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Climate Social Plan – an interesting framework, but unfortunately lacking in key areas

Joint statement by the CSL, OGBL, LCGB and Mouvement Ecologique regarding Luxembourg's Social Climate Plan (PSC)

The ecological transition and social justice are inseparable: they are two sides of the same coin.

More than ever, the current geopolitical context, marked in particular by the wars in Ukraine and Iran, highlights the major geostrategic and economic risks to which our societies are exposed due to their unsustainable dependence on fossil fuel imports.

Furthermore, the current crisis also reveals the significant social dimension of this issue: as is often the case, it is the most vulnerable households that bear the brunt of the shocks caused by rising fossil fuel prices — a reality that holds true at both the global and national levels.

It is clear that the socio-ecological transition is the major challenge of our time and that phasing out fossil fuels, improving energy efficiency, developing renewable energy, and establishing a sustainable socio-economic model are essential prerequisites for ensuring a viable future for present and future generations.

Luxembourg's Social Climate Plan (PSC), which is being developed as part of the introduction of the new European Emissions Trading System for fuels (ETS 2), is in principle a key strategy for shaping this ecological transition in a fair manner. With this in mind, the CSL, the OGBL, the LCGB and the Mouvement Ecologique (Méco) have already expressed their views in depth, prior to the drafting of the PSC, through a joint position paper.¹

The CSL, OGBL, LCGB and Méco present here their analysis of the PSC, as adopted by the Government Council on 27 March 2026:

Positive aspects of the PSC

It is to be welcomed that the Luxembourg PSC is characterised by an ambition that goes beyond the minimum required by European regulations and is not limited to a mere list of measures (co-)financed by the Climate Social Fund (CSF). It is also to be commended that it

¹ <https://www.csl.lu/app/uploads/2025/06/position-commune-plan-social-pour-le-climat.pdf>

constitutes a comprehensive strategy centred on the social dimension of the green transition, encompassing related measures.

We also welcome aspects of the process by which the PSC was drawn up, which included discussions between the relevant ministries and various civil society actors prior to the publication of the draft plan (DP).

It is also commendable that comments made by stakeholders during the drafting of the PSC were partially incorporated by the authors and that the handling of these contributions is traceable.

It is also worth noting positively that monitoring of implementation is explicitly provided for.

Overall, the PSC constitutes a collection of important projects and measures.

The increased involvement of STATEC in the drafting of the plan and in defining the measures is to be welcomed. Nevertheless, this role will need to be considerably strengthened, particularly in light of one of the central criticisms levelled at the PSC.

The involvement of the Climate Platform and the Climate Policy Observatory in monitoring the plan's implementation — the budgetary monitoring of which is also a positive point — is worth noting, even if this involvement does not directly address the plan's budgetary issues, as discussed later in this document.

However, these positive aspects should not obscure significant shortcomings:

1. A substantial shortcoming regarding THE key issue of the PSC: the definition of the target audience to be supported

The precise definition of the population to be reached by the PSC and requiring additional state support in the context of the ecological transition — namely vulnerable households and micro-enterprises particularly exposed to the risk of energy poverty — constitutes the cornerstone of an effective and relevant PSC.

It should be noted that certain textual clarifications regarding the definitions of '*vulnerable households*' and '*vulnerable transport users*' have been incorporated, following our requests, into the final version of the PSC compared to its draft.

It must, however, be noted that this definition remains largely inadequate and that this shortcoming undermines the PSC. The statistical indicators selected remain very limited and do not allow for a comprehensive understanding of the many facets of the risk of energy poverty. In practice, when it comes to households, the people identified are more likely to be those struggling to pay their energy bills than those who are unable to play an active role in the energy transition (for example, by investing in heat pumps). This aspect is certainly mentioned in certain passages of the text – which is to be welcomed – but it is reflected only very partially in the definition of vulnerable households.

This shortcoming in the definition of the target audience — namely, who should be supported and by what types of measures — has for years hindered the implementation of effective, targeted policies. The PSC risks perpetuating this problem.

In order to effectively structure the socio-ecological transition over the coming years and decades, it is essential that the government and the relevant ministries address this situation in a sustainable manner.

- **STATEC must have the resources and access to the data required to develop more effective indicators.** These indicators must enable a more accurate and comprehensive identification of those groups at increased risk of energy poverty and in need of additional financial support as part of the decarbonisation process (heating, transport, etc.).
- It must be ensured, when implementing the measures of the PSC and the PNEC, that the **target group** is clearly defined and that macroeconomic analyses demonstrate that the financial support is genuinely tailored to needs.

2. Lack of clarity regarding available budgetary resources

It is essential to know the financial resources available for implementing the PSC. Yet it is precisely on this crucial point that the PSC fails to provide a satisfactory answer!

Indeed, the PSC does not provide for any concrete budgetary commitment from the government regarding investments in a just transition. Apart from the very limited allocation that Luxembourg is expected to receive under the Social Climate Fund, as well as the obligation on each EU Member State to contribute at least 25% of the total estimated cost of its PSC, no precise budget breakdown for the plan nor any clear commitment to additional public investment is proposed beyond this minimum contribution!

Furthermore, the PSC explicitly refers to budgetary reservations, notably on page 83: *'However, the set of measures proposed in this document has not yet been subject to detailed budgeting. It is understood that the measures provided for in the Social Climate Plan that have an impact on public finances will have to be submitted to the ordinary budgetary procedure.'*

Whilst it is naturally understandable that each measure should be subject to an analysis of its budgetary implications, this quote shows that the PSC, as currently adopted, does not contain clear and precise statements from the government regarding the level of investment envisaged to support the transition. Yet such clarification would have been of paramount importance, particularly to enable the prioritisation of measures. **Given the very large number of measures planned, it would have been necessary to weigh up the available financial resources and prioritise actions based on their costs.**

During a discussion within the climate platform on 27 April, representatives of the MECB indicated that a more in-depth analysis of the state budget, regarding available resources, had been carried out. It would therefore be desirable for these details to be made available within the platform.

Furthermore, the PSC does not specify at any point which new measures would actually be funded by the European allocation, even though this constitutes, according to European regulations, the plan's main objective.²

- In the absence of a more substantial budgetary commitment, it is worth recalling **the crucial importance of public investment in the green transition**. In this regard, the increased pressure currently being placed on public finances can in no way justify a reduction in such investment, which is essential to enable Luxembourg to meet its climate commitments whilst ensuring a socially just decarbonisation. On the contrary, budgetary resources must be made available for this essential transition.
- **It is therefore essential that the government specifies the budgetary resources available and gives them absolute priority.**

3. Social compensation: a lack of clear statements

Direct social compensation for the growing burden of environmental taxation, which disproportionately affects the least well-off households, is essential to ensure the social acceptability of climate policy.

It is therefore to be welcomed that the government guarantees, within the framework of the PSC,

“that any form of carbon taxation, whether direct (such as a CO₂ tax) or indirect (via a market mechanism), will be accompanied by appropriate social compensation measures” (measure No. 42).³

However, the updated assessment of the compensatory impact of the CI-CO₂ tax credit carried out by STATEC, by income quintile, highlights a continuing erosion of the effect of this social compensation measure.⁴ The updated impact analysis clearly shows that, contrary to the results of previous analyses⁵, the tax credit is no longer sufficient to fully offset the impact of the CO₂ tax on households in the Q1 and Q2 income quintiles in terms of living standards.

The study thus highlights that, to restore full compensation at the current carbon price level, the base amount of the CI-CO₂ should be increased from €216 to €267 for Q1, and to €271 to cover both Q1 and Q2. It also specifies that any increase in the carbon price of €1/tonne would require an increase of around €6 in the basic amount of the tax credit in order to maintain full compensation for the most low-income households, i.e. a rate higher than the €4.8 per €t applied since the introduction of the carbon tax in 2021.⁶

It is positive that these figures are included in the PSC; however, the necessary conclusions have not been drawn.

² It is clear from public statements by the ministers responsible that a social car leasing scheme is expected to form part of the measures financed by European funds. However, the PSC provides no details either on the model chosen or on the target audience for this measure.

³ Luxembourg PSC, 79.

⁴ Luxembourg PSC, 84–85.

⁵ STATEC, Assessment of the impact of the CO₂ tax (Analyses 08/2020), 12–14.

⁶ Luxembourg PSC, 85.

For the CSL, the OGBL, the LCGB and the Mouvement écologique, it is imperative that the government remedy this situation:

- **A more substantial reassessment — including retroactive adjustments — of the social compensation mechanism (CI-CO₂)** is essential to prevent a gradual erosion of its value.
- **Indexing the eligibility thresholds** also appears essential to prevent the gradual exclusion of a growing number of households, linked to the mechanical effects of wage indexation. Unfortunately, this measure has not been included in the PSC.

4. Lack of prioritisation of measures and absence of an implementation timetable

It must be noted that the 45 measures in the PSC have several major shortcomings:

- No priorities have been established amongst the measures, even though it is clear that the state's administrative capacity does not allow for their simultaneous implementation. **It would have been essential to define, at the very least, broad guidelines regarding their sequencing and roll-out.** This point is all the more relevant given that no financial allocation has been provided;
- This shortcoming is all the more problematic given that a large number of measures (around 80%, or even more) are already contained in other plans **and appear to be copied from one document to another**, without any real operational added value. In the absence of clear guidance on their implementation, it is legitimate to doubt that the measures in the PSC will meet a different fate.

In this context, the CSL, the OGBL, the LCGB and the Mouvement écologique insist that:

- the implementation priorities be communicated in the short term;
- a concrete and detailed implementation timetable be drawn up for all measures.

5. A complete lack of an implementation timetable!

Another particularly significant shortcoming of the PSC lies in the total absence of an implementation timetable for all measures.

Given the urgency of making concrete progress on the transition, such a shortcoming is difficult to justify. Indeed, it is doubtful that measures—some of which have been under consideration for many years, carried over from plan to plan without concrete decisions on the budgetary resources to be mobilised—and, in some cases, without the human resources necessary for their implementation—will actually be carried out simply because they are included in the PSC.

The signatories consider that this shortcoming constitutes a major flaw in the plan and risks undermining its credibility, or even its overall implementation. As the well-known saying goes: *‘Pabeier ass gedëlleg’*.

This observation is all the more worrying given that a large number of measures are not ready for implementation and remain conditional upon the completion of preliminary studies. However, given the time generally required to carry out such studies in Luxembourg, there is a risk that certain measures will only come to fruition under a future government — provided that the latter confirms their implementation.

- The signatories call for all measures in the plan to be accompanied by a clear, precise and binding implementation timetable.

In this context, the signatories would like to comment, by way of illustration, on three specific measures where progress made in recent years appears insufficient and the degree of implementation remains unsatisfactory.

6. Positive measures — but still to be implemented

The CSL, OGBL, LCGB and Mouvement écologique will not comment in detail on all the measures in the PSC. Nevertheless, they wish to highlight the following aspects:

a. Study on the rental challenges of the energy transition (measure No. 13)

We welcome the fact that the PSC clearly identifies tenants, who are over-represented among the least well-off households, as a group particularly at risk of energy poverty and in need of additional financial support. Indeed, tenants generally have little scope to reduce their consumption of fossil fuels, as they are unable to improve the energy efficiency of their homes (insulation, modernisation of heating systems, etc.) or always freely choose to move house in a highly competitive rental market.

That being the case, it is all the more regrettable that the planned measure — namely a ‘study on the rental challenges of the energy transition’ (measure no. 13)⁷ — is still being drafted, even though a response was announced a year ago. The lack of results at this stage prevents the PSC from setting a precise timetable. More concrete and immediate measures are therefore required, particularly in the current geopolitical context marked by a significant increase in the risk of energy poverty.

b. Widespread implementation of the pre-financing mechanism (measures No. 4 and No. 6)

Given the persistent structural deficit in the energy efficiency of Luxembourg’s housing stock, it is to be welcomed that the PSC includes several measures aimed at providing greater support to lower-income households in financing the often costly renovation of their homes.

Whilst the PSC reaffirms the government’s commitment to introducing a pre-financing mechanism for the state aid known as ‘Klimabonus Wunnen’ and extending it to the ‘social

⁷ Luxembourg PSC, 41.

top-up', it should be noted that the implementation of this scheme has been delayed for several years and should take place as soon as possible.

c. Overhaul of the climate loan (measure No. 8)

It is also positive that the PSC provides for a reform of the 'climate loan' scheme, a support measure whose social dimension has been significantly weakened in the past, particularly following the regrettable abolition of the zero-interest climate loan.

Conclusions:

The PSC constitutes a generally positive set of measures, and it is commendable that stakeholders were able to provide their feedback throughout the process.

It must, however, be noted that the key comments made by the CSL, the OGBL, the LCGB and the Mouvement écologique have not been taken on board, particularly regarding the precise definition of the target audience, the provision of a concrete budget allocation, and the prioritisation of measures accompanied by a precise implementation timetable.

Yet these elements are essential if the PSC is to be an effective and efficient instrument. As things stand, these major and structural shortcomings raise fears that the PSC will remain just one plan among many, likely, in practice, to remain largely a dead letter.