



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère de l'Économie



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère de l'Environnement, du Climat
et de la Biodiversité

Luxembourg Social Climate Plan

—

Draft Proposal

October 2025

Note on the budgetary implications of the Social Climate Plan:

As this is a draft document subject to change during the public consultation phase, the measures proposed herein have not yet been budgeted. It is understood that any measures within the Social Climate Plan that affect public finances will be subject to the standard budgetary procedure.

Executive Summary

<u>1. SOCIAL CLIMATE PLAN OVERVIEW AND PROCESS FOR ESTABLISHING THE SOCIAL CLIMATE PLAN</u>	<u>3</u>
1.1. EXECUTIVE SUMMARY	3
1.1.1. CONTEXT OF THE GREEN TRANSITION.....	3
1.1.2. OBJECTIVES OF THE MEASURES AND INVESTMENTS	7
1.2. OVERVIEW OF CURRENT POLICY LANDSCAPE	8
1.3. PUBLIC CONSULTATION PROCESS	11
1.4. DEFINITIONS	12
<u>2. DESCRIPTION OF MEASURES, INVESTMENTS, INTERMEDIATE VALUES, AND FINAL OBJECTIVES.</u>	<u>14</u>
2.1. COMPONENT C1 – BUILDING SECTOR.....	14
2.2. COMPONENT C2 – TRANSPORT SECTOR.....	52
2.3. COMPONENT C3 – DIRECT INCOME SUPPORT	66
2.4. TOTAL COSTS OF THE PLAN	72
<u>3. COMPLEMENTARITY, ADDITIONALITY, AND IMPLEMENTATION OF THE PLAN.....</u>	<u>72</u>
3.1. MONITORING AND IMPLEMENTATION OF THE PLAN	72
3.2. CONSISTENCY WITH OTHER INITIATIVES	72
3.3. COMPLEMENTARY OF FUNDING.....	76
3.4. GEOGRAPHICAL SPECIFICITIES	76
3.5. INFORMATION, COMMUNICATION, AND VISIBILITY	81

2.4. Total costs of the plan

In line with Regulation (EU) 2023/955 establishing the Social Climate Fund, and the Commission's *Notice – Guidance on the Social Climate Plans* dated 5 March 2025, Luxembourg has access to funding under two scenarios. Under Scenario 1, where ETS2 is scheduled to begin in 2027, the country is allocated EUR 65,971,873.00 in current prices, following the deduction of support expenditure as outlined in Article 10(3). Under Scenario 2, with ETS2 commencing in 2028, the available amount is reduced to EUR 55,395,458.00, also in current prices and after the same deduction. These figures reflect Luxembourg's financial envelope for implementing its Social Climate Plan, depending on the timeline of ETS2 activation.

3. COMPLEMENTARITY, ADDITIONALITY, AND IMPLEMENTATION OF THE PLAN

3.1. Monitoring and implementation of the Plan

The Interministerial Committee for Climate Action will be responsible for monitoring the implementation of the Social Climate Plan. It will be supported by a network of experts tasked with regularly assessing the effectiveness of implemented measures, monitoring energy poverty, supporting the rollout of initiatives, and contributing to the development of both existing and new measures. This network will comprise experts from STATEC and the relevant ministries. In particular, it will draw on STATEC's analyses, published annually in the *Labour and Social Cohesion Report*.¹¹

The General Inspectorate of Finance will oversee auditing responsibilities, while the Ministry of Finance will serve as the coordinating authority for the Social Climate Plan. In accordance with Regulation (EU) 2023/955 establishing the Social Climate Fund, the coordinating authority is responsible for establishing an effective and efficient internal control system to safeguard the financial interests of the European Union. Requests for additional human resources will be submitted and validated within the framework of the standard *numerus clausus* procedure.

Finally, the creation of an institutional and partnership-based network dedicated to monitoring energy poverty and evaluating measures could serve as a strategic lever for the transposition of Article 24(4) of the European Energy Efficiency Directive (EED). Such a network would enhance cross-sectoral coordination capacity while promoting a user- and territory-centred approach.

3.2. Consistency with other initiatives

Action Plan on the European Pillar of Social Rights

The Social Climate Plan is fully aligned with the principles and objectives outlined in the Action Plan on the European Pillar of Social Rights. This EU initiative seeks to reinforce the Union's social dimension by ensuring that the green and digital transitions are both fair and inclusive. Its priorities include equitable access to essential services, the reduction of inequalities, and the fight against energy poverty and social exclusion.

In this context, Luxembourg's plan represents a concrete national-level implementation of the commitments made at the European level. It reflects the country's determination to embed social

¹¹ <https://statistiques.public.lu/fr/publications/series/analyses/2024/analyses-03-24.html>

justice at the heart of the climate transition by developing targeted mechanisms to support the most vulnerable groups and ensuring that decarbonization efforts do not undermine social cohesion.

The two plans are complementary in their approach: while the European Pillar of Social Rights provides the normative framework and overarching objectives, the Social Climate Plan translates these principles into actionable measures—particularly in the areas of sustainable mobility, energy renovation, and equitable access to green technologies. This alignment reflects a shared vision: an ecological transition that leaves no one behind.

Luxembourg's integrated national energy and climate plan for the period 2021–2030 – Update
(Ministry of the Environment, Climate and Biodiversity / Ministry of the Economy)

The Social Climate Plan (SCP) is fully aligned with the updated National Integrated Energy and Climate Plan (NECP), in accordance with Regulation (EU) 2018/1999. By incorporating several measures already outlined in the NECP, the SCP promotes an inclusive and socially equitable energy transition, while contributing to both national and European climate objectives.

Under the NECP, Luxembourg has committed to reducing greenhouse gas emissions by 55% by 2030 compared to 2005 levels, and to achieving carbon neutrality by 2050. To meet these targets, key measures have been defined—particularly in the areas of energy efficiency, renewable energy, and sustainable mobility. The SCP adopts and adapts some of these measures, placing emphasis on their social impact to ensure that the ecological transition does not exacerbate existing inequalities. By integrating climate and social policies in a coherent manner, the SCP serves as a vital instrument for the effective implementation of the NECP, while also fulfilling the requirements of Regulation (EU) 2023/955 concerning social justice in the energy transition.

Action plan for adaptation to the effects of climate change (2025–2035)
(Ministry of the Environment, Climate and Biodiversity)

The negative impacts of climate change on society, public health, and ecosystems have intensified, with its effects being felt more frequently and severely across Luxembourg. The strategy for adapting to climate change identifies key areas where additional measures are needed and proposes concrete actions to mitigate adverse consequences and enhance resilience.

Both the adaptation strategy and the Social Climate Plan (SCP) share a common objective: protecting vulnerable populations. This includes individuals facing transport-related challenges and households experiencing fuel poverty.

Long-term building renovation strategy
(Ministry of the Economy)

Luxembourg's Long-term building renovation strategy (LTRS) and the Social Climate Plan (SCP) are two complementary instruments designed to advance the country's climate and social objectives. The LTRS aims to transform the national building stock into a portfolio of highly energy-efficient and decarbonised buildings by 2050, in line with Directive (EU) 2018/844.

This transformation involves the renovation of residential and non-residential buildings—both public and private—to reduce energy consumption and greenhouse gas emissions. The LTRS

provides a detailed overview of Luxembourg’s building stock, identifying building types and their energy consumption profiles. Based on this data, a set of targeted measures has been proposed to accelerate the pace of energy renovations. These measures have since been incorporated and updated in the 2024 Integrated National Energy and Climate Plan (NECP).

Both the LTRS and the SCP include financing mechanisms and regulatory incentives to promote building renovation. For example, the LTRS offers financial assistance for major renovations, while the SCP provides targeted subsidies for vulnerable households. This complementarity enhances the effectiveness of public investment and ensures that the energy transition benefits all segments of the population.

In accordance with the European framework, the LTRS must be updated every five years. Under Directive (EU) 2024/1275 on the energy performance of buildings (EPBD), the LTRS will evolve into the National Building Renovation Plan (NBRP). The final version of this plan must be adopted by 31 December 2026.

National Mobility Plan 2035

(Ministry of Mobility and Public Works)

The Social Climate Plan (SCP) introduces key social dimensions to the National Mobility Plan 2035 (PNM35). It proposes additional measures to ensure that all individuals—particularly those with low incomes or experiencing fuel poverty, whether in rural or urban areas—have access to a multimodal and intermodal transport network.

These measures consider the roles of various mobility stakeholders, including the State, local authorities, and employers, who must collaborate to ensure efficient public transport journey times, safe cycling routes, and a comfortable environment for pedestrians.

In parallel with efforts to expand multimodal transport infrastructure, subsidies are available to support vulnerable households in purchasing electric bicycles or vehicles that meet personal or professional needs not compatible with public transport—such as night-shift work.

Recovery and Resilience Plan

(Ministry of Finance)

Luxembourg’s National Recovery and Resilience Plan is built on three fundamental pillars: social cohesion and resilience, ecological transition, and digitalisation and innovation. These strategic priorities aim to foster sustainable and inclusive growth while addressing climate and environmental challenges. With 80.1% of the available financial envelope dedicated to combating climate change, the plan stands as the greenest of its kind in Europe.

The Social Climate Plan (SCP) aligns closely with the objectives of the Recovery and Resilience Plan. It reinforces ongoing efforts toward a green transition while strengthening national solidarity. By advancing the goals of the initial recovery strategy, the SCP focuses on supporting citizens and reducing inequalities in the face of climate-related challenges—affirming a coherent and integrated approach to both social and environmental issues.

National Action Plan for the Prevention and Combating of Poverty (NAP)

(Ministry of Family, Solidarity, Living Together and Welcoming)

The 2023–2028 coalition agreement identifies the fight against poverty as an absolute priority for the government. In this context, a National Action Plan for the Prevention and Combating of Poverty is currently being developed and is expected to be submitted to the Government Council in December 2025.

Given the multidimensional and cross-cutting nature of poverty, the NAP will aim to address all facets of the issue. In contrast, the Social Climate Plan (SCP) focuses specifically on the ecological transition for vulnerable households—representing one critical dimension of poverty prevention and reduction.

The interaction between the two plans offers an opportunity to align energy transition efforts with social justice objectives, helping to ensure that no one is left behind.

Cohesion Policies - European Social Fund Plus (ESF+)

(Ministry of Labour)

The Social Climate Plan (SCP) reinforces the objectives of the European Social Fund Plus (ESF+) by offering an integrated approach to social and environmental challenges. Both instruments share a commitment to combating social inequalities: while the ESF+ focuses on social inclusion and support for vulnerable populations, the SCP targets the ecological transition, particularly for vulnerable households and micro-enterprises. Their interaction enables the alignment of energy transition efforts with social justice, ensuring that no one is left behind.

The ESF+ already supports a range of social initiatives, including training programmes aimed at professional integration and reducing unemployment, as well as efforts to combat poverty and promote social inclusion. By combining the strengths of both funds, it becomes possible to reduce energy costs for vulnerable households while simultaneously offering social support to improve their economic situation.

The transition to a green economy also demands targeted efforts to train and retrain workers—a need addressed by ESF+-funded professional development programmes. This synergy ensures that populations most affected by the transition can adapt with skills suited to emerging challenges: the ESF+ provides the training needed to prepare citizens for green jobs, while the SCP ensures that access to green technologies is equitable and inclusive.

Just Transition Fund (JTF)

(Ministry of the Economy / Ministry of Labour)

The Just Transition Fund (JTF), one of the pillars of the European Union’s Just Transition Mechanism, is a new financial instrument under EU cohesion policy. Its primary objective is to co-finance projects—up to 50%—that support territories most affected by the adverse impacts of the transition to a climate-neutral EU economy by 2050.

In Luxembourg, the JTF will be implemented through the ERDF and ESF+ programmes, each of which includes a dedicated priority axis for the fund. Its strategic framework is defined by the Luxembourg Territorial Just Transition Plan (TJTP), which identifies the intervention area, outlines

the sectors undergoing transformation, sets development objectives, and specifies eligible operations.

To address the challenges of transition in the 11 municipalities of the southern region, the TJTP aims, first, to mitigate the costs of modernising affected sectors, combat energy poverty, and promote sustainable local mobility; and second, to support workers impacted by the transition through targeted training initiatives.

3.3. Complementary of funding

The Ministry of the Environment, Climate and Biodiversity manages a dedicated financial instrument known as the *Climate and Energy Fund*. This fund is designed to support the financing of:

1. National measures aimed at combating climate change and promoting renewable energy.
2. Initiatives to address climate change in developing countries.
3. Flexibility mechanisms established under the Kyoto Protocol and the Paris Agreement, as well as those outlined in Decision No. 406/2009/EC of the European Parliament and of the Council of 23 April 2009—concerning Member States’ efforts to reduce greenhouse gas emissions to meet the Union’s 2020 targets—and in Regulation (EU) 2018/842.

In addition, local authorities benefit from autonomous budgetary resources, enabling them to implement targeted measures in areas such as climate transition and social inclusion. Examples include demand-responsive transport services tailored to local needs.

3.4. Geographical specificities

Building sector

The eleven municipalities in south-western Luxembourg—Bettembourg, Differdange, Dudelange, Esch-sur-Alzette, Käerjeng, Kayl, Mondercange, Pétange, Rumelange, Sanem, and Schifflange—form a highly integrated urban area, commonly referred to as the ‘southern region.’ These municipalities share a common industrial and urban heritage, along with similar challenges related to the energy transition and socio-economic development.

Given their population density, economic structure, and levels of social vulnerability, they are particularly exposed to the pressures of the climate transition.

According to STATEC data based on the 2011 census, 55.4% of buildings in the municipalities of the Southern Region were constructed between 1946 and 2000, while 32.4% were built before 1945, and only 5.7% during the decade 2001–2011. Notably, the proportion of buildings dating from before 1945 in the Southern Region (32.4%) exceeds the national average of 26.2%.

In the municipalities of Differdange (4,507 buildings), Esch-sur-Alzette (5,521 buildings), Mondercange (1,770 buildings), and Sanem (3,436 buildings), over 90% of the building stock was completed before 2000. Given that only an estimated 10–14% of residential units have undergone

building envelope renovations, the Southern Region faces significant challenges in improving insulation and replacing outdated fossil fuel-based heating systems.¹²

Transport sector

Data from the *Luxembourg in Figures* report (STATEC, 2024)¹³ reveal a correlation between income levels and geographical location. Urban and peri-urban municipalities tend to have higher median monthly salaries, while border municipalities—particularly in the north and south—record the lowest levels of remuneration (see Figure 2). These socio-economic disparities are closely linked to distinct territorial dynamics.

In the southern region, sustainable mobility is a growing concern. According to projections from the PNM 2035, daily journeys within the southern region are expected to increase by approximately 64% by 2035, rising from 537,000 to 797,000. This surge in mobility is also anticipated to drive a significant increase in public transport usage across the region.¹⁴

¹² Ministère de l'Économie, Grand-Duché de Luxembourg. (2021). PROGRAMME FEDER LUXEMBOURG – Investir dans une Europe plus intelligente et plus verte 2021-2027

<https://fonds-europeens.public.lu/dam-assets/publications/feder/p/po-feder-2021-2027-version-light-fox2.pdf>

¹³ STATEC. (2024). Edition 2024 – Luxembourg in Figures

<https://statistiques.public.lu/en/publications/series/luxembourg-en-chiffres/2024/luxembourg-en-chiffres-2024.html>, pp.28-31

¹⁴ Ministère de la Mobilité et des Travaux publics, Grand-Duché de Luxembourg. (2022). PNM 2035 - Plan national de mobilité <https://gouvernement.lu/fr/dossiers/2022/pnm2035.html>

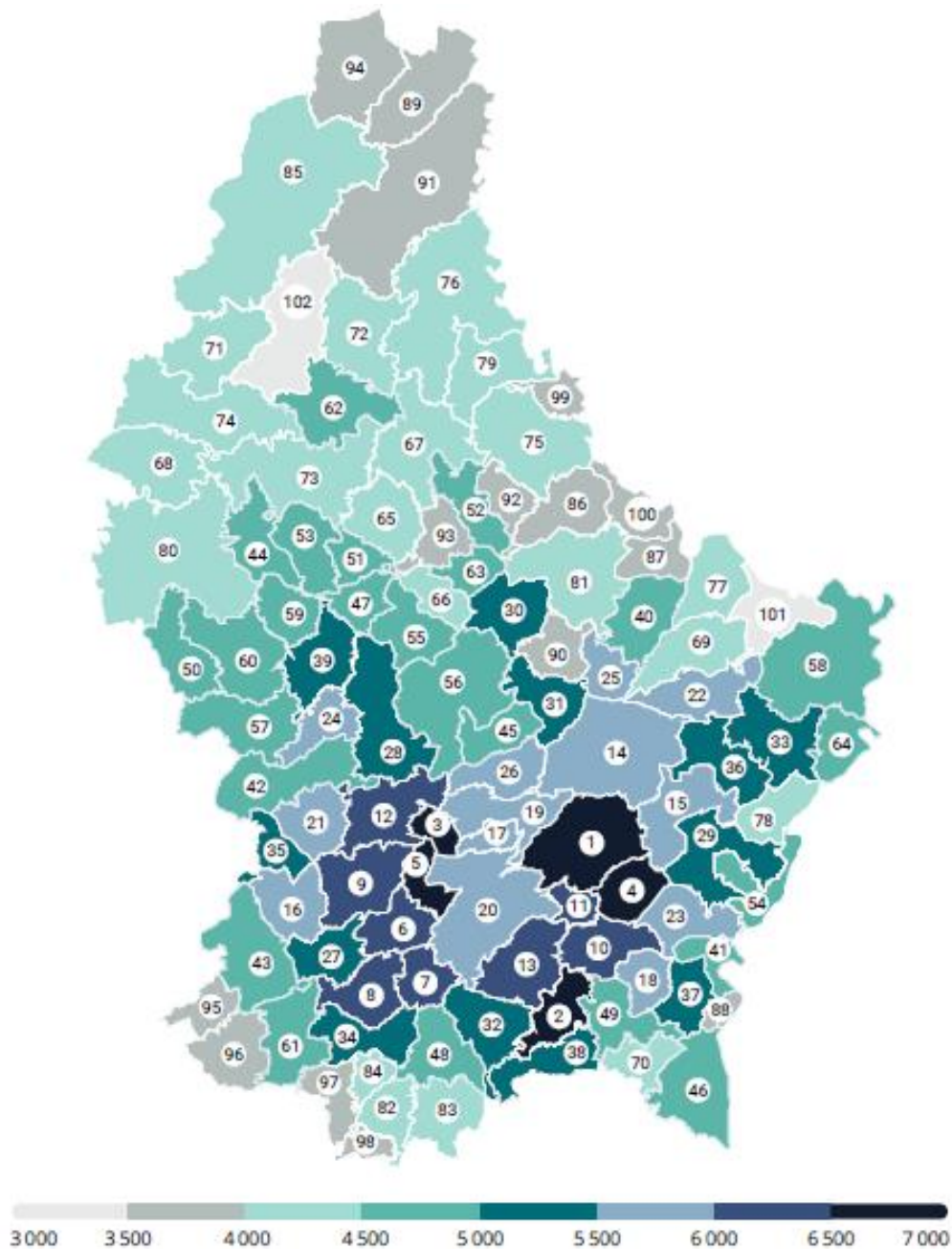


Figure 1: Median Monthly Salary by Municipality in 2023 (Source: STATEC, 2024)

Regional inequalities often lead to long commutes between home and work, particularly for residents of rural and border areas. In many cases, individuals have no choice but to rely on private cars for their daily journeys, due to the lack of accessible alternative transport options. This heavy dependence on private vehicles presents a significant challenge in the context of the energy transition, especially in light of the anticipated rise in carbon prices.

A substantial share of transport-vulnerable households consists of cross-border workers. Employment in the service sector—such as retail, hospitality, childcare, and personal services—is largely held by cross-border workers. These individuals, residing in border areas, face difficulties relocating closer to their workplaces due to housing market constraints. While some cross-border

routes benefit from good rail connectivity, others—particularly in more rural regions—are poorly served. As a result, disadvantaged areas beyond Luxembourg’s borders remain heavily reliant on private cars to access employment opportunities within the country.

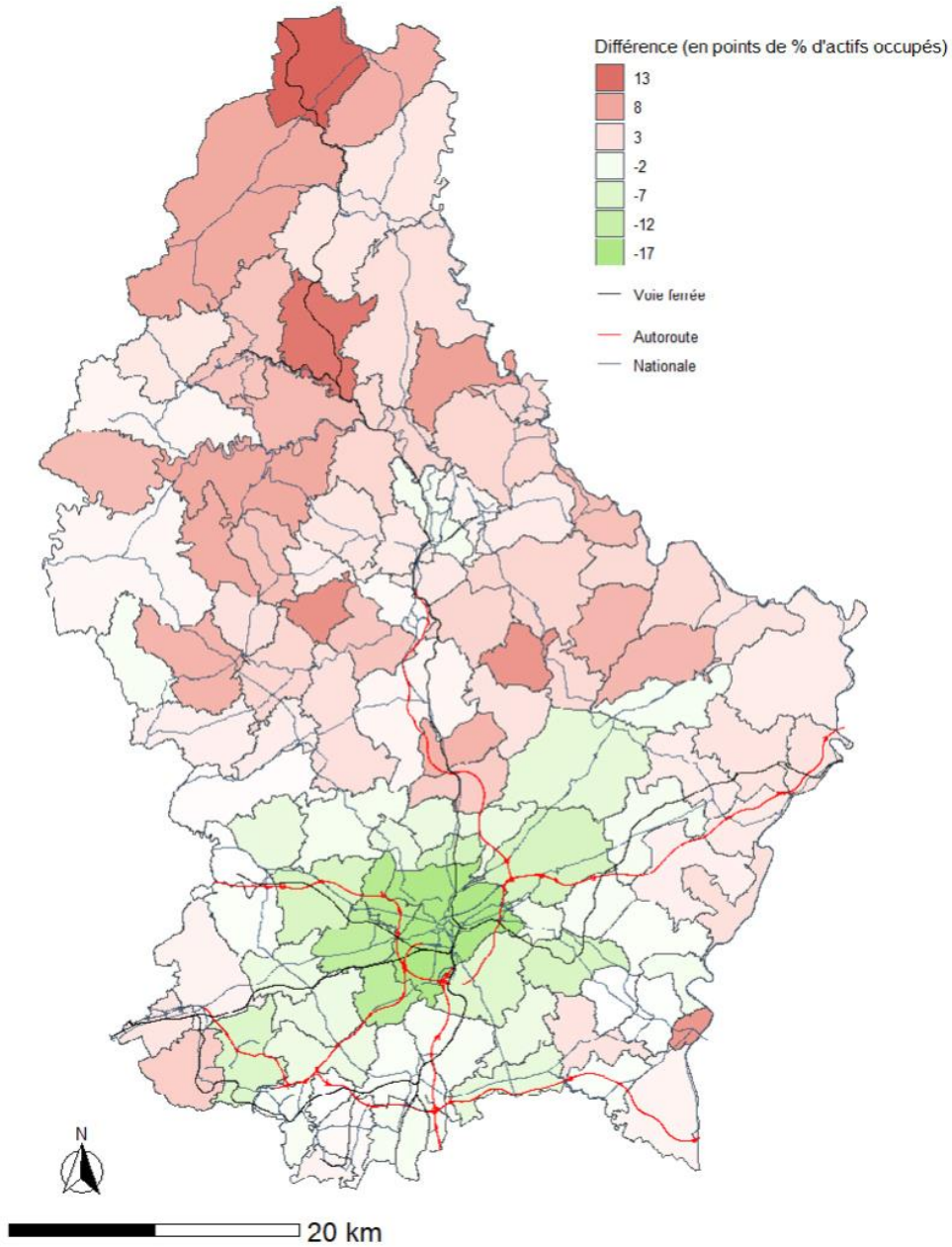


Figure 2: Change in the Proportion of Workers Using a Car as Their Main Mode of Commuting, 2011-2021 (Source: STATEC, 2025, p.6)

Urban and peri-urban centres in Luxembourg benefit from an increasingly attractive and well-developed public transport network, while also welcoming a growing number of new residents who primarily commute on foot, by bicycle, or via public transport. Between 2011 and 2021, Luxembourg City recorded the most significant decline in the proportion of employed individuals using cars as

their main mode of transport—a decrease of 17 percentage points. In contrast, several municipalities in the north and along the borders experienced increases in car usage, with Troisvierges and Kiischpelt seeing rises of up to 14 and 12 percentage points, respectively (see Figure 2).

Despite the availability of an extensive and free rail network, car dependency has intensified in these areas, largely in parallel with population growth. This trend may indicate that, as commuting distances increase, achieving a modal shift away from car use becomes more challenging due to time constraints and the need for greater flexibility. Commuting to work is just one aspect of a broader set of daily activities within a limited 24-hour timeframe.

Moreover, this pattern may reflect a shift in the spatial distribution of workplaces within these municipalities, driven by the arrival of residents whose jobs are located farther away and who are more reliant on private vehicles (see Figure 3¹⁵). Finally, the trend could also point to a growing separation between new residential developments and public transport infrastructure, suggesting a recent phenomenon of more diffuse urban sprawl.¹⁶

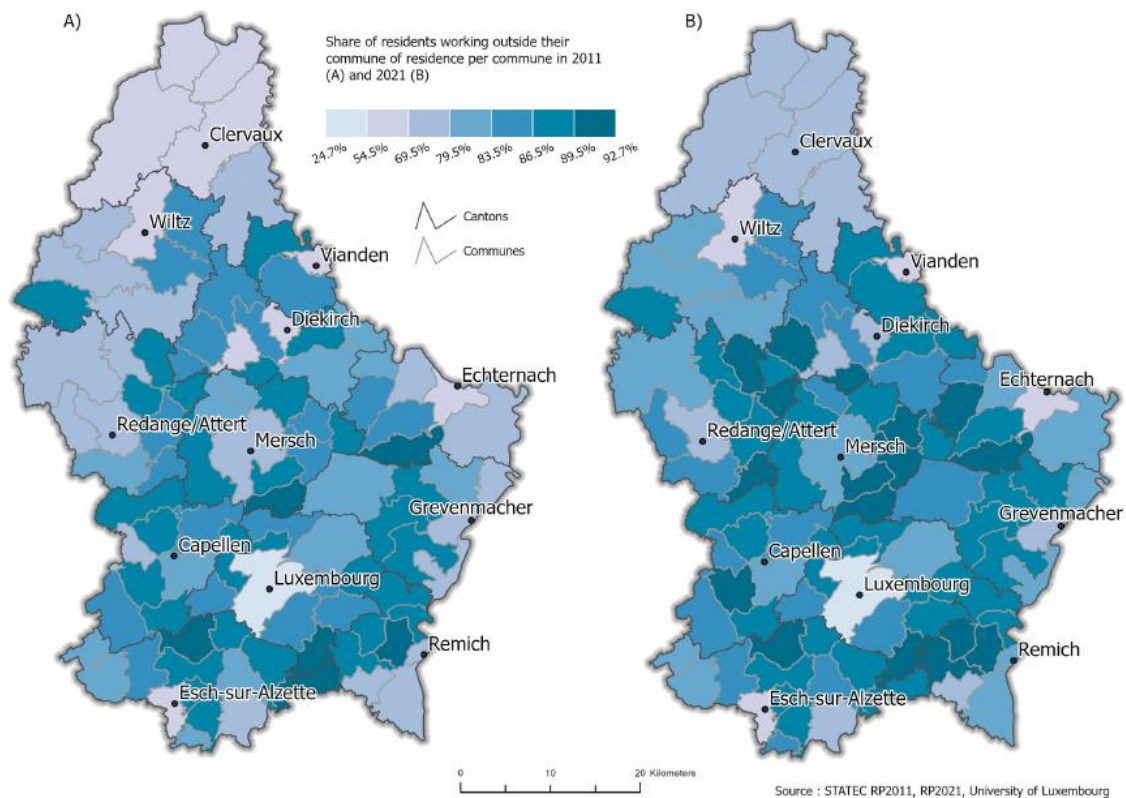


Figure 3: Proportion of Residents Working Outside Their Municipality of Residence, by Municipality in 2011 (A) and 2021 (B), (Source: STATEC, 2024, p.6)

¹⁵ Ferro, Y. et. al. (2024). *RP 1er résultats 2021 N°10 « Une polarisation croissante des déplacements domicile-travail au Luxembourg »*. STATEC. <https://statistiques.public.lu/fr/recensement.html>

¹⁶ Ferro, Y., Caruso, G., & Gerber, P. (2025). *La dépendance automobile persiste pour les déplacements domicile-travail*. STATEC. <https://statistiques.public.lu/dam-assets/recensement/publication-18/docs/18-05-02-fr.pdf>

3.5. Information, communication, and visibility

The Social Climate Plan will be made publicly available via the official website www.emwelt.lu, which is managed by the Ministry of the Environment, Climate and Biodiversity, in accordance with the practice adopted for other strategic plans developed by the Ministry. In addition, the participatory platform www.zesumme-vereinfachen.lu will continue to play a central role in communication related to the public consultation, ensuring transparency regarding its progress, outcomes, and follow-up actions.