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Setbacks in Energy Policy:

Mouvement Ecologique stands for a consistent commitment against setbacks and for the energy transition

Setting the right incentives is absolutely crucial for a successful energy transition. Special attention must be given to low-income households in this process. Unfortunately, in 2024, the government missed the opportunity to make truly positive progress in both areas — quite the opposite, in fact.

Decisions were made that — at least outwardly — did not seem to be based on comprehensible facts. Mouvement Ecologique intervened several times. Without a doubt, this issue will strongly shape the work of Mouvement Ecologique in 2025.



GOVERNMENT REVERSES DECISION ON HEAT PUMPS

A government announcement that it intends to weaken the current draft of the important National Energy and Climate Plan caused widespread confusion. This move comes despite there being no real reason for such a step. While the topic is somewhat technical, it is of fundamental importance.

In 2024, the draft of the National Energy and Climate Plan (PNEC) was revised and discussed in the relevant parliamentary committee. During this process, the government unexpectedly changed its stance — a shift that could have serious consequences for achieving Luxembourg's climate goals.

The issue concerns the gradual phase-out of fossil fuel heating systems.

Here are the facts: Almost 20% of Luxembourg's national greenhouse gas emissions come from heating (and cooling) residential and commercial buildings. It is therefore absolutely essential to reduce emissions in this sector to meet climate targets — specifically, a 55% reduction in emissions compared to 2005 levels by 2030. The building sector in particular is expected to contribute significantly, with the PNEC setting a target of -64% by 2030. This requires solid framework conditions to ensure that fossil fuels — gas and heating oil — are replaced by renewable energy sources.

That's why the PNEC draft submitted to Brussels stated that the government would create the necessary conditions and support to prioritize the use of heat pumps when replacing heating systems. The approach was to be voluntary above all, with the government committing to motivate citizens through (financial) incentives to choose a sustainable heating replacement.

Only as a last resort — if these incentives and voluntary measures failed to meet the climate targets — would mandatory regulations be considered. Even then, such rules would apply **only** to the replacement of defective or non-compliant heating systems, not those still functioning (with exceptions still allowed in certain cases).

However, the government removed this final provision — the possibility of mandatory action in the event that targets are not met. According to Mouvement Ecologique, this is an incomprehensible step backwards, lacking any scientific justification.

CLIMATE PROTECTION LAW: WHERE IS THE FACT-BASED DEBATE?

In its first year in office, the government decided to significantly reduce subsidies for electric vehicles. Mouvement Ecologique is not known as a promoter of car traffic. However, in the transport sector — alongside further investments in public transport and soft mobility — we do need a transition from combustion engines to electric vehicles if we are to meet our CO₂ targets, and this transition must be accessible to broad sections of the population.

The government chose to reduce the existing €8,000 subsidy quite drastically: to €6,000 for vehicles consuming up to 16 kWh/100 km, and even down to €3,000 for those with consumption between 16 and 18 kWh/100 km.

Mouvement Ecologique had previously questioned this significant reduction to €3,000. Such a sharp drop in subsidies poses the risk that more customers might once again opt for combustion engine cars. At this point in time, the policy sends the wrong signal. According to Mouvement Ecologique, the existing support for smaller vehicles should have been maintained for a while longer, and the subsidies for vehicles in the 16–18 kWh/100 km range should have been reduced moderately, but not as drastically.

Moreover, the government failed to provide a sound explanation for this reduction. There were also no calculations presented to show whether the reduced subsidies would still allow Luxembourg to meet the targets set in the National Energy and Climate Plan. The only argument made was that electric vehicles have become cheaper — especially those from the Chinese market — and would continue to become more affordable.

In addition, the subsidy scheme should have been more targeted from a social perspective. For example, vehicles in the luxury segment, with high purchase prices, should no longer be subsidized. Following the principle of social selectivity, someone who can afford a car costing €60,000 or more likely does not need public financial support — and can instead choose more affordable, resource-efficient, and efficient alternatives available on the market.

Mouvement Ecologique presented constructive proposals during the discussions — but with limited success.

The question of how to ensure effective support for the energy transition will continue to be a key concern for Mouvement Ecologique in the years to come.



More Selective Support for E-Mobility – Having the Courage to Make Major Climate Offenders Pay!

Mouvement Ecologique also addressed the growing issue of vehicles — including electric ones — becoming increasingly large and heavy. The current government entered office with the goal of advancing the energy transition, including electromobility, through more socially selective subsidies. According to Mouvement Ecologique, the time has now come — especially in light of the Auto Festival — to put this intention into practice: the support for electric vehicles should be governed by more differentiated rules, thereby ensuring a degree of social selectivity.

For this reason, Mouvement Ecologique proposed introducing a *malus* system — in addition to the existing *bonus* (subsidy) system — to apply specifically to highly CO₂-intensive vehicles, as is done in France. The idea is that the costs caused by such vehicles should not be borne by society, but by the buyers themselves.

While the proposal was discussed in the relevant committee of the Chamber of Deputies, no further action has been taken so far.

NEW ELECTRICITY TARIFF STRUCTURE AND PRICES – NO TRANSPARENCY AND UNNECESSARY CONFUSION!

At the end of 2024, changes to the structure of electricity pricing led to confusion and a lack of understanding. The issue stemmed from a decision by the Luxembourg Regulatory Institute — the Institut de Régulation Luxembourgeois (ILR) — to modify the “grid usage fee” (*Netznutzungsentgelt*) by making peak consumption periods more expensive. These peaks do indeed impact the design of the power grid and generate additional costs for the grid operator. The stated goal of this new tariff structure is to encourage consumers to avoid high consumption peaks, thereby helping to reduce the costs associated with expanding the grid — a necessity due to the increasing demand for electricity and the expansion of renewable energy sources. So far, so reasonable.

At the same time, the government reduced the electricity price cap, as it no longer intends to subsidize it at the same level as in previous years. A certain degree of price realism is indeed necessary.

However, in both cases, a number of fundamental questions arise:

- No impact assessments were presented regarding how these measures would affect different household types. As a result, it is unclear how the new tariffs were determined — and for individual consumers, it's difficult to understand what these changes will actually mean for them. It's also not evident what specific behavior changes could help avoid peak consumption and thus reduce costs. Is shifting the use of a washing machine or dishwasher to a different time of day sufficient? Why are there still no model calculations — from the ILR or any other institution — to make these otherwise abstract regulations more tangible and understandable? This is precisely the goal: prices are supposed to encourage consumers to avoid peak loads. But if people aren't clearly and transparently informed about which actions have which effects, the reform will only create confusion — and, more importantly, it will fail to achieve its goal of a more balanced grid load. The outcome? Frustrated customers, a lack of public acceptance, and missed objectives. Serious adjustments are urgently needed to prevent further damage.

- Furthermore, there is a need for more transparency and concrete calculations regarding how these reforms affect those who have invested in the energy transition — in other words, people who have switched to electric mobility or installed a heat pump. According to rough estimates by Mouvement Ecologique, such households will still pay less than those relying on fossil fuels. But is that really the case? And how significant is the difference?

Mouvement Ecologique's Analysis:

The new regulation is a step in the right direction. However, the way it has been introduced — with a lack of clear information to date — is unlikely to result in meaningful behavioral change. As such, the risk is that the core objective will not be achieved: this approach does not build trust or acceptance among the public, even for measures that are, at their heart, well-intentioned.

Grid usage costs will continue to rise, and the electricity price cap is set to be phased out by 2026. Intelligent energy management is therefore more important than ever. For this reason, there is no doubt that this issue will remain a major focus for Mouvement Ecologique in 2025.

