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Energy-price subsidies: OPC calls for the protection of households rather than fossil fuel consumption

In light of the new energy-price support measures announced on the 9th and 14th of July 2026, the OPC wishes to reaffirm its earlier position on fossil fuel subsidies.¹

The OPC **recognises the importance of protecting households** from sudden increases in energy prices, especially those already facing financial insecurity. However, **broad and insufficiently targeted energy-price subsidies**, especially if they support energy produced from fossil fuels, **are not the right answer**. They reduce the incentive to save energy, delay the shift away from fossil fuels, and risk locking households, firms and public budgets into a costly and climate-damaging dependency and higher energy costs.

Understandably, the government of Luxembourg, similar to other governments across the world, has tried to answer calls from the population for help in dealing with higher energy prices. The energy price support measures in question were introduced as part of the "Resilience Package 2026".² The government introduced an electricity price subsidy of EUR 0.04 (VAT included) per kWh. The measure will be applied automatically to **all residential customers with an annual electricity consumption of less than 25,000 kWh**, from 1 August to 31 December 2026.³ As the **average household consumption remains well below this threshold** (2,500–5,000 kWh per year⁴), the measure effectively covers nearly all residential customers rather than only low-consumption households. Additionally, the government has introduced a financial compensation of EUR 0.15 (VAT included) per cubic meter of gas from 1 August to 31 December 2026.⁵ Next to these subsidies for electricity and gas consumption of households, the "Resilience Package 2026" covers 5 cents per Liter of petrol and diesel prices as well as aid for the agricultural sector for a total cost of 54 million EUR.

The key issue is social fairness. Support should be directed towards those who need it most, rather than lowering fossil-fuel prices across the board. **Untargeted subsidies also benefit those with higher energy consumption and greater financial capacity, while doing too little to protect the most vulnerable in a lasting way.**

¹ Observatoire de la Politique Climatique. (2024, March 25). *Opinion of the Climate Policy Observatory on Luxembourg's fossil fuel subsidies*. https://opc-luxembourg.lu/wp-content/uploads/2024/03/OPC_Opinion_Fossil-Fuel-Subsidies_240325_rev.pdf.

² Government of Luxembourg. (2026, June 8). *Resilienzpak 2026*. [Resilienzpak 2026 – Le gouvernement luxembourgeois](#).

³ Government of Luxembourg. (2026, July 14). *Chamber of Deputies approves subsidies to reduce household gas and electricity prices*. [Chamber of Deputies approves subsidies to reduce household gas and electricity prices from 1 August 2026 – The Luxembourg Government](#).

⁴ Eurostat. (2026). *Electricity prices for household consumers (nrg_pc_204)*. European Commission. [Statistics | Eurostat](#).

⁵ Government of Luxembourg. (2026, July 14). *Chamber of Deputies approves subsidies to reduce household gas and electricity prices*. [Chamber of Deputies approves subsidies to reduce household gas and electricity prices from 1 August 2026 – The Luxembourg Government](#).

The OPC therefore reiterates the arguments set out in its earlier opinion: **public support should prioritise direct income support for vulnerable households and investments that reduce fossil-fuel dependence over time**, including energy-efficient housing, public transport, shared mobility, heat pumps, district heating and collective renovation schemes. In case of sudden unforeseen price increases such as from recent energy market shocks, direct financial compensation to vulnerable consumers is a more desirable solution, since this keeps the incentive to conserve energy and shift to alternatives. Non-targeted subsidies to the whole population reduce the incentive for higher-income households to embark on the transition away from fossil fuels, risking Luxembourg's ability to attain its climate targets.

At a time when Luxembourg must accelerate the transition towards a resilient, low-carbon society, **short-term relief measures must not undermine long-term climate goals**. Protecting people and protecting the climate should not be treated as opposing objectives. Well-designed social support can and must do both.