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Voluntary Public

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France

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Tax on Energy Drinks Rejected

Report Categories:

Beverages

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Report Highlights:

A French tax on energy drinks intended to reduce consumption of drinks containing taurine and caffeine, which was to be assessed at \$65 (50 Euros) per hectoliter, will not be implemented.

General Information:

A French tax of \$65 (50 Euros) per hectoliter on energy drinks, which was intended to reduce consumption of drinks containing taurine and caffeine, will not be implemented. The Constitutional Council approved the bulk of the bill that proposed the tax, but rejected the tax on energy drinks called "Tax Red Bull." This tax would have been applied to drinks that contain at least 0.22 grams of caffeine and 0.3 grams of taurine per liter. This tax idea was born within the Social Affairs Committee of the Assembly and later was included in a government initiative to fight against alcoholism among young people, due to concerns about energy drink use leading to greater alcohol use.

The Constitutional Council concluded that the fight against alcoholism among the young adults did not justify the introduction of a tax on energy drinks. The Constitutional Council commented saying, "By taxing beverages containing no alcohol for the fight against alcohol consumption among young people, the legislature has established a tax that is not based on objective criteria and rational relation to the objective pursued." After the rejection of a tax on Nutella and a tax on aspartame (a sweetener), this is now the third food-related tax rejected by the Council.

Around 40 million liters of energy drinks are consumed in France each year and until now have been taxed at the same rate as soft drinks. U.S. brands continued to lead sports and energy drinks in France in 2011. Red Bull and Coca-Cola remained the two leading companies in 2011, due to the former's leadership of energy drinks and the latter's strong position in both energy drinks and sports drinks. In 2011, sports and energy drink sales continued to grow at a 10-percent annual rate with a total value of \$397 million. This trend is expected to continue in 2013 and beyond, with projections for a 9 percent yearly increase in volume and a 7 percent increase in value. Since the proposed tax on energy drinks would likely have slowed sales of these beverages, the rejection of the tax will likely lead to launches of new products in this area, including U.S. brands.