

OPC statement on the government coalition agreement 2023-2028

Statement of the Luxembourg Climate Policy Observatory (Observatoire de la politique climatique, OPC) on the Luxembourgish government coalition agreement for the period 2023-2028

The 2023-2028 coalition agreement provides a valuable overview of the Luxembourg government's intentions for the coming years. The OPC welcomes the government's clear commitment to tackling the climate crisis, with an entire section of the document dedicated to "Environment, Biodiversity, Climate and Renewable Energy".

We welcome the government's reaffirmation of its commitment to **systematically implement the updated version of the National Integrated Energy and Climate Plan (PNEC)** in order to ensure that Luxembourg achieves its **climate targets as set out in the national Climate Law**. We appreciate the promotion of **citizen participation in climate policy**, the promotion of **energy cooperatives**, the promotion of **energy efficiency in buildings** and the transition to **climate-neutral mobility**.

We also note that the development of **renewable energy is a national priority** for the government. The OPC suggests that Luxembourg's greenhouse gas (GHG) emissions will be reduced only if the measures stated in the declaration will be fully implemented in its current form.

In order to prepare the country to achieve net-zero GHG emissions before 2050, as required by the Climate Law, and also to reduce consumption-based emissions, the OPC considers that further attention should be paid to the following areas:

- **Integrated solutions:** The government coalition agreement focuses on individual, sectoral, incremental measures. However, there is a danger of region-specific interference between energy system transitions and water and food security, or environmental health. Integrated solutions, that aim to achieve mitigation, adaptation and progress towards climate-resilient development, as highlighted by the IPCC, should be prioritized. Only a national vision and strategy for integrated solutions that are relevant across sectors with comprehensive and coherent policy packages will target systemic change. Citizen should be empowered and given the means to engage in more climate-resilient lifestyles. This includes supporting and motivating them to change their current high consumption, high-GHG emitting behaviours.
- **Biodiversity and renewable energy:** Biodiversity and healthy ecosystems are key for ensuring climate resilience, providing both carbon sinks and helping us adapt to climate impacts. Therefore, we call for careful attention to the preservation and protection of

biodiversity and nature in the implementation of accelerated procedures to roll out more renewable energy.

- **Higher CO₂ tax:** The OPC reiterates its recommendation that the CO₂ tax should be increased to 200€/t CO₂, taking into account both scientific evidence and the recommendations from the Klima-Bürgerrot (KBR). The additional revenue could be used to finance transformational climate change measures and to provide relief to vulnerable households and businesses.
- **Abolish fossil fuels subsidies:** We note the decision to adhere to the tripartite decision to extend the energy price cap until 31 December 2024. While we understand the decision in the current context, we urge the government to remove such subsidies and consider other solutions to address high energy prices for the most vulnerable.
- **Territory development planning:** We appreciate the willingness to increase carbon sequestration through natural means, by greening public spaces, unsealing government land and promoting agroforestry. However, the goal of building new roads, widening existing roads and expanding housing areas could lead to even more sealing of the country's land, which leads to less resilient ecosystems and decreases the potential for carbon storage and biodiversity maintenance. Taking more land runs counter to the EU's biodiversity strategy for 2030 and the EU's soil strategy for 2030 that sets the target of no net land take by 2050. Territory development planning should not be in opposition to environmental sustainability and vice versa environmental protection should not be represent a constrain to territory development and economic development. This is the reason why integrated solutions at national and economy wide scale are needed.
- **Diversification policy of the financial center:** The OPC recognises the continuing role of the "financial sector as one of our country's most important sectors", particularly in financing the net-zero transition, as well as the government's efforts to balance the economy "between efficiency and solidarity". The OPC calls on the government to rethink parts of its large international financial industry that has an inbuilt incentive to avoid taxes on a large scale (thus siphoning off financial means for the transition) and export inequality. This is in direct contradiction to the government's own goals of social and environmental inclusion and solidarity. The sector's current business model is neither durable nor sustainable, not least in light of the government's "multilateral and values-based foreign policy" and its fight "at the international level for the equality of all human beings." The OPC supports an open, transparent discussion about a "coherent and transparent business location policy", which must include a re-coupling between real production abroad and financial vehicles in Luxembourg, in order to achieve the goals of sustainability, net-zero and social corporate responsibility.
- **Economy:** The OPC welcomes the envisaged "circular economy approach", including its administrative inscription as a "circular economy unit", in order to promote the

development of a future-oriented, sustainable economic profile in Luxembourg. In this context, the interministerial efforts to develop and promote sustainable finance in Luxembourg are important. In line with Luxembourg's decarbonisation goal, the planned digital profile of the economy (digital world, technology infrastructures) must be aligned with the principles of *integrated solutions* and *renewable energy* in and across all sectoral policies.

- **Agriculture and food system:** While the chapter on agriculture and viticulture highlights its role in achieving sustainable development and the national climate target, the chapter is generally vague on concrete measures to be taken and targets to be achieved. The OPC was surprised that the declaration did not include any measures or targets for the food system, despite the fact that there is now a ministry responsible for food, and that 19% of consumption-based emissions in Luxembourg are due to food consumption.
- **OPC recommendations:** The OPC urges the government to carefully consider the two annual reports and the OPC statement on the draft PNEC update when implementing the 2023-2028 government programme as set out in the coalition agreement.

The coalition agreement underscores the importance of aligning the government's climate and energy policy with the most recent scientific findings. The OPC, in line with its mandate, is prepared to assist the government in this endeavor.

OPC annual report 2023:

<https://opc-luxembourg.lu/wp-content/uploads/2023/10/OPC-Annual-Report-2023.pdf>

OPC statement in the draft 2021-2030 NECP update:

https://opc-luxembourg.lu/wp-content/uploads/2023/07/2023-07-12_OPC_Opinion_Draft-NECP-Update_EN.pdf

OPC annual report 2022:

<https://opc-luxembourg.lu/wp-content/uploads/2023/02/opc-ra-propositions-ok-min.pdf>