require around 90 trn dollars of global infrastructure investment in 2015-30 or an average 6 trn dollars a year. This implies that investment spending needs to be doubled in the coming decades.

An important condition for boosting infrastructure spending is to attract long-term finance. As infrastructure projects can generate long-term revenue streams uncorrelated with the business cycle, they could be attractive for institutional investors, such as pension funds, insurance companies and sovereign wealth funds. However, the sizes of these

projects are relatively small and the risks often too elevated for these investors.

Many of these risks can be mitigated by the participation of multilateral development banks in projects in developing countries. In addition, to overcome the problem of size, new financing tools have been developed, such as climate bonds, project bonds and asset backed securities.

Institutional investors might also be mispricing the fossil-fuel-related risk in their portfolio. If policymakers are serious about limiting global heating to 2°C, carbon prices have to be increased and regulations tightened to keep the level of CO<sub>2</sub> below 450 ppm. This has drawn attention to the problem of the possible stranding of assets, i.e. that fossil fuel related assets may face pre-mature write downs. To prevent the stranding of carbon assets, it is essential that policy makers provide robust signals to companies regarding the pace of the tightening environmental regulations, and then ensure that the pace is kept. In this way, taxes and ETS that result in increasing costs over time can help smooth the transition to a low carbon economy.

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The COP21 that will be held in Paris in December starts under better auspices than previous gatherings. The frequent occurrence of severe natural disasters has certainly raised awareness among the Parties that something has to be done to reduce the presence of GHGs. Also civil society is putting pressure on governments, business and financial institutions. Nevertheless, doubt remains about the collective willingness and capacity to contain global warming. Parties to the COP21 still underestimate the risk or wait for others to take drastic measures, as the intended nationally determined contributions (INDCs) published before the COP21 fall well short to what is necessary.

**Information:** A longer version has been published in BNP Paribas Conjoncture, October 2015. For further details please go to BNP Paribas Economic Research website at <http://economic-research.bnpparibas.com>

**NB:** this Agence France Trésor forum offers economists an opportunity to express their personal opinion. Thus, the above article strictly reflects the author's view, and should not be construed as expressing the viewpoints of Agence France Trésor or the Ministry of the Economy and Finance.

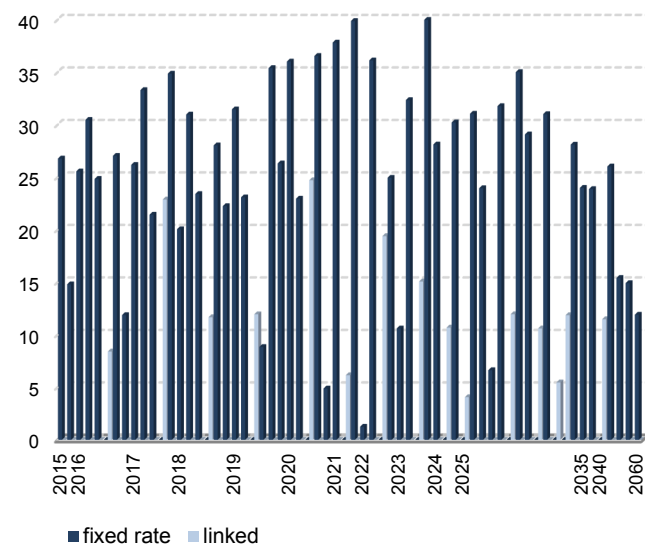
Indicative auction schedule

		Short-term					Medium-term	Long-term	Index-linked
November 2015	auction date	2	9	16	23	30	19	5	19
	settlement date	4	11	18	25	2/12	23	9	23
December 2015	auction date	7	14	21	28	//	//	3	//
	settlement date	9	16	23	30	//	//	7	//

Source: Agence France Trésor

Medium- and long-term negotiable government debt at 30 September, 2015

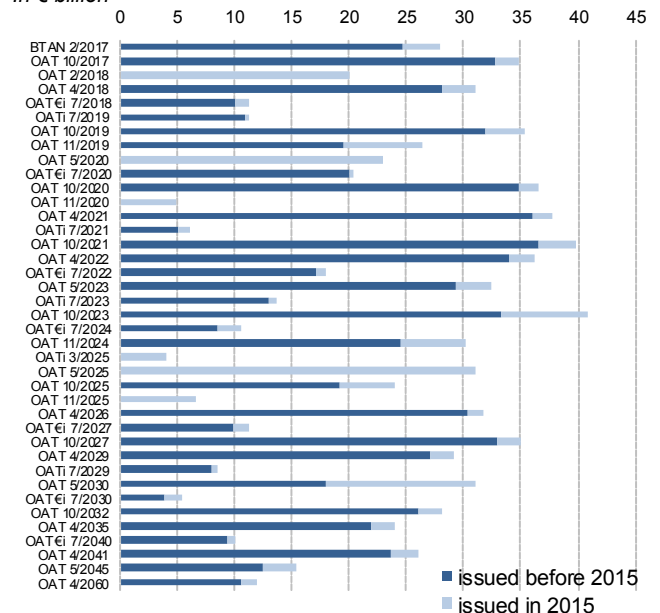
Nominal value of each line, in € billion



Source: Agence France Trésor

Medium- and long-term: securities issued during the year and total issuance at 30 September, 2015

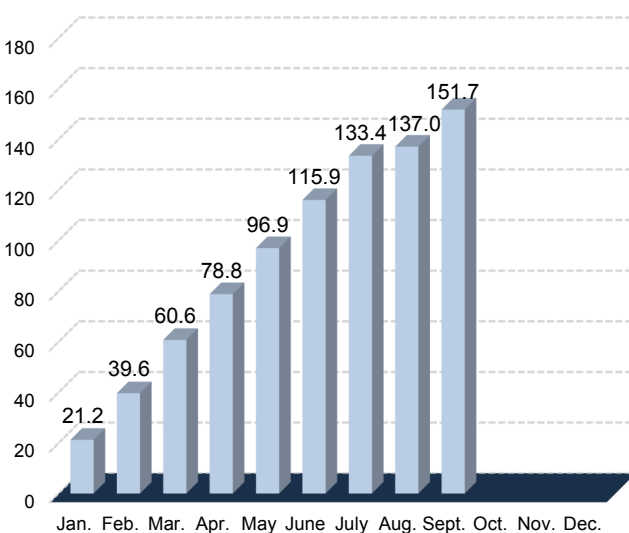
In € billion



Source: Agence France Trésor

Issuance net of buybacks at 30 September, 2015

In € billion



Source: Agence France Trésor

Medium- and long-term: provisional maturity schedule at 30 September, 2015

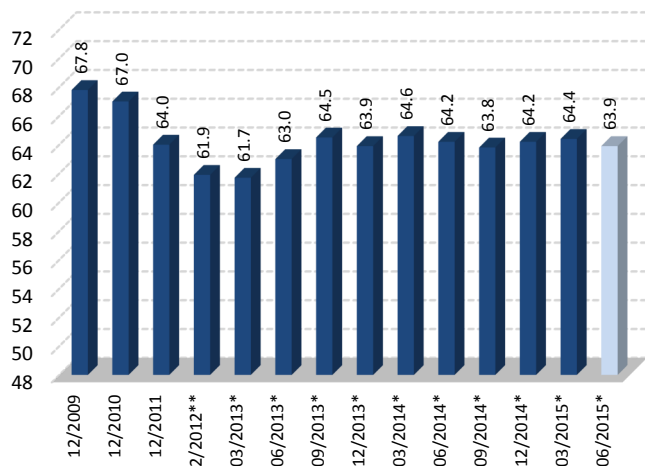
In € billion

Month	Coupon	Redemption
Oct-15	16.4	26.8
Nov-15	1.0	14.8
Dec-15		
Jan-16		
Feb-16	1.0	25.6
Mar-16		
Apr-16	15.7	30.5
May-16	3.1	
Jun-16		
Jul-16	3.6	33.4
Aug-16		
Sep-16		

Source: Agence France Trésor

### Non-resident holders of negotiable government debt in second quarter of 2015

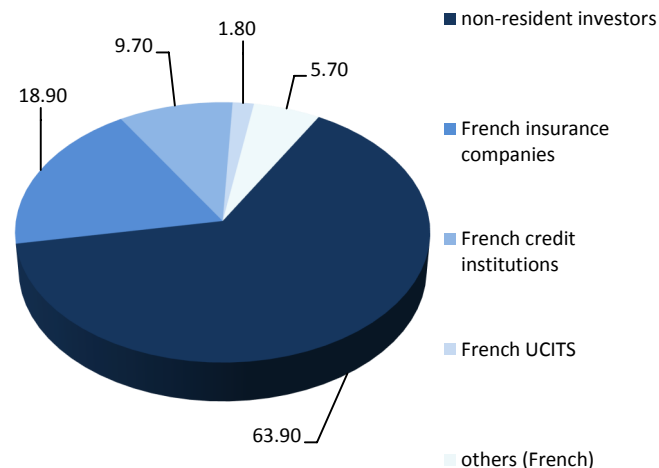
As a % of negotiable debt outstanding expressed in market value



(\* ) figures revised quarterly  
(\*\* ) figures revised annually  
Source: Banque de France

### Negotiable government debt by group of holders in second quarter of 2015

Structure in % expressed in market value



Source: Banque de France

### Negotiable government debt at 30 September, 2015

In euros

Total medium- and long-term debt	1,429,347,608,275
Total stripping activity	61,996,089,100
Average maturity	7 years and 292 days
Total short-term debt	159,908,000,000
Average maturity	112 days
<b>TOTAL OUTSTANDING</b>	<b>1,589,255,608,275</b>
<b>Average maturity</b>	<b>7 years and 17 days</b>

Source: Agence France Trésor

### Negotiable government debt and interest rate swaps at 30 September, 2015

In € billion

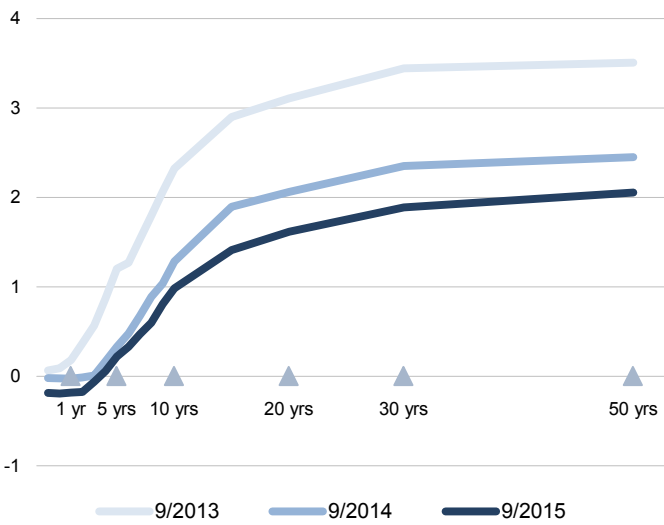
	End 2012	End 2013	End 2014	End Aug. 2015	End Sept. 2015
<b>Negotiable government debt outstanding</b>	<b>1,386</b>	<b>1,457</b>	<b>1,528</b>	<b>1,574</b>	<b>1,589</b>
of which index-linked securities	173	174	189	186	186
Medium- and long-term	1,220	1,283	1,352	1,416	1,429
short-term	167	174	175	158	160
<b>Swaps outstanding</b>	<b>10</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Average maturity of the negotiable debt</b>					
before swaps	7 years 37 days	7 years 5 days	6 years 363 days	7 years 32 days	7 years 17 days
after swaps	7 years 34 days	7 years 2 days	6 years 362 days	7 years 31 days	7 years 16 days

Source: Agence France Trésor



Yield curve for French government securities

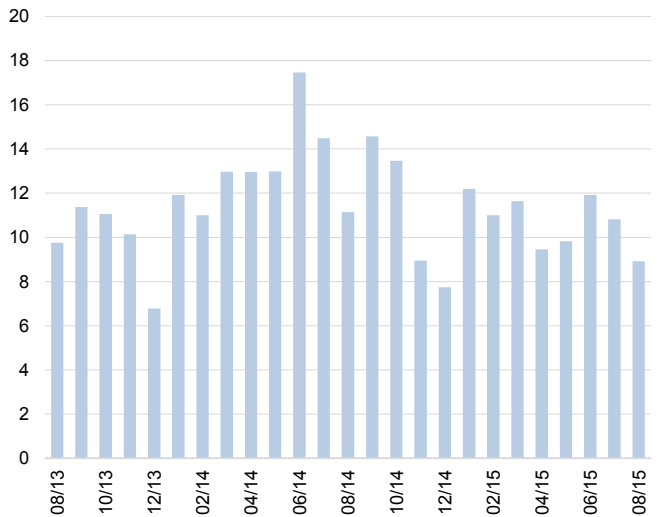
End-of-month value, %



Source: Bloomberg

Average daily volume of medium- and long-term transactions

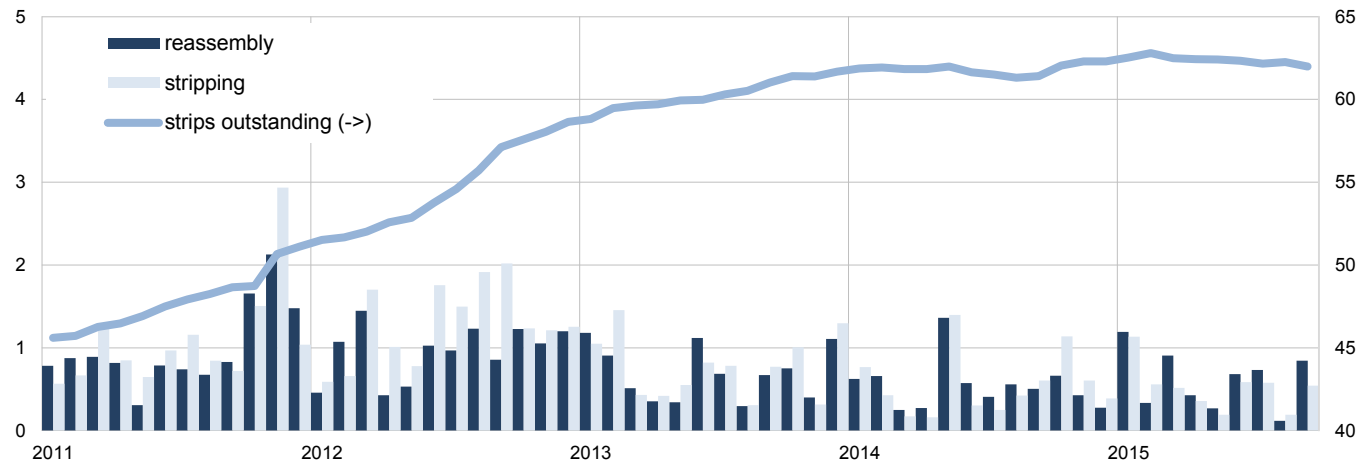
In € billion



Source: reporting by primary dealers in government securities

Total stripping and reassembly

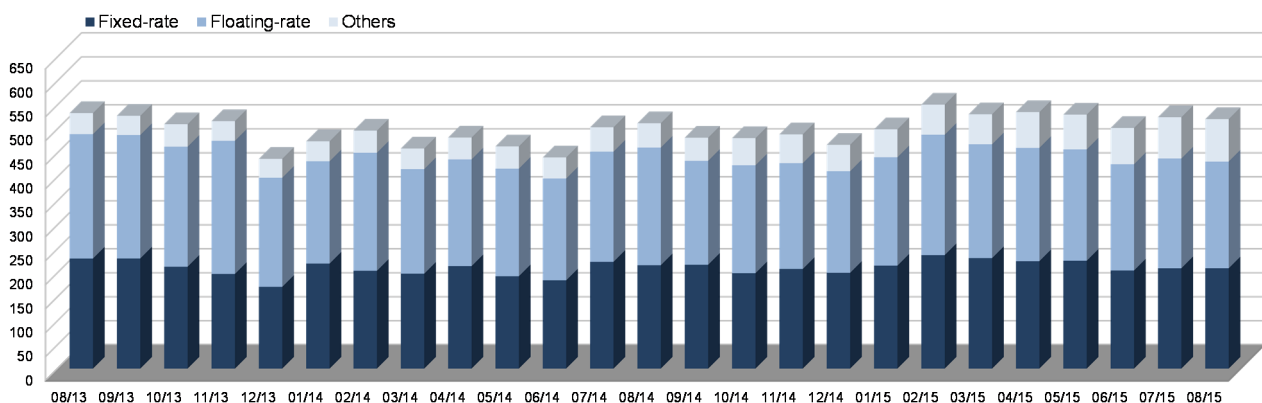
In € billion



Source: Euroclear

Primary dealers, repo outstanding at end of month

In € billion



Source: reporting by primary dealers in government securities

### Short-term debt at 30 September, 2015

	Maturity	Outstanding (€)
BTF	07 October 2015	8,374,000,000
BTF	14 October 2015	6,592,000,000
BTF	21 October 2015	8,112,000,000
BTF	28 October 2015	8,041,000,000
BTF	04 November 2015	7,106,000,000
BTF	11 November 2015	6,573,000,000
BTF	18 November 2015	7,864,000,000
BTF	25 November 2015	5,502,000,000
BTF	02 December 2015	7,093,000,000
BTF	09 December 2015	6,698,000,000
BTF	16 December 2015	7,178,000,000
BTF	23 December 2015	6,196,000,000
BTF	30 December 2015	3,992,000,000
BTF	06 January 2016	7,416,000,000
BTF	20 January 2016	5,650,000,000
BTF	03 February 2016	7,441,000,000
BTF	17 February 2016	6,097,000,000
BTF	02 March 2016	6,216,000,000
BTF	31 March 2016	6,724,000,000
BTF	27 April 2016	5,876,000,000
BTF	25 May 2016	4,895,000,000
BTF	22 June 2016	7,262,000,000
BTF	20 July 2016	5,332,000,000
BTF	18 August 2016	5,862,000,000
BTF	14 September 2016	1,816,000,000

### Medium- and long-term debt (maturing 2015–2018) at 30 September, 2015

ISIN Code	Bond Maturity 2015	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
		<b>41,602,000,000</b>			
FR0010216481	OAT 3% 25 October 2015	26,794,000,000			0
FR0011452721	OAT 0.25% 25 November 2015	14,808,000,000			0
	<b>Maturity 2016</b>	<b>128,242,372,160</b>			
FR0119105809	BTAN 2.25% 25 February 2016	25,567,000,000			–
FR0010288357	OAT 3.25% 25 April 2016	30,477,000,000			0
FR0119580050	BTAN 2.5% 25 July 2016	24,855,000,000			–
FR0119105791	BTANi 0.45% 25 July 2016	8,411,372,160	(1) 1.05024	8,009,000,000	–
FR0000187361	OAT 5% 25 October 2016	27,049,000,000			269,017,000
FR0011857218	OAT 0.25% 25 November 2016	11,883,000,000			0
	<b>Maturity 2017</b>	<b>138,711,763,700</b>			
FR0120473253	BTAN 1.75% 25 February 2017	26,187,500,000			–
FR0010415331	OAT 3.75% 25 April 2017	33,312,000,000			0
FR0120746609	BTAN 1% 25 July 2017	21,443,000,000			–
FR0010235176	OATi 1% 25 July 2017	22,894,263,700	(1) 1.13366	20,195,000,000	0
FR0010517417	OAT 4.25% 25 October 2017	34,875,000,000			0
	<b>Maturity 2018</b>	<b>136,445,713,480</b>			
FR0012634558	OAT 0% 25 February 2018	20,057,000,000			0
FR0010604983	OAT 4% 25 April 2018	30,984,000,000			0
FR0011394345	OAT 1% 25 May 2018	23,412,000,000			0
FR0011237643	OAT€i 0.25% 25 July 2018	11,680,713,480	(1) 1.03764	11,257,000,000	0
FR0010670737	OAT 4.25% 25 October 2018	28,047,000,000			0
FR0011523257	OAT 1% 25 November 2018	22,265,000,000			0

(1) *face value x indexation coefficient (face value if coefficient < 1)*

Medium- and long-term debt (maturing in 2019 and beyond) at 30 September, 2015

ISIN Code	Bond	Outstanding (€)	Ind. Coeff.	Face value	Stripped (€)
	<b>Maturity 2019</b>	<b>137,149,848,468</b>			
FR0000189151	OAT 4.25% 25 April 2019	31,478,000,000			0
FR0011708080	OAT 1% 25 May 2019	23,095,000,000			0
FR0010850032	OATi 1.3% 25 July 2019	11,959,500,600	(1) 1.06686	11,210,000,000	0
FR0000570921	OAT 8.5% 25 October 2019	8,844,392,893			5,849,885,100
FR0010776161	OAT 3.75% 25 October 2019	35,410,000,000			0
FR0011993179	OAT 0.5% 25 November 2019	26,333,000,000			0
FR0000570954	OAT cap. 9.82% 31 December 2019	29,954,975	(2)	6,692,154	-
	<b>Maturity 2020</b>	<b>125,176,831,200</b>			
FR0010854182	OAT 3.5% 25 April 2020	36,032,000,000			0
FR0012557957	OAT 0% 25 May 2020	22,969,000,000			0
FR0010050559	OAT€i 2.25% 25 July 2020	24,727,831,200	(1) 1.21752	20,310,000,000	0
FR0010949651	OAT 2.5% 25 October 2020	36,562,000,000			0
FR0012968337	OAT 0.25% 25 November 2020	4,886,000,000			0
	<b>Maturity 2021</b>	<b>83,883,113,120</b>			
FR0010192997	OAT 3.75% 25 April 2021	37,837,000,000			0
FR0011347046	OATi 0.1% 25 July 2021	6,155,113,120	(1) 1.01036	6,092,000,000	0
FR0011059088	OAT 3.25% 25 October 2021	39,891,000,000			0
	<b>Maturity 2022</b>	<b>81,746,213,850</b>			
FR0000571044	OAT 8.25% 25 April 2022	1,243,939,990			622,668,400
FR0011196856	OAT 3% 25 April 2022	36,140,000,000			0
FR0010899765	OAT€i 1.1% 25 July 2022	19,405,273,860	(1) 1.08234	17,929,000,000	0
FR0011337880	OAT 2.25% 25 October 2022	24,957,000,000			0
	<b>Maturity 2023</b>	<b>98,929,833,653</b>			
FR0000571085	OAT 8.5% 25 April 2023	10,606,195,903			5,596,400,200
FR0011486067	OAT 1.75% 25 May 2023	32,358,000,000			0
FR0010585901	OATi 2.1% 25 July 2023	15,083,637,750	(1) 1.09899	13,725,000,000	0
FR0010466938	OAT 4.25% 25 October 2023	40,882,000,000			569,585,000
	<b>Maturity 2024</b>	<b>69,060,112,240</b>			
FR0011619436	OAT 2.25% 25 May 2024	28,128,000,000			17,000,000
FR0011427848	OAT€i 0.25% 25 July 2024	10,697,112,240	(1) 1.01356	10,554,000,000	0
FR0011962398	OAT 1.75% 25 November 2024	30,235,000,000			58,000,000
	<b>Maturity 2025</b>	<b>65,733,951,918</b>			
FR0012558310	OATi 0.1% 1 March 2025	4,067,023,800	(1) 1.00173	4,060,000,000	0
FR0012517027	OAT 0.5% 25 May 2025	31,065,000,000			0
FR0000571150	OAT 6% 25 October 2025	23,968,928,118			3,181,464,400
FR0012938116	OAT 1% 25 November 2025	6,633,000,000			0
	<b>Maturity 2026</b>	<b>31,784,000,000</b>			
FR0010916924	OAT 3.5% 25 April 2026	31,784,000,000			90,813,000
	<b>Maturity 2027</b>	<b>46,991,031,150</b>			
FR0011008705	OAT€i 1.85% 25 July 2027	11,962,031,150	(1) 1.06661	11,215,000,000	0
FR0011317783	OAT 2.75% 25 October 2027	35,029,000,000			0
	<b>Maturity 2028</b>	<b>22,534,786</b>			
FR0000571226	OAT zero coupon 28 March 2028	22,534,786	(3)	46,232,603	-
	<b>Maturity 2029</b>	<b>39,702,532,210</b>			
FR0000571218	OAT 5.5% 25 April 2029	29,091,880,458			3,509,609,100
FR0000186413	OATi 3.4% 25 July 2029	10,610,651,752	(1) 1.25286	8,469,144,000	0
	<b>Maturity 2030</b>	<b>36,491,951,640</b>			
FR0011883966	OAT 2.5% 25 May 2030	31,023,000,000			0
FR0011982776	OAT€i 0.7% 25 July 2030	5,468,951,640	(1) 1.00054	5,466,000,000	0
	<b>Maturity 2031 and later</b>	<b>167,673,804,700</b>			
FR0000188799	OAT€i 3.15% 25 July 2032	11,874,633,600	(1) 1.23360	9,626,000,000	0
FR0000187635	OAT 5.75% 25 October 2032	28,114,322,600			11,220,157,400
FR0010070060	OAT 4.75% 25 April 2035	24,004,000,000			5,227,167,000
FR0010371401	OAT 4% 25 October 2038	23,889,000,000			4,864,511,400
FR0010447367	OAT€i 1.8% 25 July 2040	11,489,848,500	(1) 1.14270	10,055,000,000	0
FR0010773192	OAT 4.5% 25 April 2041	26,037,000,000			7,438,539,000
FR0011461037	OAT 3.25% 25 May 2045	15,421,000,000			494,600,000
FR0010171975	OAT 4% 25 April 2055	14,926,000,000			7,428,188,000
FR0010870956	OAT 4% 25 April 2060	11,918,000,000			5,558,484,100

(1) face value x indexation coefficient (face value if coefficient < 1)

(2) Including coupons capitalised at 31 Dec. 2014; not open to subscription

(3) Revised on 28 March 2015; not open to subscription

### Most recent economic indicators

Industrial output, year-on-year	0.6%	Aug 2015
Household consumption*, year-on-year	2.9%	Sep 2015
Unemployment rate (ILO)	10.3%	Jun 2015
Consumer prices, year-on-year		
all items	0.0%	Sep 2015
all items excluding tobacco	0.0%	Sep 2015
Trade balance, fob-fob, sa (€bn)	-€3.0bn	Aug 2015
" " " "	-€3.2bn	Jul 2015
Current account balance, sa (€bn)	€0.2bn	Aug 2015
" " " "	-€0.4bn	Jul 2015
10-year constant maturity rate (TEC10)	0.89%	30 Sep. 2015
3-month interest rate (Euribor)	-0.040%	30 Sep. 2015
EUR / USD	1.1203	30 Sep. 2015
EUR / JPY	134.69	30 Sep. 2015

\* manufactured products

Sources: Insee, Minefi, Banque de France

### Monthly government budget position

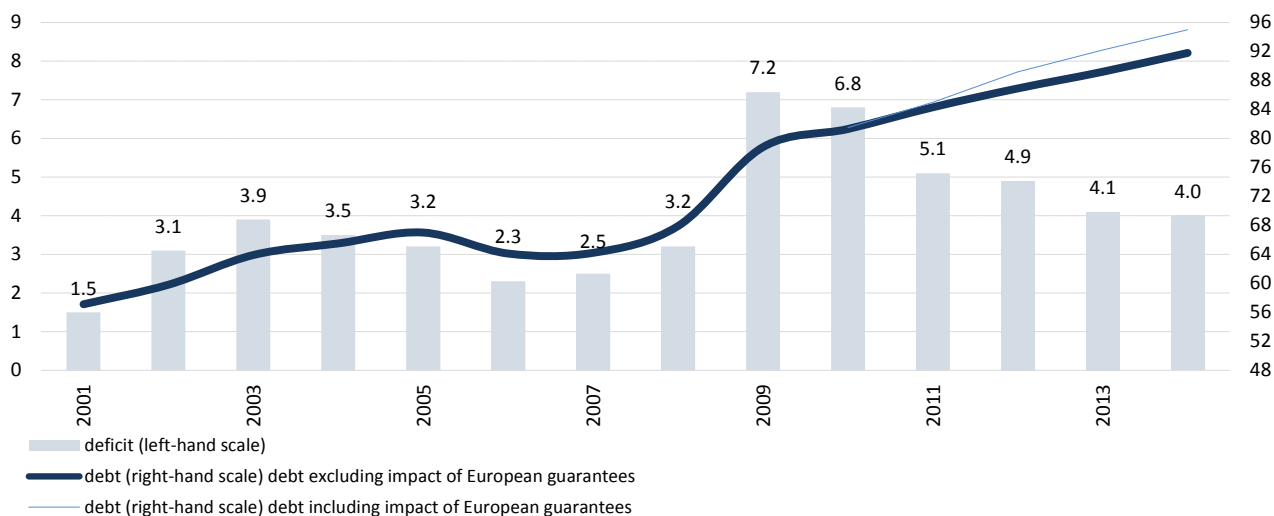
In € billion

			end of August level		
	2013	2014	2013	2014	2015
General budget balance	-75.43	-85.71	-66.72	-67.77	-60.77
revenue	301.24	291.95	190.81	186.14	189.17
expenditure	376.67	377.66	257.53	253.90	249.95
Balance of special Treasury accounts	0.56	0.16	-26.89	-26.31	-28.88
<b>General budget outturn</b>	<b>-74.87</b>	<b>-85.56</b>	<b>-93.61</b>	<b>-94.08</b>	<b>-89.65</b>

Source: Minefi

### Public finances: deficit and debt

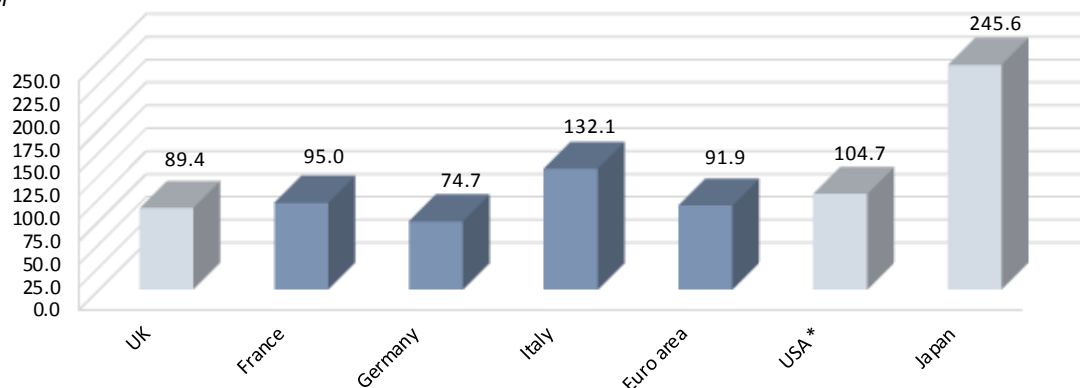
As % of GDP



Source: Insee

### General government debt in 2014

As % of GDP



Sources: Eurostat (07/2015), FMI (07/2015)

\* IMF estimate



### French economic indicators: timetable

November 2015		December 2015	
 6	Industrial investments: October 2015	 3	Job seekers Q3-2015 (BIT)
 6	Foreign trade in September	 8	Foreign trade in October
 10	Industrial output in September	 10	Industrial output in October
 12	Balance of payments in September	 10	Payroll employment: Q3-2015
 12	Consumer prices: index for October	 10	Consumer prices: index for November
 13	Payroll employment: provisional results Q3-2015	 11	Balance of payments in October
 13	Quarterly national accounts: first results Q3-2015	 16	Inflation (HICP): November index
 16	Inflation (HICP): October index	 18	Industrial trends: monthly survey for December
 24	Industrial trends: monthly survey for November	 23	National quarterly accounts: final results Q3-2015
 25	Household confidence survey: November survey	 23	Debt of the general gvt according to Maastricht definition Q3-2015
 26	Job seekers in October	 23	Household consumption of manufactured goods in November
 27	New building starts in October	 24	Job seekers in November
 27	Household consumption of manufactured goods in October	 29	New building starts in November
 27	Industrial producer prices: October index		

Sources: Insee, Eurostat