

Implications of French Presidential and Greek Parliamentary Election Results for Energy Situation

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On May 6, two key elections took place in Europe, bringing about various implications for the future course of the European economy and the entire world. They were the French presidential and Greek parliamentary elections.

In the presidential runoff in France, Socialist challenger François Hollande defeated incumbent President Nicolas Sarkozy by a narrow margin of 51.6% to 48.4%. Even though the margin was narrow, the defeat of incumbent President Sarkozy indicated that French voters as a whole disapproved of the Sarkozy administration's policy management over the past five years. Hollande will assume the presidency upon the inauguration ceremony on May 15. The French Socialist Party obtained the presidency for the first time in 17 years since François Mitterrand.

In the Greek election, two major parties (the Greek Socialist Movement and the New Democracy party) in a ruling coalition before the election suffered a crushing defeat, losing the parliamentary majority. The Radical Left Coalition (SYRIZA), which had harshly criticized the ruling parties' austere budget policy, posted an upsurge and became the second largest party in the parliament. After the elections, the New Democracy party, which won the largest number of parliamentary seats, failed to form a coalition with any other party. Instead, SYRIZA, the second largest party, is seeking to take leadership in organizing a coalition. But whether any coalition could be formed remains in the balance. A new election could be held with coalition formation efforts failing.

As pointed out by many media organizations, citizens' discontent with economic conditions and policies in the whole of Europe including France and Greece has been behind the results of the two elections – the defeat of the incumbent president and the crushing defeat of the ruling majority coalition. Particularly, the French and Greek election results indicated a combination of voters' discontent with and criticism against European credit crisis countermeasures and policies as the most painful part of the economic conditions and policies.

In Greece where the European credit crisis emerged, the government accepted and implemented a severely austere budget, including substantial cuts in pension benefits and public servant wages, in exchange for assistance from the international community including the European Union. But Greek citizens grew discontent with the severe economic situation including economic deterioration and growing unemployment, leading to frequent strikes by workers. In the Greek general election, voters declared "no" to the austere budget policy.

In an attempt to overcome the European credit crisis, French President Sarkozy cooperated closely with German Chancellor Angela Merkel in calling for austere budget policies in heavily indebted countries, promoting austerity for the whole of Europe. But the austere budget policies failed to attain support from many citizens amid economic deterioration including growing unemployment and widening social gaps in France. Hollande attracted voters by pledging to give priority to growth policies as well as austerity, to consider positive measures including the expansion of public servant employment and to reform austere budget policies for the whole of Europe. While the French and Greek situations have differed from each other in various ways, their election results can be interpreted as commonly indicating that voters' growing discontent with the incumbent leaders has led to their demand for new moves.

While the election results are interpreted as reflecting voters' discontent with the incumbent leaders and their demand for new moves, however, what policies new governments under voters' mandate could take and whether they could implement new policies are very uncertain or largely unforeseeable. In response to the election results, the European situation, including credit crisis measures, could grow more unstable and uncertain.

As a matter of course, the fate of the European credit crisis problem could exert great impacts on the international energy landscape. Under the first possible impact, financial market turbulence on a resurgence of credit and banking crises could spill over to the commodity market. On May 4 before the two elections, the West Texas Intermediate crude oil futures price in the United States stood below \$100/barrel. On May 7 after the elections, the WTI futures price fell further to \$97.94/barrel in tandem with a stock market decline mainly in Europe. In this respect, developments in stock and other financial markets may attract great attention. We may have to pay attention to the new Greek government's policies and new French President Hollande's actual economic policy management including proposals for reforming the Germany-led austerity policies for the whole of Europe. Depending on developments in the European situation, markets now in a wait-and-see mood could fluctuate wildly, leading to the resurgence of credit crises and sharp crude oil price falls.

The second possible impact would be closely related to the abovementioned point. If a European credit crisis resurges and deteriorates, it may exert great influences on the real world economy. In such event, the influences may spill over from Europe to the entire world, greatly affecting future energy demand. These influences may spread to China and other economies that depend on exports to Europe. We may have to pay attention to future developments that could affect the real economy and energy demand.

Lastly, I would like to pay attention to France's future energy policy after the presidential election. This is because Hollande during the presidential election campaign described nuclear power generation's share at 75% of total French electricity output as too high and pledged to reduce the share to 50% over a long term, while endorsing nuclear power generation as an important mainstay energy source. After his remark on nuclear energy, however, the abovementioned economic problems emerged as the biggest issue in the presidential race. Since the economic problems grew dominant with any nuclear power generation change expected to affect employment, Hollande refrained from taking up the nuclear energy problem. It was unclear whether Hollande specifically

disputed Sarkozy's plan to maintain and expand nuclear power generation. Therefore, we may have to pay great attention to what energy policy the new president would adopt. The policy would be important for energy/electricity supply and demand not only in France but also in all European countries that are closely cooperating under their wide electric grid network. This is because France exports nuclear-based electricity to other European countries and plays a key role in supplying electricity in the all of Europe. As noted above, Hollande might have accepted and recognized nuclear energy as an important electricity source. How the new administration's choice would affect nuclear power generation in the world will attract great attention.

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