



**mouvement
écologique**

The Climate Protection Act and the implementation regulations on subsidy practice:

**Make changes to set the right signals on the path to the energy
transition!**

Opinion on the "Projet de loi portant modification de la loi modifiée du 15 décembre 2020 relative au climat "

This legislative project primarily adopts EU provisions. However, as is so often the case, an important margin of discretion also lies at national level. In addition, the new provisions on the promotion of e-cars and bicycles, among other things, will be anchored in implementing regulations for the law. In this respect, the present project is more than just an exercise in diligence, but is also of fundamental importance.

Despite some positive elements, the Mouvement Écologique sees key shortcomings in the general political prioritization, the approach and specific important detailed provisions. These are set out below, together with specific proposals for change.

"Plateforme pour l'action climat et la transition énergétique": The advisory body on climate action and energy transition is ignored ...

The Climate Act of 2020 also established the so-called "*plateforme pour l'action climat et la transition énergétique*". It consists of representatives of employees and employers, civil society, municipalities and others.

Article 6 of the law defines their function as follows.

" (1) La Plateforme climat a pour mission :

a) d'être un forum de discussion sur le climat ;

b) de proposer des recherches et des études dans tous les domaines ayant trait au climat ;

c) d'établir des liens avec les comités comparables des États membres de l'Union européenne ;

d) d'instaurer un dialogue multiniveaux entre des représentants des communes, d'organisations de la société civile, du monde des entreprises, des investisseurs et d'autres parties prenantes concernées ainsi que du grand public ;

e) de participer à l'élaboration de l'avant-projet de plan national intégré en matière d'énergie et de climat ;

f) d'émettre des avis, sur demande du Gouvernement en conseil, relatifs à la politique nationale climatique prises ou envisagées, notamment sur l'exécution des engagements internationaux ou d'étudier de sa propre initiative l'opportunité de nouvelles mesures ou de modifications de mesures en place. (...)

(3) The Climate Platform is chaired by a representative of the Minister. The Minister shall make a permanent secretariat available to the Climate Platform. In case of need and at the request of one fifth of the members, the President of the Climate Platform may, on his own initiative or that of another member, call on one or more experts or set up working groups.

(4) La Plateforme climat dispose d'une dotation annuelle à la charge du budget de l'État. "

To date, this platform has not been convened once under the new government and the Minister for the Environment, Climate and Biodiversity! This is despite the fact that several members have approached the Ministry and called for a meeting to be convened.

Accordingly, the important provisions of the Climate Protection Act and the execution provisions were not discussed in advance. Neither were the recent amendments to the national climate protection and energy plan.

Yet the great opportunity lies precisely in the fact that different points of view can be expressed in the committee and an exchange of different points of view can take place accordingly.

E-mobility is fundamental to the energy transition - but the further expansion of public transport and soft mobility is particularly important

The Mouvement Ecologique is committed to further government support for e-mobility. This is based on the fundamental conviction that private transport is part of the mobility chain and plays a major role in the energy transition.

However, it is inevitable that a **reduction** in private transport is essential in order to achieve climate protection targets and, above all, to protect resources, partly due to population growth. We must also succeed in slowing down the race for ever larger and more powerful cars.

In this respect, the Mouvement Ecologique is urging that the top priority of this government must be to push ahead with the further expansion of public transport and soft mobility with all its strength and financial resources.

- This raises the question of the status of implementation of the national mobility strategy PNM2035 ("plan national de mobilité"). This sets out the framework for more sustainable mobility in Luxembourg in 2035 and sets out specific implementation steps.

What about the timeframe for implementation? Because as a reminder: even if this plan is implemented in its entirety, the vehicle fleet and the associated negative consequences (congestion, sealing ...) will continue to increase The PNM2035 is therefore - even if it is partly ambitious - the minimum target that can be achieved. Where do we stand?

- The government must also consistently support all initiatives at EU level that contribute to advancing the social and ecological criteria for the extraction of resources in general (including lithium) and their recyclability.
- The continuation and implementation of the "*program directeur de l'aménagement du territoire*" is also imperative. Its implementation has also become very quiet. Yet there is a consensus that coherent regional planning is the ultimate prerequisite for better organization of mobility.

Where is the strategy for social transition?

The fact is that certain financial assistance for the purchase of electric cars or bicycles is to be reduced less for financially weaker households than for people with a higher income by means of the present legislative project or the implementation regulations.

However, in the opinion of the Mouvement Ecologique - in contrast to the government's argument - this does not constitute a social measure.

The situation of financially weaker households is not improved by the fact that subsidies are not cut to the same extent as for financially stronger households.

The government is required - as has already been promised several times - to finally put a government strategy on the table as to how financially weaker households can be given real and increased support in the transition. The ecological transition can only succeed if low-income households are supported IN ADDITION to the current instruments. Such a strategy is long overdue and should finally be put up for discussion.

Have the courage to make the real polluters pay: Introduce a malus system in addition to bonuses (subsidies)!

The government continues to rely on financial aid for the purchase of electric vehicles, even if this is to be somewhat lower than before. According to the Mouvement Ecologique, this aid is also necessary to ensure that the transition is successful and that Luxembourg's climate protection targets can be met.

The figures also show how important action is: according to Eurostat, the transport sector is responsible for 64.5% of CO₂ emissions in 2022 and is therefore the main source of climate-damaging greenhouse gas emissions in Luxembourg. With 673 cars per 1,000 inhabitants, Luxembourg has the highest number of cars per capita in the EU.

But other countries - such as France - are leading the way: The time has come for citizens who deliberately cause particularly high emissions or consume particularly high amounts of energy and resources by choosing a new car to pay for the consequential costs of their behavior themselves. It can and must no longer be the case that these costs are borne by the general public!

The fact is that manufacturers have an interest in selling oversized (resource- and energy-intensive) vehicles in particular, as they earn far more from them than from small or mid-range cars. Unfortunately, this also applies in part to electric cars.

The state must take measures to curb this development! It is unacceptable that on the one hand there are calls to save CO₂, resources and energy, but on the other hand the vehicle fleet is being designed to be ever more resource- and energy-intensive! This is particularly true in a sector in which both CO₂ emissions and fuel consumption can be significantly reduced by adapting offers and purchasing decisions.

The Mouvement Ecologique calls on the government, political parties and MPs to immediately introduce a malus system for particularly CO₂-emitting as well as CO

heavy / energy and resource-intensive vehicles, , for Luxembourg - this complements the subsidies for electric vehicles.

France, for example, has such a system.

In France, for example, a tax is levied on the registration of combustion cars from 118 g CO₂ / km (WLTP), which increases steadily depending on the emissions. It can amount to several thousand euros. Stricter regulations came into force in 2024, with charges also being levied depending on weight. Further information at <https://www.economie.gouv.fr/cedef/malus-vehicules-polluants..>

For new registrations in Luxembourg - i.e. matriculation - a levy is to be imposed in future on both combustion cars with high CO₂ emissions and certain e-cars with particularly high energy consumption / considerable weight. SUVs with e-cars with a certain consumption/weight are also to be penalized by the state.

This would at least partially respect the polluter-pays principle, as buyers would have to pay for the consequential costs incurred by society. In addition, a certain deterrent effect of this levy is expected. The prerequisite is that the levies

However, exemptions and higher limits are to be introduced for households that require larger vehicles up to 7 people due to their household composition.

CO₂ tax: initiate discussion on "dérogation temporaire" now!

The CO₂ tax is recognized as a key instrument for achieving climate protection targets. In all scientific studies, it has proven to be an indispensable fiscal policy steering instrument.

The government plans to increase this to €45 per tonne in Luxembourg by 2026. There is scientific evidence that this is far too low and that a higher tax, which is socially cushioned and whose revenue is also invested in the transition, would be of paramount importance.

The EU plans to introduce a separate emissions trading system for the building and road transport sectors (ETS2 - SEQE 2) from 2027. The aim is to establish a European minimum CO₂ price by 2030. This is estimated to be between € 200 and € 300 per tonne.

Each country can now decide whether to participate in the European system before 2030 or benefit from a derogation that states that member states that have already introduced a national CO₂ tax with a minimum level of €45 per tonne do not have to join until 2030.

Luxembourg does not want to join the ETS2 in the first phase and will not have to do so until 2030 make. From then on, the European price for one tonne of CO₂ will apply throughout Europe.

In the eyes of the Mouvement Ecologique, this is a risky gamble. This means that - if the national CO₂ tax is not increased significantly by 2030 - there could be a price shock. The currently expected difference, which will occur in the event that the Luxembourg CO₂ tax is not increased more gradually, would require the tax to rise from €45 per tonne to, for example, €200 or €300 per tonne in a very short space of time. Such a significant price increase in a short time frame would certainly not be accepted by broad sections of the population.

It is therefore essential from an ecological, social and economic point of view to develop a medium-term strategy in this area too! The present draft law refers to the problem, but does not take a position on it...

In the opinion of the Mouvement Ecologique, it would be important **to gradually increase the CO₂ tax now in order to support the energy transition and cushion the switch to the European price.** It is also important to initiate a transparent discussion process on this topic.

Another argument in favor of increasing the currently planned CO₂ tax are the developments in the border region. According to STATEC, the reductions in CO₂ emissions envisaged in the national climate and energy plan can only be achieved if the price difference for fuels between Luxembourg and neighboring countries remains low. However, now that Germany has increased the CO₂ tax to €45 per tonne at the beginning of the year, fuel in Luxembourg is becoming considerably cheaper again, which would fuel fuel tourism once more. This significantly weakens the effect of the Luxembourg CO₂ tax. There is therefore a real risk that the national climate and energy plan cannot be adhered to without an additional increase in the CO₂ tax.

Optimize data situation for municipal CO₂ balancing

Among other things, the Climate Pact 2.0 provides for the creation of municipal CO₂ balances. However, it has been known for years that the preparation of these balances fails in part due to inaccessible data. This data is at least partially available (e.g. Ministry of Finance). However, for reasons of data protection and tax confidentiality, this data cannot currently be passed on to the municipalities, ministries or the preparers of the balance sheets. Climate Alliance Lëtzebuerg has been drawing attention to this problem for years. Since, according to the tax administration, it is permissible to pass on data under certain defined conditions if this is clearly regulated in a law, the Mouvement Ecologique advocates a corresponding regulation in the present climate law. Otherwise, the preparation of municipal balance sheets, which is essential for achieving the climate targets, will remain unsatisfactory.

Maintain and optimize subsidies

The Mouvement Ecologique will not comment on all aspects of the legislative project or the execution regulations, such as the fact that the specifications of the "*plan d'action social*" are rather terse or that it is not clear which ministry should take the lead here.

In principle, the Mouvement Ecologique welcomes a number of innovations in subsidies, e.g. regarding the promotion of cargo bikes, e-chargers, used e-cars and much more.

However, the following suggestions for improvement are set out in the "*Amendments gouvernementaux au projet de loi no 83C5 portant modification de la loi modifiée du 15 décembre 2020 relative au climat.*" or the "*Projet de règlement grand-ducal modifiant le règlement grand-ducal du 7 mars 2015*"

- *Portant introduction d'une aide financière pour la promotion des véhicules routiers à zéro ou à faibles émissions de CO2*
- *Modifiant l'arrêté grand-ducal modifiée du 23 novembre 1555 portant règlement de la circulation sur toutes les voies publiques* :

Don't risk a slump in the sale of electric cars - continue to support the technology!

The analysis of the Mouvement Ecologique is based on the following convictions:

- The main purpose of subsidizing electric cars is not to support the car fleet as such, but to ensure the introduction of an important new technology that is extremely relevant to the energy transition. Unfortunately, and as the sales figures show, this technology has gained acceptance, but it still has a long way to go.
- When revising subsidies, it is important to promote particularly energy-efficient electric cars, especially smaller models. After all, the mobility of the future belongs to them. However, consistent subsidies - at least in a transitional phase - must not be limited too much to this vehicle fleet. In fact, there is then a great risk that customers - who would rather buy a mid-range car - will opt for a combustion engine again. This would be highly problematic from a climate protection perspective.
- The fact is that there is still a relevant price differential between Verbenner cars and e-cars. Accordingly, the Mouvement Ecologique believes that it is too early to be too selective in terms of subsidies. In fact, the so-called "middle class" can still be reached.

- Last but not least, the government has not presented any technical calculations/arguments as to why the subsidy amounts should now be changed to the extent proposed at this time or to this extent. Neither is it explained how the amount was arrived at, nor is it shown on the basis of economic calculations (e.g. price elasticity) that the changes to the subsidies will not lead to a slump in the purchase of electric cars.

Accordingly, the Mouvement Ecologique is advocating significant changes to the government's draft. E-mobility must continue to be consistently supported for a certain period of time - the cuts planned by this government are extremely problematic.

The Mouvement Ecologique is certainly in favor of reducing this higher subsidy practice after a certain period of time and making it more socially differentiated. However, it is convinced that the time is not yet ripe.

- **No reduction in the premium for electric cars up to 16 kWh/100 km by €2,000: retain the current premium of €8,000**

The government intends to reduce the premium from the current €8,000 to €6,000 for cars with an energy consumption of less than 16 kWh/100 km and to limit it to €3,000 for cars with a consumption of between 16 kWh/100 km and 18 kWh/100 km. The Mouvement Ecologique is opposed to both amendments at this time for the reasons stated.

It should be noted that the Mouvement Ecologique called on the government weeks ago to disclose calculations on the extent to which the reduction in subsidies could result in fewer households buying electric cars.

It should be noted that very few e-cars fall into this category.

- **No reduction in the premium for e-cars between 16 kWh/100 km and 18 kWh/100 km from €8,000 to €3,000. Only reduce the premium from €8,000 to €6,000**

The fact is that the choice of cars below 16 kWh/100 km is still very limited, but a larger proportion of energy-saving electric cars are between 16 kWh/100 km and 18 kWh/100 km. For this reason, the financial support for cars with a consumption between 16kWh/100 km and 18kWh/100 km is to be reduced somewhat - in order to reduce the "Attrait" for the purchase of even more energy-efficient cars - but by no means to this extent. A reduction to €6,000 would be permissible, but not more.

- **Is the premium for used cars sufficient?**

The Mouvement Ecologique welcomes the introduction of this premium in principle, but wonders whether it is high enough. What calculations are used to determine this amount?

- **Support the purchase of a new car only every 5 years**

For bicycles, the provision applies that you can only benefit from a premium every 5 years. This does not apply to electric cars. It is also important to avoid the craze for the "always the latest car model". After all, the energy and environmental consumption of the vehicle fleet is not only caused by driving, but also by manufacturing. The Mouvement Ecologique is campaigning for a similar provision as for bicycles.

Quoted from the expert opinion of the "Chambre des Salariés" dated 10.7.2024:

"13. While our Chamber supports this amendment, we demand that there should also be a limit to the number of times a person can benefit from financial assistance for electric vehicles. In fact, in the case of assistance for bicycles and pedelecs, access to assistance is limited to once every 5 years. Or, there is currently no similar provision in relation to electric vehicle assistance, given that their production costs an enormous amount of natural resources and that it would generally be necessary to prevent some beneficiaries from accumulating several vehicles (and therefore several types of assistance) or changing their vehicle every three years.

(...) 15. Moreover, the fact that a physical person can benefit de facto infinitely from this financial aid is not only socially unacceptable (a person on a low income does not have the means to buy a new electric car every year), but also risks encouraging the depletion of natural resources, especially as the market for the occasion is currently de facto non-existent. "

- **Rethink special regulation for large households**

Once again, we quote from the CSL report from July of this year:

"77. With regard to the exception provided for large families, We regret to note that a monoparental couple with 3 children on charge (which is also "a large family") having in fact the same mobility needs as a couple with 3 children would be excluded from the aid because the applicant must be a physical person forming part of a couple of at least cinq persons. Therefore, we demand that the size of the household required to access this financial aid be reduced to 4 people (1 adult + 3 children) for monoparent households. "

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