

Joint press conference

Making socio-ecological transformation a political priority

In Minister of State Luc Frieden's speech on the state of the nation at the beginning of May, socio-ecological transformation did not play a significant role. It was merely touched upon in a vague, brief statement: *'We will supplement the climate plan with a strong social component.'* There were no fundamental statements beyond this remark on the urgently needed socio-ecological transformation.

CSL, LCGB, OGBL and Mouvement Écologique note that, unfortunately, the socio-ecological transformation has not been a political priority in Luxembourg to date. Apart from the introduction of pre-financing for solar installations, which is welcome in principle, no concrete, effective measures have been taken so far.

Our society is facing one of the greatest challenges of our time: the necessary phase-out of fossil fuels such as gas and oil and the rapid transition to renewable energies. In other words, the socio-ecological transformation must finally be decisively initiated. Among other things, this requires:

- the massive expansion of renewable energies;
- the use of efficient technologies;
- and a change in lifestyle towards greater sufficiency – for example, through increased use of public transport instead of private cars wherever possible.

However, this transformation can only succeed if it is accompanied by comprehensive social measures. After all, it is primarily people with limited financial resources who suffer most from the climate and biodiversity crisis. They are more likely to live on busy roads, have less access to private or public green spaces, have less access to recreational areas, live further away from their place of work and often live in poorly insulated buildings. Their ability to adapt to the changing conditions is severely limited by their financial constraints.

It should also be emphasised that people on low incomes are not among the main contributors to the environmental and climate crisis – quite the contrary.

An analysis of the situation in Luxembourg by Diana Ivanova, Senior Research Fellow at the University of Leeds (published on *improof.lu*), concludes: *'The average carbon footprint of the 10% largest emitters is still five times that of the bottom 50% and well above climate targets.'* The same applies on a global scale: the richest 10% of the world's population are

responsible for two-thirds of global CO₂ emissions, according to a recent study in *Nature Climate Change*.

This gives us a clear political mandate: politicians must take decisions today that specifically hold those sections of the population who contribute disproportionately to the climate crisis accountable. Clear guidelines, regulations and limits are essential here.

It is also a fact that, according to STATEC calculations on household purchasing power and energy poverty, energy expenditure accounts for a significantly higher proportion of the budget of low-income households. This is also reflected in the specific indicators for measuring energy poverty – especially among people living in rented accommodation. According to the *Rapport Travail et Cohésion Sociale 2024*, STATEC recorded a significant increase in energy poverty for 2023. Tenant households are particularly affected, with the risk of falling into energy poverty up to five times higher, depending on the indicator used.

In addition, according to preliminary greenhouse gas emissions figures for 2023, Luxembourg is already failing to meet its reduction targets in several sectors, particularly in residential and service buildings. In view of the climate targets for 2030 and the continuing slow progress in energy-efficient renovation, this failure to meet targets is likely to become even more acute in the medium term.

In addition, living in energy-inefficient buildings is increasingly becoming a financial risk due to the sustained rise in energy prices since the end of 2021 and the increasing burden of CO₂ emission pricing, which has a highly regressive effect. **Low-income households are particularly affected:** they have to spend a significantly higher proportion of their disposable income on energy and are disproportionately likely to live in poorly insulated, energy-inefficient homes. **Given the growing risk of energy poverty, decarbonising buildings occupied by low-income households is a key component of an inclusive and equitable transition.**

At the same time, it is clear that the energy transition affects us all. The switch to renewable energies and the reduction of energy consumption are tasks for society as a whole. This requires, on the one hand, targeted measures to make the main polluters take greater responsibility and, on the other hand, comprehensive support for people with limited financial resources.

Like many EU countries, Luxembourg has taken initial steps in this direction:

Programmes to promote photovoltaic systems, heat pumps and other technologies have been introduced. **However, these are far from sufficient. What is more, they have so far mainly benefited people who have a certain level of income and property.** Anyone who installs a solar panel or a heat pump usually has to be a homeowner and have the necessary capital – neither of which is often the case for lower-income households.

The central shortcoming of Luxembourg's energy and climate policy is that

- the existing support measures often fail to reach people on low incomes in practice, whether due to a lack of equity capital, tenancy arrangements or structural constraints.
- At the same time, there is a lack of targeted, low-threshold programmes that provide systematic and effective support to these households.

Numerous measures in this area – such as energy-efficient renovations of rental properties or pre-financing for building renovations – have been on the political agenda for years. They regularly feature in election manifestos, political speeches and coalition agreements. However, in terms of concrete implementation, too little has been done so far.

The socio-ecological transformation must finally be declared a political priority. This includes, among other things:

- **the consistent fight against poverty (keyword: poverty report);**
- **a fairer tax and distribution policy;**
- **the development of a powerful national *Plan social pour le climat* (PSC);**
- **and a comprehensive strategy to promote a socially just ecological transformation.**

This is the only way to ensure that climate protection does not lead to social division, but is used as an opportunity for greater justice.

The EU has taken an important step towards a socially just energy transition with a new initiative: all Member States are required to develop a *Plan social pour le climat* (PSC) by 2025. The background to this measure is the introduction of the new EU Emissions Trading System (ETS2). While the previous ETS1 mainly affected large energy-intensive companies, ETS2 primarily relates to the transport and building sectors. Under the ETS system, CO₂ emission allowances are sold. The aim is to create an incentive to reduce consumption by gradually making them scarcer. In future, for example, fuel suppliers will be obliged to purchase the relevant allowances, which will inevitably have an impact on end consumer prices. The EU plans to return 50% of the revenue from this trading to the Member States via the *Fonds social pour le climat* (FSC). **These funds are to be used specifically for social compensation measures in the context of the energy transition.** (*Annex 1: Objectives of the PSC*)

In Luxembourg, a first draft of the *Plan social pour le climat* was presented from 25 March to 30 April as part of a public consultation process. All interested parties were invited to submit their comments. The Chamber of Employees (CSL), OGBL, LCGB and Mouvement Ecologique took advantage of this opportunity and submitted a joint 21-page statement. We are convinced that it is high time not only to follow EU guidelines or use the funds provided, but to finally take effective measures to provide targeted support to low-income households.

This joint statement has strong symbolic power.

It represents the conviction that ecological and social justice are inextricably linked. And it underlines the urgent need for action: The current government must make significantly

greater efforts to promote a socially just climate policy. The *PSC* is a central component of this. It should not be viewed in isolation, but should serve as a starting point for the rapid development of a comprehensive national strategy for socio-ecological transformation. The suggestions formulated below are to be understood as constructive contributions in this sense.

The relevant ministries have presented a first draft. CSL, OGBL, LCGB and Mouvement Ecologique have submitted concrete and key proposals for improvement to this draft, with a view to both the *PSC* itself and a more far-reaching climate and social strategy.

The start of the consultations was initially 'unfortunate': there was no structured exchange with civil society and social actors in the run-up to the consultations. In the meantime, the ministry has initiated the first round of talks. It is to be hoped that these will be open, constructive and efficient in the future, as the success of the *PSC* depends to a large extent on the broad involvement and serious participation of society.

1. Luxembourg needs sufficient financial resources for a just socio-ecological transition – and a clear, effective strategy

Luxembourg receives financial resources for the implementation of the Climate Social Plan through the *Fonds social pour le climat*. However, we must not delude ourselves: the EU funds available are limited.

If we really want to push ahead with the socio-ecological transition, we need to mobilise significantly more financial resources.

The Chamber of Employees (CSL), OGBL, LCGB and Mouvement Ecologique therefore call on the government to:

- In addition to EU funds for the *PSC*, to allocate sufficient national funds in the national budget for the socio-ecological transition;
- To finance particularly relevant short-term measures in a targeted manner via the *PSC*;
- And, in parallel – going beyond the EU requirements – to develop and implement a more comprehensive strategy or action plan in the short term.

The funds earmarked by the EU for financing the *PSC* are very limited: According to Regulation (EU) 2023/955 of 10 May 2023, which established the fund, Luxembourg will have a maximum of €66,102,592 at its disposal between 2026 and 2032 – this corresponds to only 0.1% of the fund's total budget.

This amount will be far from sufficient to ensure social and ecological change in Luxembourg. **An intensive debate on additional national funding is therefore essential. It will be necessary to provide own resources to supplement EU funds in order to make the transition a success.**

2. Conduct a fact-based analysis of the problem and define clear, concrete main objectives

Every action plan should be based on a thorough analysis of the current problem. Unfortunately, this is not yet sufficiently the case in the current draft.

The actual goal must be to ensure that all population groups and small businesses are included in the socio-ecological transition, become more resilient to certain developments (e.g. increasing heat) and are protected from the expected increases in CO₂ and energy prices.

To achieve this, data and analyses on issues such as the following should be available, ideally in cooperation with the Statistical Office (STATEC):

- What proportion of energy costs do affected households and small businesses account for?
- What is the condition of the buildings and what heating systems are used?
- How many of the people affected live in rented accommodation and how many are owners?
- What are the mobility patterns of those affected, and what public transport services are available?

Similar questions should also be clarified for smaller businesses:

- What challenges do they face in the context of the energy transition?
- What proportion of operating expenses do energy costs account for?
- What social or economic problems arise for businesses as a result of innovations in the energy transition?

Above all, there should be clear objectives:

- What contribution should be made to reducing CO₂ emissions?
- How many people and businesses should be reached?

Such scenarios and calculations must form the basis for prioritising and ranking measures.

The implementation of important measures must not be unnecessarily delayed – for example, the issue of energy-efficient renovation in the rental sector should be addressed promptly.

At the same time, the stakeholders involved – especially social service providers and STATEC – should work together to define what additional data is needed for a fact-based analysis to create a comprehensive strategy. This analysis must then be carried out quickly. This is the only way to plan and prioritise medium- and long-term measures in a meaningful way.

3. Clearly define the target group

An essential prerequisite for a good PSC is to define precisely which households are to benefit from government support measures. This means that it must be precisely defined what is meant by the terms '*précarité énergétique*', '*précarité en matière de transport*', '*ménages vulnérables*' and '*usagers vulnérables des transports*' – and which population groups, if any, should receive additional support in different phases of the transition.

The EU gives Member States considerable leeway in designing their climate social plans. Measures that go beyond the EU requirements are in any case the responsibility of the national governments.

A draft PSC was presented during the public consultation, but unfortunately it contains only very general definitions and therefore does not provide a sufficient basis.

The Chamber of Employees (CSL), OGBL, LCGB and Mouvement Ecologique therefore expect the government to present the data referred to in point 2 in a transparent manner and, at the same time, to work with social partners to develop a precise and robust definition of these key terms for Luxembourg.

4. Target social assistance at specific groups and revise it if necessary

In order to ensure that redistribution is efficient, the development of energy prices for financially weak households must be evaluated much more intensively and adjusted if necessary. This raises the following questions, among others:

- Which population groups are particularly affected by energy price developments? What types of households are involved?
- How many people were unable to pay their energy bills within a certain period of time and what types of households do they belong to?
- How many households have been reached by financial support measures?
- What share of energy expenditure do the various household types account for?
- To what extent do which household types benefit from tax relief?
- How effective are current subsidy programmes and tax relief measures for financially weak households? Are the desired goals being achieved?
- Based on scenario calculations of various developments (e.g. also in connection with ETS2): What effects can be expected on the different household categories?

In cooperation with the stakeholders involved and STATEC, it should be defined which data and facts are necessary for a well-founded analysis. The circle of participants should be broad.

The structure and level of financial support must be adjusted in line with the defined target groups and the desired CO₂ savings.

In summary: It is essential to know exactly how many people are affected, what specific measures are necessary, how much funding is required to make the transition socially acceptable, and how these measures can be financed.

4. Design the climate social plan and the supplementary strategy as powerful instruments

The Chamber of Employees, OGB-L, LCGB and Mouvement Ecologique recognise that the first draft of the Climate Social Plan contains a number of sensible measures for the ecological transition. Nevertheless, the draft in its current form has some key shortcomings. The following comments relate both to the revision of the *PSC* and to the accompanying strategy that is still to be developed.

4.1. Prioritise PSC measures according to urgency and impact

Many of the measures mentioned in the draft are already included in the existing National Climate and Energy Plan (PNEC). It makes sense to link the two plans, and various PNEC instruments are also relevant to the Climate Social Plan. Nevertheless, it makes little sense to list the same measures multiple times in different plans – especially if they are ‘common practice’ or measures that have been planned for years but not implemented. Listing them again in a new plan is unlikely to solve the existing implementation problems.

A link to the (pending) poverty report is also necessary.

Measures that have already been decided and are in place may be mentioned in the PSC for the sake of completeness. However, it is crucial to clearly and specifically set out which measures are now to be targeted and tackled with renewed vigour, implemented and financially supported on the basis of the climate social plan (and the overarching strategy). Otherwise, the plan will lose priority and impact.

4.2. Evaluate existing instruments – identify and specifically address obstacles to the implementation of climate protection measures

When drawing up the PSC and the associated strategy, the mistake of simply listing a large number of possible instruments in general terms without checking their concrete feasibility must not be repeated. It is well known that many measures are often not implemented in this way.

Existing instruments must therefore be systematically evaluated to check the extent to which the targets set have been achieved. This should include an analysis of what improvements are necessary and what obstacles have prevented implementation so far. These findings should be used to design new measures that are more effective and targeted. Both analyses are crucial to ensure that new instruments are actually successful.

This raises questions such as:

- Do the responsible authorities have sufficient human resources to implement the measures?
- Are there any bottlenecks in terms of expertise or funding?
- Is there a lack of a clear legal framework?
- To what extent do conflicting objectives with other policy areas jeopardise implementation?

When planning new instruments, potential obstacles should be anticipated at an early stage, openly identified and actively addressed. A comprehensive analysis of the necessary structural framework conditions is essential to give measures a realistic chance of being successfully implemented.

4.3. In the PSC: Instead of a multitude of instruments, clear prioritisation of the most important measures

Even the EU stipulates that a clear hierarchy of measures should be established in the *PSC*. However, the current draft of the *PSC* hardly meets this requirement. It places selective, manageable and, in some cases, already implemented measures on the same level as fundamental, important new instruments that are, however, hardly specified in concrete terms. As a result, the draft reads more like a list of mostly familiar instruments than a real action plan.

A two-pronged approach therefore seems urgently necessary:

- The PSC should present a manageable number of clearly defined, important instruments that will be co-financed by the EU.
- At the same time, a more comprehensive, far-reaching strategy should be developed.
- Both the PSC and the supplementary strategy should:
 - Set clear priorities for the measures.
 - Include a (rough) evaluation of the objectives and costs;
 - Define the framework conditions for implementation, whether legal, organisational or financial;
- Set out a concrete timetable for implementation and specify which actors must make which contributions.

4.4. Specific suggestions regarding the measures of the Climate Social Plan

In addition to the fundamental analysis, the following specific comments on the measures contained in the draft should be highlighted. The signatories emphasise that this does not cover all the relevant measures listed in the draft. In the opinion of the Chamber of Employees (CSL), the OGB-L, the LCGB and the Mouvement Ecologique, a fundamental overhaul of the plan is necessary. **However, a few particularly important measures should be highlighted here:**

- From the signatories' point of view, the promotion of infrastructure that enables people to actively shape the energy transition and reduce CO₂ emissions, such as the expansion of heating networks and local public transport, is particularly relevant.
- Developing targeted measures for the rental sector to promote energy renovation;
- Making the '*climate bonus for housing*' and the '*top-up social*' more socially equitable by expanding the types of households eligible for benefits and adjusting subsidies;
- Introducing pre-financing for the '*climate bonus for housing*' and the '*top-up social*';
- Intensifying the energy renovation of affordable housing ('logement abordable') in the public sector;
- Revising the 'prêt climatique' and reintroducing the 'prêt climatique à taux zéro' for low-income households;
- Promoting 'leasing social';
- Promoting the greening of towns and villages.

In addition, it remains essential to effectively cushion the highly regressive effects of environmental taxation – in particular the CO₂ tax and the ETS1 and ETS2 systems – through social compensation measures. The aim must be to mitigate the impact on particularly vulnerable households and protect them from energy poverty.

Although the government has repeatedly emphasised that half of the revenue from the CO₂ tax will be used for direct social compensation payments, the figures clearly show that this target is far from being achieved.

A comparison of the revenue from the CO₂ tax with the tax revenue shortfall and expenditure on compensatory measures shows that the share of compensatory payments is well below the target of 50%. According to the 2025 draft budget, revenue from the CO₂ tax in 2024 totalled 282.1 million euros, of which only 85 million euros (30.1%) was paid out as social compensation via the Crédit d'impôt CO₂. Even if part of the expenditure for the inflation allowance is added, the total social compensation measures do not come close to half of the CO₂ tax revenue.

Against the backdrop of these figures and the central importance of adequate social compensation, we call for the CO₂ tax credit to be strengthened until the fiscal revenue shortfall from these compensation payments corresponds to at least 50% of CO₂ tax revenues.

In view of the significant increase in the price of CO₂ per tonne under ETS1 and the numerous recent European changes that are likely to lead to further price increases, we also call on the government to conduct a comprehensive analysis of the regressive effects of this price development on the purchasing power of vulnerable households.

At the same time, we call for the introduction of targeted social compensation measures, in particular a general increase in the tax credit so that it adequately reflects the rising ETS certificate prices and thus enables a fair, socially acceptable and environmentally friendly transition.

Appendix 1: The objectives of the PSC

The PSC may include support for the following measures and investments, which must be designed to have a sustainable impact (eligible measures and investments):

- **Support for the renovation of buildings, in particular for vulnerable households and micro-enterprises** living or operating in the least energy-efficient buildings, including tenants and people in social housing;
- **Promoting access to affordable and energy-efficient housing, including social housing;**
- **Contributing to decarbonisation, e.g. through the electrification of heating, cooling and cooking in buildings**, by providing access to affordable and energy-efficient systems and integrating renewable energy production and storage, including through renewable energy communities, citizen energy communities and other active customers to promote the use of self-consumed renewable energy, such as through energy sharing and peer-to-peer trading of renewable energy, connection to smart grids and district heating networks, contributing to energy savings or reducing energy poverty;
- **Providing information, education, awareness-raising and targeted, accessible and affordable advice** on cost-effective measures and investments, on available support for building renovation and energy efficiency, and on other sustainable and affordable solutions in the field of mobility and transport;
- **Supporting public and private entities, including social housing providers, in particular public-private partnerships**, in developing and providing affordable energy efficiency solutions and appropriate financing instruments that are consistent with the social objectives of the Fund;
- **Access to zero-emission or low-emission vehicles and bicycles**, while maintaining technological neutrality, including financial support or tax incentives for their purchase and for appropriate public and private infrastructure, in particular, where applicable, for the purchase of zero-emission and low-emission vehicles, charging and refuelling infrastructure, and the development of a market for used zero-emission vehicles; Member States shall endeavour to ensure that, where zero-emission vehicles are an affordable and viable solution, support for them is prioritised in their plans;
- **Promoting the use of affordable and accessible public transport and supporting** private and public actors, including cooperatives, in developing and providing sustainable on demand mobility, **shared mobility services and active mobility options.**

Translated with deepl