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ENERGY AND CLIMATE CHANGE
THE POSITIONS OF THE SOCIAL PARTNERS AND OF THE GOVERNMENT

Summary

1 INTRODUCTION	1
2 THE EMPLOYERS' POSITION	2
3 THE UNIONS' POSITION	3
4 THE GOVERNMENT'S POSITION	5

1 INTRODUCTION

In the light of the decisions taken by the European Council as part of the "Climate and Energy" package in March 2007, Luxembourg is committed to reducing its greenhouse gas emissions by 20% by 2020 compared with 2005 in those sectors not covered by the greenhouse gas emission trading system (ETS). The targets set for Luxembourg to reach by 2020 are an 11% share of renewables in the final energy consumption and a 10% share of renewable fuels in the final energy consumption in the transport sector. In addition, it must also improve energy efficiency and promote renewable forms of energy and sustainable mobility.

The social partners, employers and unions, put their respective views to the government during the ESC's work on the European semester.

The social partners believe that **only a legally binding international agreement** on greenhouse gas reduction would prevent distortions of competition and pave the way for a coherent and relevant sustainable development policy. One European country acting alone would speed up de-industrialisation in Europe and have a limited or even no beneficial effect in terms of reducing world levels of greenhouse gases.

The climate conference in Paris will be an **opportunity not to be missed for putting together an ambitious international agreement**. The national authorities must continue to work towards a binding international agreement with the broadest possible geographic base, which guarantees a level playing field between the European Union and its main competitors. The agreement should also contain globally applicable reduction targets set sufficiently well in advance to help with planning industrial investment, in Europe in general and in Luxembourg in particular, and to prevent slowing down the growth potential of its industry.

2 THE EMPLOYERS' POSITION

An international framework and an ambitious and binding reduction target offer major opportunities. The Union des entreprises luxembourgeoise (UEL) (Luxembourg Business Union) is thinking particularly about relaunching investment in such wide-ranging areas as the energy sector as such (for example, the desire to develop the eco-technology sector in Luxembourg), the industrial sector and the construction sector (for both functional buildings and housing).

Moreover, energy efficiency is a major driver of productivity, making it possible "to do more with less". If there were an international agreement, there would hardly be any incentives for re-locating production simply because of the price per tonne of CO₂, or even incentives for achieving climate targets through non-production.

As regards the **Emission Trading System (ETS)** in general, the UEL deplores the fact that this is still currently a system that "rewards the non-production" of greenhouse gases but also, indirectly, of industrial products that are nonetheless necessary for the proper functioning of the national economies of Member States.

As regards the **promotion of renewable energies**, the UEL wishes to draw attention to the need for preventing any systemic inefficiency in the production of green energy - especially by giving preference to expensive sources of production with a relatively low output. Developing green energy in the Grand Duchy will help with **economic diversification in the eco-technology sector**.

Finally, the UEL advocates taking much greater account of the European energy market in steering the national system for promoting renewable energies. It believes **that a single goal for renewable energies**, i.e. a common target drawn up at European level, should be set with a view to the post-2020 period. The energy Union must become a reality, since 28 fragmented energy transition processes, established at national (or regional) level and accompanied by a range of steering instruments, are extremely inefficient.

To sum up, the UEL believes that the European Union should re-balance energy and climate policies so as to re-establish the three pillars of business competitiveness, security of supply and cutting emissions.

- It should give a fresh boost to European energy markets to guarantee that the **cost of energy** to businesses is brought down towards the level in the United States.
- **Greenhouse gas emissions**: the climate conference in Paris will be an opportunity not to be missed for putting together an ambitious international agreement. This agreement should:
 - be binding and apply as broadly as possible at international level;
 - constitute a "level playing field" for the European Union and its main competitors;
 - guarantee greater visibility and long-term planning scope for active businesses and potential investors.

- Abolish feed-in tariffs in stages as part of a **green energy production scheme**. Instead of this system, it might be feasible to switch to one of large-scale photovoltaic schemes based on annual tenders.
- Step up efforts to inform people and raise their awareness in order to "demystify" renewable energies and convince the public of the importance of developing them (particularly in terms of economic diversification).
- Taking much greater account of the European energy market in steering the national system for promoting renewable energies.
- The Energy Union must become a reality.

3 THE UNIONS' POSITION

The unions support the goals for cutting greenhouse gas emissions and promoting renewables. Sustainable mobility also helps to achieve these objectives. This course should be pursued.

The unions also hope that the future environmental policy includes a social dimension and that it will not adversely affect workers' purchasing power by a one-sided increase in the taxes levied on energy products.

As for the EU Emission Trading System (ETS), the unions support the environmental target of climate protection and substantially reducing CO₂ emissions. They emphasise that the approach based on creating a market for buying and selling the right to pollute raises ethical questions.

The right to pollute and the accompanying systems of setting quotas may indeed seem immoral, even though they are economically relevant given that atmospheric pollution from greenhouse gases is a global issue that needs to be addressed. However, an emission trading system can also be criticised for being a form of privatising the atmosphere, which is a public good, by creating new ownership rights in the form of the pollution rights.

Defending public global goods, which include the natural and human environment, should not be restricted to a global trade in ownership rights negotiated on the stock exchange.

Furthermore, even if transport is not included in the sectors covered by the directive to be transposed by this draft law, it should be borne in mind that, under international agreements, Luxembourg is obliged to cut its greenhouse gas emissions and that road transport makes a substantial contribution to these emissions in Luxembourg. Additional investments in public transport are thus of particular importance in terms of reducing these emissions.

As regards the capture and geological storage of CO₂ (CCS), the trade union organisations express their greatest reservations. Unfortunately, from a scientific viewpoint, the new CCS technology is marked by a serious lack of feedback, which

creates a plethora of hazards, both for the environment and for human health and security.

With respect to housing policy, the trade union organisations have put forward a number of measures for renovating homes by refurbishing the energy installations of older dwellings, placing the emphasis on **combating energy poverty**:

- making **low-interest loans from the pension insurance compensation fund** available to households to make it easier for them to get the investment they need to improve the energy performance of their homes;
- **pre-financing the work**. If the State directly pays a proportion of the bills equal to the amount of the subsidies awarded, low-income households would not have to shoulder the whole pre-financing burden. This approach would have the advantage of guaranteeing the useful and effective investment of state subsidies awarded and, at the same time, enabling low-income taxpayers to benefit fairly and to the same extent as any other applicant;
- the granting of **zero-rate loans** to finance measures for making homes more energy-efficient;
- the introduction of an "energy rent allowance" for tenants faced with rent increases as a result of the energy improvements carried out by the owners of their homes.

As regards support for encouraging the rational use of energy, the trade union organisations advocate a coherent approach on subsidies. These subsidies should thus also be invested as part of the industrial strategy. Their reduction, or even abolition, not only has an effect on households or other potential beneficiaries, but also on the industries that depend on them directly or indirectly, thereby leaving the threat of additional job losses hanging in the air (see photovoltaic installations).

4 THE GOVERNMENTS' POSITION

The social partners' views formed the basis for drafting the Government's 2015 NRP.

Luxembourg is currently below the 2005 level in terms of **greenhouse gas emissions**. Nevertheless, it will still be necessary to resort to external funding for 2020, although the levels involved should be less than for the Kyoto phase, mainly as a result of the measures planned or implemented nationally.

Luxembourg maintains the 2020 target of an 11% share of renewable energies in the gross final energy consumption. This share, which is around 3.6% according to the latest figures, has been rising for a number of years in Luxembourg.

Energy consumption has dropped sharply in Luxembourg since 2005, the reference year.

The government is continuing with its implementation of the *"Action plan for cutting CO₂ emissions"* adopted in 2006, together with its 2013 successor which is the fruit of the work commenced in 2010 as part of the Partnership for the Environment and Climate. This second Action Plan contains a range of measures spread over a number of key areas, including:

- Energy: support for renewable electrical energies through purchasing obligations, heat generation from renewable sources of energy, encouraging energy efficiency.
- Industry: Emission Trading Scheme (ETS), energy audits in large companies and promoting eco-technologies.
- Transport: global strategy for sustainable mobility (MoDu), Sectoral Transport Plan, financial support for fuel-efficient cars ("PRIME CARE"), introduction of an ecological mobility label for businesses, developing biofuels, adapting vehicle taxation arrangements.
- Housing: the sectoral Housing Plan, gradual tightening of energy performance requirements for new and old housing stock (PRIME House), introduction of binding standards for homes and functional buildings.
- Climate Pact with the municipalities: financial and technical support for municipalities that sign up for the period from 1 January 2013 to 31 December 2020.

The government has also launched an economic feasibility study for a reform of the tax arrangements for energy products in the transport sector to assess the medium- and long-term impact of a major structural reduction in the sale of fuels to non-residents following a potential review of the taxation of energy products used for activities in the transport sector. This analysis is part of the work being carried out in preparation for the general tax reform scheduled for 2017.