

Planned reform of company car taxation and the introduction of 'social leasing' for electric cars

The Chamber of Employees and Mouvement Ecologique are calling for improvements to the draft proposals

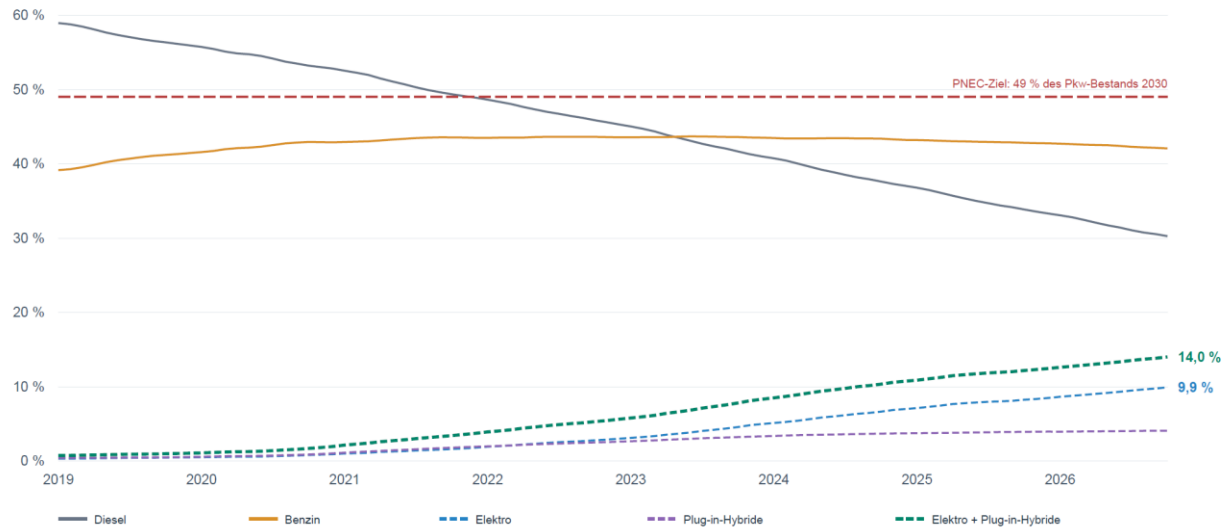
Luxembourg will only achieve its target of reducing CO₂ emissions by 55 per cent by 2030 compared with 2005 if, amongst other things, emissions in the transport sector fall significantly. This sector is responsible for around 60 per cent of emissions.

The priority must be to expand alternatives to private motorised transport. These include attractive rail, tram and bus services, as well as facilities for walking and cycling. Equally important are initiatives such as the systematic expansion of car-sharing and carpooling schemes, and the development of workplace mobility plans. Despite the efforts made in recent years, there remains a considerable need for action in all these areas. For example, to date, only a very small number of industrial estates in Luxembourg have mobility plans that meet the needs of their employees.

In addition to setting these transport policy priorities, a technological shift is needed: away from the internal combustion engine and towards electric cars. According to the National Energy and Climate Plan (PNEC), at least 49 per cent of Luxembourg's vehicle fleet is to consist of purely battery-electric vehicles or plug-in hybrids by 2030. This target now seems almost impossible to achieve: At present, these two types of powertrain together account for just 14 per cent of the vehicle fleet – 9.9 per cent are battery electric vehicles (BEVs) and 4.1 per cent are plug-in hybrids (PHEVs). Among new registrations, their combined share stands at 44.3 per cent, of which 37.6 per cent are BEVs and 6.7 per cent are PHEVs.

Luxemburg: Pkw-Bestand

Anteil am gesamten Pkw-Bestand (%) | Januar 2019 - Oktober 2026



Die 49%-Linie zeigt das PNEC-Ziel für 2030, keinen jährlichen Zielpfad.

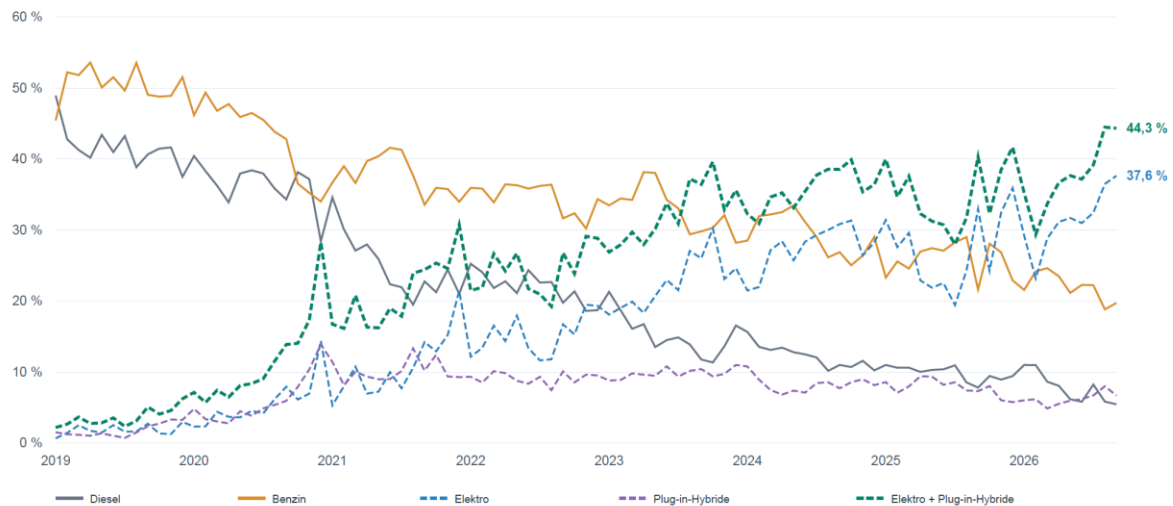
Quelle: STATEC, Tabelle D6132; bereitgestellter Datenexport vom 19. Oktober 2026. Eigene Berechnungen.

Plug-in-Hybride umfassen Benzin- und Dieselmotoren. Alle Antriebsarten bleiben im Nenner enthalten.

Die kombinierte Reihe addiert Elektro und Plug-in-Hybride; sie ist keine zusätzliche Fahrzeugkategorie.

Luxemburg: Pkw-Neuzulassungen

Anteil an allen Pkw-Neuzulassungen (%) | Januar 2019 - September 2026



Quelle: STATEC, Tabelle D6122; bereitgestellter Datenexport vom 19. Oktober 2026. Eigene Berechnungen.

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From a social perspective, it is essential to shape the socio-ecological transition in such a way that everyone can benefit from it – regardless of their income. People on low incomes, in particular, often cannot afford – or find it very difficult to afford – the switch to climate-friendly alternatives at present. At the same time, they are particularly hard hit by rising prices for fossil fuels.

However, two proposals in the mobility sector are currently under discussion which, from a socio-ecological perspective, require significant improvement:

- the introduction of 'social leasing', which is intended to make electric cars more affordable for low-income households;
- the revision of tax incentives for company cars.

These two proposals – a draft bill and a draft Grand Ducal regulation – send a signal that extends beyond mobility policy. They will reveal the importance the government actually attaches to a socially just and environmentally effective transition. In particular, the following questions arise:

- Is the government prepared to make the socio-ecological transition a political priority?
- Are social and environmental objectives being consistently considered together, and are the measures designed accordingly?
- Are the target groups clearly defined? Do the planned support measures reach, in particular, low-income households, and do they provide them with sufficient support?
- Are the planned measures and the public funds earmarked for them based on robust data and transparent calculations – or rather on the 'gut feeling' of those in charge?
- Are the intended objectives clearly stated? Has it been assessed in advance whether the planned measures are actually suitable for achieving these objectives?

Only by consistently combining environmental effectiveness with social justice can we rise to the major challenges of the future: preserving our natural resources and enabling everyone to participate in the transition.

1. Company car taxation: Planned changes would be a significant step backwards

Company cars account for around one-fifth of the passenger car fleet in Luxembourg. According to figures from the 'House of Automobile', around 36 per cent of registered company cars are purely electric (as of 2025).

The company car privilege is fundamentally controversial. It benefits only a small proportion of employees: according to STATEC, just 8 per cent had a company car in 2018. It is primarily higher-income employees who benefit from this perk.

At the same time, the state is missing out on substantial tax revenue. According to estimates, this shortfall in tax revenue in Luxembourg amounts to more than 130 million euros annually. It is not without reason that numerous economists are calling for the abolition of the company car privilege as part of a socio-ecological tax reform.

Under the current rules governing the taxation of benefits in kind ("avantage en nature"), which remain in force until 31 December this year, hybrid vehicles – including plug-in hybrids – receive significantly less favourable tax treatment than purely battery-electric vehicles. This distinction is intended to create a clear incentive to switch to purely electric vehicles for company cars.

However, the government now intends to make the tax treatment of plug-in hybrids considerably more favourable. According to its figures, the resulting loss of tax revenue would amount to around 5 million euros annually. Added to this are the societal costs of additional CO₂ emissions that may be associated with such a reorientation.

The planned changes are set out in the following table from the Chamber of Employees.

Flat-rate valuation rates for the monetary benefit of company cars

Fahrzeugtyp	Vor 2017	Vor dem 01.01.2027	01.01.2027–31.12.2030 — ohne Reform	01.01.2027–31.12.2030 — mit Reform	Nach dem 31.12.2030
Reines Elektrofahrzeug (BEV) mit einem Verbrauch ≤ 18 kWh/100 km oder Wasserstofffahrzeug	1,5%	0,5%	1,0%	0,5%	1,0%
Reines Elektrofahrzeug (BEV) mit einem Verbrauch > 18 kWh/100 km	1,5%	0,6%	1,2%	0,6%	1,2%
Plug-in-Hybrid mit CO ₂ -Emissionen ≤ 50 g/km	1,5%	2,0%	2,0%	1,0%	1,5%
Sonstige Fahrzeuge, insbesondere Fahrzeuge mit Verbrennungsmotor und nicht rein elektrische Fahrzeuge	1,5%	2,0%	2,0%	2,0%	2,0%

The proposed change would be a misguided decision for several reasons:

- The **official CO₂ figures for plug-in hybrids do not accurately reflect actual emissions in everyday use**. As Finance Minister Gilles Roth also acknowledges in his responses to parliamentary questions, real-world emissions are significantly higher than the figures determined by the WLTP test procedure. According to Transport & Environment, plug-in hybrids emit three to six times as much CO₂ in everyday use as officially stated. For 2024, an average of 145 grams of CO₂ per kilometre is cited – compared with an official figure of just 24 grams. The key factor here is how often the vehicles are actually driven in electric mode and charged regularly. Greater tax incentives based on the official figures would therefore mean that vehicles proven to be associated with high CO₂ emissions would once again be favoured by the state. At the same time, purchasing a plug-in hybrid prolongs dependence on fossil fuels and the associated price risks. And last but not least: the two powertrains in plug-in hybrids lead to higher resource consumption and, not least, higher running costs.
- **The range of fully electric vehicles has expanded significantly in recent years**. European manufacturers now also offer a wider selection of models across different price brackets. At the same time, driving ranges have improved and the number of charging stations has increased sharply. In this respect, the argument that plug-in hybrids should be given special support as a 'bridging technology' no longer holds water today. Instead of consistently driving forward the transition to fully electric vehicles, the government would, with the planned change, once again be providing tax incentives for vehicles that continue to consume fossil fuels. That would send an absolutely wrong signal in terms of transport and climate policy.

- **Government support schemes must also be designed in a coherent manner.** Under the 'Climate Mobility Bonus', plug-in hybrids are no longer subsidised; nor is any corresponding support provided under the planned 'social leasing' scheme. It is therefore incomprehensible why a different standard should apply to company car taxation. If direct support is focused on purely electric vehicles, the tax treatment of company cars should support this objective – and not undermine it.

Valuation rates for vehicles ordered or first registered from 2027 onwards (Source: CSL statement on the company car privilege)

WLTP-Verbrauch und Leistung	Klimabonus Mobilität	Vorgesehener monatlicher Bewertungssatz für den geldwerten Vorteil 2027–2030
≤ 160 Wh/km	6.000 €	0,5%
161–180 Wh/km	3.000 €	0,5%
181–200 Wh/km und Leistung ≤ 150 kW	3.000 €	0,5%
181–200 Wh/km und Leistung > 150 kW	Keine Prämie	0,6%
> 200 Wh/km	Keine Prämie	0,6%
Plug-in-Hybrid mit CO ₂ -Emissionen ≤ 50 g/km	Keine Prämie	1%
Plug-in-Hybrid mit CO ₂ -Emissionen > 50 g/km	Keine Prämie	2%

The CSL and Mouvement Ecologique therefore firmly reject the planned change. It runs counter to a coherent, socially just and environmentally effective subsidy policy.

Nor are the two organisations convinced by the argument that, without greater tax incentives for plug-in hybrids, companies and employees might once again increasingly opt for purely internal combustion engine vehicles. Rather, the government's task must be to create a clear and reliable policy framework for the transition to purely electric vehicles. This includes clear communication: plug-in hybrids are not a sustainable alternative to purely electric mobility.

Last but not least, this is about the responsible use of public funds. Instead of granting additional tax incentives for an outdated bridging technology, the government should target the available funds towards a socially just electrification of mobility.

The CSL sums up this contradiction in its statement of 7 October 2026:

'Reintroducing, via the benefit-in-kind scheme applicable to company cars, a more favourable tax treatment for plug-in hybrids therefore amounts to once again supporting a technology that had been excluded from direct subsidies (the Mobility Climate Bonus). The inconsistency stems less from the objective being

pursued — accelerating the renewal of the vehicle fleet — than from the signal sent to taxpayers, employees and businesses: whilst the direct purchase incentive scheme favours vehicles with zero driving emissions, the tax regime for company cars reopens a preferential route for vehicles which, in their actual use, remain partially dependent on the internal combustion engine. »

Beyond environmental and tax policy coherence, this is also a matter of social distribution. The available public funds should benefit, in particular, those households that have so far been unable to afford the switch to electric mobility. The CSL summarises this as follows in its statement:

‘Ultimately, the issue is not only environmental but also one of distribution. A credible transition policy should not be limited to making certain company cars more attractive, but should ensure that the available fiscal resources also benefit households for whom the switch to electric mobility remains financially out of reach.

In this regard, channelling the tax revenue foregone – as well as the revenue generated from a more differentiated tax system on polluting company cars – towards funding social leasing (or even the roll-out of a high-performance, densely networked charging infrastructure) would provide a clearer link between social justice, environmental efficiency and fiscal coherence.”

Side note: A more realistic calculation of CO₂ emissions from plug-in hybrids at EU level

The significant discrepancy between the official CO₂ figures for plug-in hybrids and their actual emissions in real-world driving has also highlighted the need for action at EU level. It was therefore planned to align the calculation of emission figures more closely with reality. To this end, the so-called ‘utility factor’, which reflects the assumed proportion of electric driving, was to be adjusted. The aim was to take better account of actual usage patterns and the associated CO₂ emissions.

The Luxembourg government justifies the planned change to company car taxation, amongst other things, on the basis of this European adjustment: in future, only those plug-in hybrids that still have low emission figures even under the stricter calculation method should be able to benefit from more favourable taxation.

However, it is precisely this adjustment to reflect reality that is now being called into question – particularly due to resistance from Germany. This means that a key premise underpinning the Luxembourg government’s argument is no longer guaranteed.

Consequently, the Luxembourg Government’s key argument in favour of amending the company car scheme rests on extremely shaky ground! The implications of this for the company car tax regime are obvious. Under no circumstances should plug-in hybrids be given further preferential treatment in the company car scheme at this stage, without a definitive decision having been reached at EU level regarding actual emission figures!

And even if the EU initiative were to succeed: plug-in hybrids are a waste of resources – after all, they require two engines – and are correspondingly expensive to run!

2. ‘Social leasing’: Good approaches, but in need of significant improvement

The CSL and Mouvement Ecologique expressly welcome the planned introduction of social leasing for electric cars in Luxembourg to implement the Climate and Social Plan of March and the Tripartite Agreement of June 2026. This addresses a long-standing demand from both organisations.

Several key aspects of the current draft bill are to be expressly welcomed. These include, in particular, the fact that social leasing is, in principle, intended for people on low incomes, without them having to provide additional proof that they are dependent on a car and unable to use public transport.

Such a requirement to provide evidence would raise difficult questions of demarcation: who should decide, and on the basis of what criteria, whether the use of public transport is reasonable given the available services, working hours and personal circumstances? Even if the journey to work can be made by public transport, a car may be necessary for other journeys – for example, to look after children or care for relatives. It is not the government’s role to assess people’s individual mobility needs in this way.

The focus of social leasing is not on steering individual behaviour through transport policy, but on supporting people on lower incomes in the socio-ecological transition. Access must therefore be as unbureaucratic as possible – in line with the principle: ‘Keep it simple’.

However, for social leasing to be truly effective, significant amendments to the draft bill are required. These must enhance the effectiveness of the scheme and ensure that it comprehensively reaches the target population groups. The CSL and the Mouvement Ecologique see a particular need for improvement in the following areas:

- **Making entitlement to the ‘complément de vie chère’ a prerequisite – not direct participation**

Under the current draft bill, social leasing is to be restricted to households receiving the ‘complément de vie chère’ (CVC). The CSL and the Mouvement Ecologique, however, call for the inclusion of those households that meet the eligibility criteria for this support but have not yet applied for it.

The decisive factor must be a household’s financial situation – not whether an application for another social benefit has already been made. Households with comparable financial means must not be treated differently when it comes to access to social housing.

The two organisations therefore propose extending access as follows:

‘propose to extend access to the social leasing scheme to households which, during the year in which the leasing contract is concluded or the preceding year, meet the conditions for receiving the CVC or, on a transitional basis, the energy allowance, regardless of whether they have actually applied for or received these benefits.’

- **Do not limit the subsidy to one person per household**

The draft bill stipulates that only one person per household may benefit from social leasing at any one time. This blanket restriction fails to take account of the varying living and mobility needs within a household.

Two partners may have different working hours and places of work, take on different childcare responsibilities or fulfil other obligations, such as caring for relatives. A single subsidised vehicle is therefore not necessarily sufficient to meet a household’s mobility needs.

Nor is this restriction justifiable in terms of a coherent subsidy policy: whilst the subsidy under the 'Climate Bonus for Mobility' is aimed at individuals, social leasing is to be subject to a restriction at household level. Such unequal treatment is unjustified, particularly in the case of a measure aimed at people on low incomes.

The CSL and Mouvement Ecologique state:

'Insofar as social leasing is intended, in particular, to facilitate access to employment and essential services and, more broadly, to promote the social inclusion of beneficiary households, this restriction appears difficult to reconcile with the objective pursued.'

- **Do not disadvantage single parents**

The draft bill provides for a special provision for households with two adults and three children: they should be able to benefit from social leasing even if they lease a less energy-efficient, seven-seater electric car that would otherwise be excluded from the scheme.

This provision disadvantages single parents with the same number of children. The decisive factor for the exemption should not be the number of adults, but the number of children and the associated space requirements. Particularly in view of the often strained financial situation of single parents, it is socially imperative to amend the provision accordingly and grant them the same access to the special provision.

- **Base the scheme on comprehensible calculations and ensure price transparency**

It has not yet been clearly explained on what data and calculations the specific structure of social leasing is based. The draft bill is accompanied neither by simulations of the monthly leasing instalments nor by an overview of the services included in the package. It therefore remains unclear to eligible households what offers they can expect and what the actual total costs will be.

Even though increasingly affordable electric cars are coming onto the market and leasing companies are increasingly offering contracts for less than 150 euros a month, the state must ensure that social leasing is actually the most affordable comparable option for the target group. To achieve this, price transparency is needed: in addition to the monthly instalment, potential down payments, additional fees, included services and contractual obligations must be clearly stated. Only in this way can offers be meaningfully compared and cost traps avoided.

The environmental authorities should therefore systematically evaluate the contracts on offer and those that have been concluded, review their pricing structures and take appropriate measures in the event of excessive prices.

- **Involving cross-border commuters**

Under the current draft, cross-border workers are to be excluded from the social leasing scheme. This exclusion is not justified from a social perspective. There are many people amongst them on low incomes who have to make long and time-consuming journeys to work. Public transport does not always offer a viable alternative. Consequently, the cost of fossil fuels can place a significant strain on their household budgets.

Furthermore, a large proportion of cross-border workers do not have access to a comparable support scheme in their country of residence. At the same time, they make a significant contribution to Luxembourg's economic development and tax revenue. It is therefore incomprehensible to exclude them from support designed to enable people with limited financial means to participate in the socio-ecological transition.

Last but not least, Luxembourg needs to remain an attractive place of work for cross-border commuters. It is therefore both a social policy imperative and in the country's own interest to grant them access to social leasing on comparable income terms.

- **Provide additional support for charging vehicles**

Under the proposed social leasing scheme in the form of an 'operational lease', the vehicle hire, maintenance and insurance are included in the price. Charging costs, however, are not covered. The study by FIER and Luxmobility on which the model is based identifies these as a significant financial risk. Considerable costs can arise, particularly for people who rely on publicly accessible charging points. Although the Klima-Agence's 'ChargeCheck' service provides greater price transparency in this regard, it does not solve the problem of the financial burden.

Households on low incomes, in particular, often do not have the option of charging their vehicle at home. A socially balanced leasing model must therefore also provide mechanisms to offset charging costs.

To this end, existing barriers to the subsidisation of private charging infrastructure should be removed. Pre-financing the installation costs could make access easier for lower-income households. At the same time, measures are needed to speed up the installation of charging points in blocks of flats.

Furthermore, the study commissioned by the Ministry for the Environment and the Ministry for Economic Affairs identifies two further concrete approaches: a voucher or credit system, and the direct crediting of charging subsidies via selected providers. In this area too, the draft bill needs to be amended to ensure that financial support does not end with the leasing instalment.

- **Mandatory assessment of eligibility before the lease agreement is concluded**

The current draft does not provide for a mandatory assessment of eligibility prior to the conclusion of the lease agreement. This creates considerable legal and financial uncertainty for the households concerned. If the subsidy is only rejected after the contract has been concluded and those affected therefore have to pay an additional contribution or higher lease instalments, this can plunge low-income households in particular into financial difficulties and, in the worst case, lead to over-indebtedness.

The CSL and Mouvement Ecologique are therefore calling for a procedure that definitively clarifies eligibility before the contract is concluded. The intermediary bodies submitting the grant application should be required to obtain a certificate, prior to the signing of the lease agreement, confirming that the household in question meets the eligibility criteria for the state aid. This would provide households with the necessary certainty before they enter into a financial commitment.

- **Enabling the subsequent purchase of the vehicle and strengthening the domestic second-hand car market**

The draft bill does not provide for the option to take ownership of the leased vehicle at the end of the three-year contract term. One of the reasons given for this is that it allows the leasing instalments to be kept lower.

Nevertheless, taking ownership of a vehicle they are already familiar with could be an attractive option for some users. Furthermore, without such a provision, there is a risk that the vehicles will be sold abroad at the end of the contract and will therefore not contribute to building up an affordable supply of second-hand electric cars in Luxembourg.

The CSL and Mouvement Ecologique are therefore calling for an assessment of the conditions under which a purchase option could be offered at the end of the lease term without compromising the social affordability

of the lease payments. Furthermore, targeted measures should ensure that the returned vehicles benefit the domestic second-hand car market as much as possible.

The introduction of social leasing is to be expressly welcomed. However, for the measure to realise its full social and environmental impact, significant amendments to the draft bill are required.

3. Allocating sufficient budgetary resources for the socio-ecological transition

Both initiatives highlight how urgently an open discussion on the financing of the socio-ecological transition is needed.

Social leasing: The allocated funds are barely sufficient to have a broad impact

The drafters of the bill assume that, in 2027, around 44,000 households will meet the eligibility criteria for the 'complément de vie chère' (CVC). However, for the entire period 2027–2032, they estimate that only around 7,800 households will make use of social leasing.

With a subsidy of 10,800 euros for new electric vehicles and 4,500 euros for second-hand ones, the following cost estimate arises:

- A total of 73.44 million euros is earmarked for 6,800 households leasing a new electric vehicle.
- A total of 4.5 million euros is earmarked for 1,000 households leasing a second-hand electric vehicle.

The total cost for the period 2027–2032 is therefore estimated at 77.94 million euros. Of this, 19.485 million euros (25 per cent) is to be financed from the 'Fonds climat et énergie' (FCE) and 58.455 million euros (75 per cent) from the European 'Fonds social pour le climat'.

Given the number of households potentially eligible, the programme's expected reach remains limited. A comparison with the funding allocated to the general promotion of electric mobility also shows that social leasing has so far been accorded significantly less financial priority.

The multi-annual budget allocates annual funding of between 40 and 57 million euros for purchase grants for electric cars under the 'Climate Mobility Bonus' scheme for the period 2024–2029.

According to the budget statement, actual expenditure on subsidies for electric cars in 2025 even amounted to 110.5 million euros – compared with the originally estimated 48 million euros. The new 'Climate Bonus Mobility' scheme is expected to have around 12,000 beneficiaries per year and an annual funding requirement of 58.5 million euros.

By contrast, a total of 77.94 million euros is earmarked for social leasing over a six-year period. This equates to an average of around 13 million euros per year. However, a scheme specifically designed to give people on low incomes access to electric mobility must be provided with sufficient funding.

With an average of around 1,133 subsidised new vehicles per year, social leasing would account for only **around 2.4 per cent of annual new registrations**. Its contribution to accelerating the electrification of the vehicle fleet is therefore likely to remain limited.

The allocated funds and the expected number of beneficiaries have so far failed to meet the requirements of a social leasing scheme with a broad impact. The scheme should therefore be designed to be significantly more ambitious.

This includes, in particular, broadening the scope of eligible households and a corresponding increase in budgetary resources. Only if eligibility criteria, the scope of support and funding are properly aligned can social leasing make a tangible contribution to a socially just mobility transition.

‘Plan social pour le climat’: Budget funds exhausted – what now?

According to the funding overview (‘fiche financière’), social leasing would exhaust the entire multi-annual financial framework allocated to Luxembourg from the European Climate and Social Fund. This would make it the only measure that could be financed from these funds.

Although assurances are repeatedly given in discussions that funds would also be made available for the other, equally important projects under the Climate Social Plan, no concrete details to underpin these commitments have yet been provided.

The CSL and the Mouvement Ecologique are therefore strongly calling for transparency regarding how the individual measures of the Climate and Social Plan are to be financed. The socio-ecological transformation must be clearly established as a priority in the national budget and allocated the necessary funds.

4. For a technically sound, targeted and socially differentiated funding policy

The Chamber of Employees and Mouvement Ecologique regret to note that, in the design of the two draft proposals before us, largely the same mistakes have been made as in previous funding programmes, such as those for heat pumps or under the ‘Climate Mobility Bonus’.

A fundamental and recurring problem is the lack of transparency: what criteria are used to determine the level of funding? How many people are the schemes intended to reach? And what CO₂ savings are expected? All too often, these questions are not adequately answered.

These shortcomings were also highlighted in a recent study by the Öko-Institut on Luxembourg’s subsidy policy. The study was commissioned by Mouvement Ecologique and supported by the Ministry of the Environment. Its recommendations point to a clear need for action:

- **Set binding targets and success criteria:** When designing funding programmes, it must be made clear what specific emission reductions are expected, what contribution the measures are intended to make towards the targets of the National Energy and Climate Plan, and which indicators will be used to measure their success.

- **Clearly define target groups and remove barriers to access:** Vulnerable sections of the population, in particular, must be explicitly identified and specifically targeted. Funding programmes must not primarily benefit those who already have sufficient financial resources. Therefore, barriers to access for low-income households – such as a lack of funds for investment or limited creditworthiness – must be systematically examined and removed.
- **Justify funding levels through transparent calculations:** It must be clearly demonstrated how the structure of the funding was derived from the intended social and climate policy objectives. This must be based on robust and transparent model calculations. It must also be assessed whether the proposed funding amounts are sufficient to actually achieve the set objectives.
- **Introduce a stronger social grading of funding:** Greater account must be taken of households' differing financial circumstances when determining the level of support. In particular, lower-income households and people with limited access to credit require targeted assistance. Otherwise, there is a risk that those who already have sufficient financial resources will be the main beneficiaries of the transition.
- **Examine the possibility of phasing the funding levels over time:** Depending on the subject of the funding, it may be sensible to stipulate from the outset a gradual reduction in funding amounts. A clearly announced funding schedule can create incentives for early investment whilst also providing a reliable framework. This requires transparent timetables and binding funding conditions that ensure planning certainty.
- **Systematically assess socio-economic consequences:** In addition to environmental impacts, the social and economic consequences of all measures must also be examined. This includes, in particular, the question of which population groups benefit from the funding and which may not be reached.

Furthermore, funding programmes must not be viewed in isolation. They must be coordinated with other instruments – such as targeted information campaigns, the expansion of the necessary infrastructure, and regulatory requirements, including bans where necessary. Effective governance requires a strategically coordinated **mix of instruments**. In particular, pricing instruments must be combined with targeted funding schemes, social compensation and the expansion of affordable alternatives. Only in this way can environmental effectiveness and social justice be reconciled.

Given the urgency of climate protection – every additional tenth of a degree counts – the necessary energy transition, and the aim of reducing dependence on authoritarian states and protecting people from rising energy prices, the government must make the required amendments to both draft bills.

Luxembourg, 21 October 2026