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écologique**

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Tripartite discussions: Driving the energy transition forward effectively – selective support for low-income households

“We must overcome the crisis now; saving the world can wait...”?

With this provocative statement, Dr Felix Matthes, Research Coordinator for Energy and Climate Policy at the Berlin office of the Oeko-Institut, opened a lecture on 19 April 2022 addressing the question of how to deal with the energy sector’s consequences of Russia’s invasion of Ukraine.

The initial political response at the time was that energy prices should be kept artificially low through substantial state subsidies as a direct response to the acute crisis, whilst the energy transition would be addressed at a later stage.

However, the proliferation of geopolitical crises and the destabilisation of further regions of the world demonstrate that the longer dependence on fossil fuels persists, the greater the strain on public finances and the greater the delay in achieving a structural transition.

Admittedly, today’s discussions are somewhat more nuanced than they were in 2022. Today, all stakeholders are in favour of promoting renewable energies more strongly and bringing about an energy transition. Encouragingly, agricultural stakeholders are also calling for a certain shift in thinking, for example regarding dependence on feed imports.

However: since Russia’s invasion of Ukraine, the state has invested substantial funds in ‘stabilising’ or reducing energy prices. At the same time, however, key targets around the energy transition are still being missed. The heating transition, i.e. moving away from fossil fuels in the heating sector, for example, is progressing at a snail’s pace, meaning that Luxembourg lags far behind the targets set in the PNEC in this area (by an estimated 80 per cent); despite promising initiatives, the targets for e-mobility remain a long way off, and so on.

The mobilisation of substantial state funds to reduce or stabilise prices in the short term must not come at the expense of structural reforms in the energy and climate protection sectors, nor must it send counterproductive signals (e.g. indirect support for combustion-engine cars). It is structural reforms that would enable greater resilience in the face of geopolitical crises and the implementation of climate targets.

1. Instead of a scattergun approach: state funds for genuine reforms in the energy sector and to ease the burden on financially vulnerable households

Hardly anyone is happy about higher energy bills. But: energy has its price, and this should – according to the unanimous view of economists – reflect reality from the outset.

It is obvious that people with fewer financial resources need support. However, it is not the case that public funds should be used to ensure low energy prices for ALL households through a scattergun approach.

In this regard, Mouvement Ecologique argues that an analysis of the relief measures agreed by the Tripartite should meet three criteria and be given due consideration during the discussions in the Chamber of Deputies:

- **Any decisions taken must not conflict with the objectives of the energy transition:** there must be NO INCENTIVES for the public, or for industry and the skilled trades, that would undermine the goal of progressive decarbonisation. In other words: no across-the-board reduction in the prices of fossil fuels such as gas, heating oil and motor fuels.

A reduction in fuel prices – exacerbated by the fact that prices are far lower than in neighbouring countries – would not be conducive to climate protection and would ultimately also be a waste of public funds.

- **Compensatory measures should be put in place for low-income households** so that they are not unduly burdened by the energy crisis.
- **At the same time, decisive action must be taken to ensure that the energy transition is finally driven forward in Luxembourg,** so that we do not find ourselves having the same debates again during the next crisis.

() Quote from the Süddeutsche Zeitung (4 June 2026): “The experiences from the 2022–2023 energy crisis have shown,” writes the European Commission regarding Germany’s indiscriminate reduction of energy taxes on petrol and diesel, “that blanket and undifferentiated measures incur high financial costs and are socially and economically inefficient”.*

Digression: Making fact-based decisions – disclosing currently non-public documents from the tripartite round

At first glance, the current Tripartite Round appears to be far more transparent than the previous one. For example, documents from STATEC, among others, are available on the government’s website. This is a positive development.

However: according to information from the Mouvement Ecologique, there are also STATEC calculations that assess the impact of certain price increases on the index. It is precisely these calculations that are of central importance.

However: it would be essential and indispensable for the impact of any potential price developments on the various energy sources – electricity, gas, heating oil, petrol and diesel – to be presented transparently.

Unfortunately, this is not the case. This reflects a lack of public transparency in the debate on this key issue.

Possible relief on electricity prices: yes – for fossil fuels, compensatory measures only for low-income households

In light of the above considerations, Mouvement Ecologique advocates the following approach:

1. Government intervention regarding electricity prices and non-fossil fuels, with a view to the electrification of a sustainable energy supply

The energy transition relies on electricity.

In this respect, the increased use of electricity – e.g. for heating electric cars – must remain attractive and viable compared to fossil fuels. Accordingly, government intervention to regulate prices in Luxembourg is understandable.

However, it is worth discussing whether the state – as is currently the case – should cover grid costs to the tune of 150 million euros (to reduce grid charges for consumers) and thus, in a sense, incur high state ‘consumption expenditure’ without this being regarded as an investment in the future, or whether new approaches are needed, for example – to put it simply – through direct state investment in the grid expansion required for the energy transition.

This would have the advantage that the state would use the same funds to invest directly in the infrastructure for the energy transition whilst simultaneously easing the burden on customers.

2. No general state intervention to reduce the prices of heating oil and fuels

However, there is no reason to keep the prices of fossil fuels artificially low. Prices should reflect real costs as far as possible; ‘manipulation’ in this area would not be in the interests of all consumers.

However: low-income households must not be left at the mercy of market forces. This is particularly true given that, to date, there have been no instruments in place to support them through the energy transition. Furthermore, whilst these households have lower energy expenditure (as they consume less energy on average), this expenditure is

proportionally higher relative to their income than for better-off households. Such an additional burden must be avoided.

That is why Mouvement Ecologique advocates for targeted relief measures, e.g. through the introduction of a 'mobility tax credit', as proposed by the trade unions.

3. Beyond short-term crisis management – finally tackling the energy transition head-on!

As already mentioned, the real energy transition in Luxembourg is being neglected.

Certainly: for example, as the government repeatedly emphasises, there has been a significant expansion of solar energy, pre-financing for solar installations has been introduced, and so on.

And yet: the Mouvement Ecologique, among others, but also other stakeholders, point out that we are a long way from meeting the commitment to achieve carbon neutrality by 2050. Particularly in the heating sector, which accounts for almost 80% of consumption, far too little is being done. Indeed, to date, we have not even managed to establish uniform nationwide requirements for the installation of solar panels, let alone heat pumps.

In this respect, we must work on the socio-ecological transition with far greater consistency and focus

- **Finally, make real progress on the energy transition, e.g. by:**
 - **A veritable 'heating offensive'** (accounting for 80% of household energy consumption), where progress is stalling.

This is also a matter of social justice, so that all residents, regardless of where they live, can escape the price trap of fossil fuels. The heating transition includes, for example:

* massive support for the installation of heat pumps through:

- Appropriate subsidy schemes, which must be adopted before summer 2026 (and be based on realistic calculations, which is not currently the case with the "Klimabonus Wunnen");

- Concrete commitments under the Tripartite Agreement that the national building regulations, due to be presented before the summer, will set uniform standards to promote the construction of combined heat and power plants in local authorities;

- Immediate introduction of pre-financing for heat pumps before the summer holidays: any delay or announcement of a later date will result in their installation being postponed and no longer taking place before winter. It might therefore prove sensible to entrust the management of this pre-financing to the Ministry of Economic Affairs, as it now possesses the necessary expertise thanks to its experience in promoting solar installations;

* Consistent planning of district heating networks (in all areas where the installation of heat pumps is not possible or would be less efficient). Above all, this requires a clear government strategy and legislation governing the key parameters (such as the issue of costs, responsibilities, etc.). Concrete proposals must be submitted immediately after the summer holidays;

* Reduction of the tax on the electricity price for heat pumps.

- Implementation of a **renovation strategy for existing buildings, particularly vacant ones (estimated at 10–15%), rather than new construction** (see the Mouvement Ecologique’s 11-point programme):
 - * Removal of the numerous administrative and financial barriers to renovation – presentation of concrete measures to ease these in September 2026;
 - * Ensuring, within the framework of the Tripartite Agreement, that obstacles to renovation under current building regulations are also removed in the national building code;
 - * Introduction, as early as 2026, of a **mobilisation tax** on vacant flats and undeveloped land within the building perimeter.
- Implementation, before the summer holidays, of a new version of **the ‘Klimabonus Wunnen’**, which enables targeted and socially equitable support for households. However, this programme must be based on detailed and transparent calculations, which is unfortunately not currently the case.
- Implementation of a strategy to promote renovations and energy-efficient refurbishment in **multi-family dwellings** and the **rental sector** by the end of 2026. It is precisely in this sector, where most lower-income households are likely to live, that little to nothing has been done.
- Optimising the existing, yet inadequate, **dynamic grid tariffs** that reward households for shifting their load and recognise flexibility.

- **Focusing on the social dimension of the energy transition**

- Bringing the **Climate and Social Plan** to life also means:
 - * Setting clear deadlines for the implementation of the 49 planned measures (some of which are still awaiting implementation),
 - * Establishing a task force for implementation (with sufficient human resources) and
 - * clear and binding details regarding the available financial resources;
- Immediate introduction – before the summer holidays – of **‘social leasing’ for electric cars and heat pumps**;
- **Socially differentiated support** for households particularly affected by the energy crisis: increasing the CI-CO2 as provided for in the Climate and Social Plan (see above):
- Promotion of a **“social heat transition”** for the **targeted renovation of neighbourhoods/regions** with financially vulnerable households;
- Discussing creditworthiness for specific target groups with financial institutions on behalf of the state, as loans – for example for older people – are not necessarily granted even for investments in the energy transition;
- **Promoting training, further education** and reskilling for people in sectors affected by the energy transition.

- **Promote the independence of agriculture, including from the global market**

- **Restructure agricultural subsidies in the interests of the common good:** public funds for public goods – farmers who operate in an environmentally friendly and resource-efficient manner should be specifically rewarded for providing ecosystem services (such as water and erosion protection and the preservation of biodiversity). However, as environmental performance is not in itself a voluntary extra service but a socially necessary minimum standard, the allocation of agricultural subsidies must be consistently linked to compliance with this standard – public funds only for farming practices demonstrably geared towards the common good;
- **Extension of the Supply4Future concept to all public canteens** (hospitals, care homes, state canteens, etc.);
- Far more consistent promotion of **organic farming**, which, in addition to its numerous environmental benefits, makes farms less dependent on purchased and imported fertilizers through closed nutrient cycles;
- **Commitment at Benelux and EU level to end** the controversial **trade agreements** that subject our local agriculture even more to the rules of the global market.

However, the energy crisis requires not only the implementation of specific measures but also reforms at the decision-making and planning levels

- The situation regarding statistics remains inadequate, for example regarding which households still have which heating systems, and so on. However, a targeted subsidy policy can only be implemented with the help of additional data. There is a significant need here to improve the availability of statistical data with a view to a targeted energy transition;
- The state apparatus continues to grow, yet there remains a lack of the necessary resources, including human resources, to ensure the transition; here, a greater prioritization of the deployment of qualified civil servants is called for. Inter-ministerial cooperation also requires improvement, for example between the Ministry of the Environment and the Ministry of the Economy, or the Ministry of the Environment and the Ministry of Agriculture.
- Tackling the energy and climate crisis also requires discussion, and implementing the energy transition further necessitates a broad dialogue with all stakeholders.