



Observatoire
de la Politique
Climatique

**Climate
resilient
development**

26/06/2024

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The Climate Policy Observatory

The role of the OPC



Legal basis

- Set up in the framework of Luxembourgish climate law.
- Members nominated by the Government in Council.

Missions

- Advising on projects, actions or measures that may have an impact on climate policy.
- Scientifically evaluating the measures carried out or envisaged in the field of climate policy.
- Analysing their effectiveness, as well as proposing new measures.

Tasks

- Writing an annual report for the Government on the implementation of the climate policy.
- Proposing research and studies in all fields related to the climate.

Members of the OPC



Andrew FERRONE
President



Sabine DÖRRY
Vice-president



Enrico BENETTO



Sabine DÖRRY



Claire DUPONT



Ariane KÖNIG



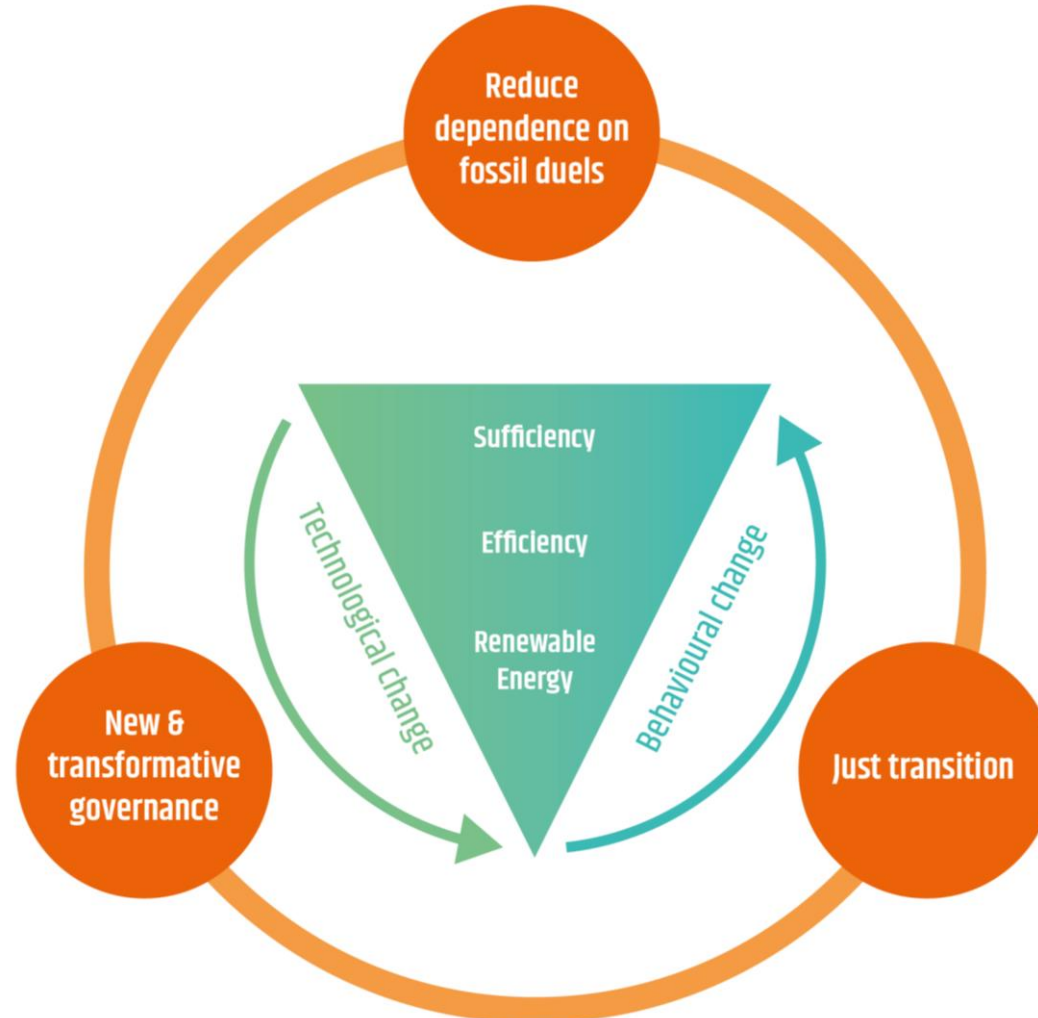
Jean-Pascal VAN YPERSELE

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The Heat is On!

Three main principles

Transformation to
a Sustainable and Decarbonised Society



Reduce dependence from fossil fuels

Technological & behavioural change needed

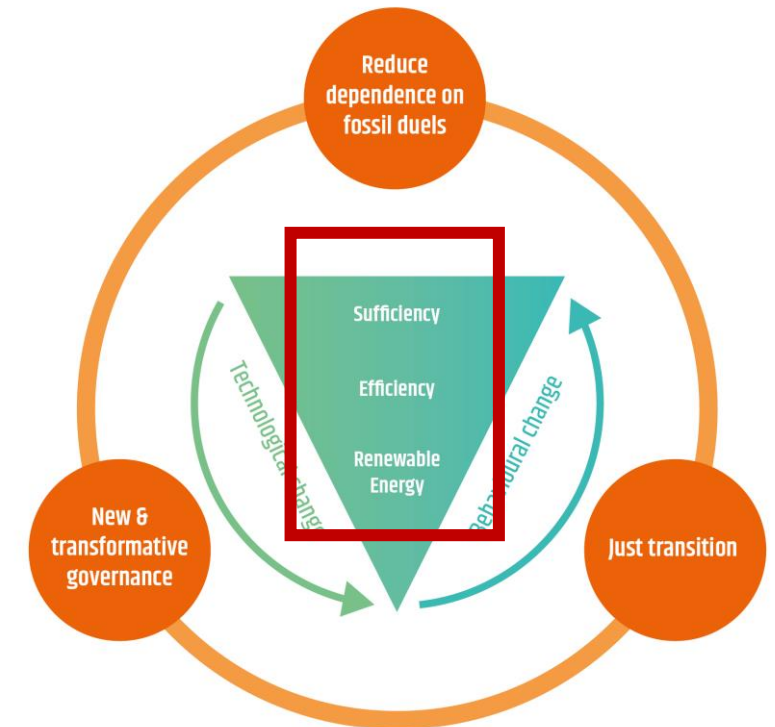
Three main levers

- **Sufficiency:** low-energy sufficient lifestyles
- **Efficiency:** increase the energy efficiency of the economy
- **Renewable energy:** decarbonise the energy production and imports



Consider carbon embedded in imported goods, i.e. account for consumption-based emissions.

Transformation to
a Sustainable and Decarbonised Society



Just transition to climate-resilient development



«...to support sustainable development for all» (IPCC 2022)

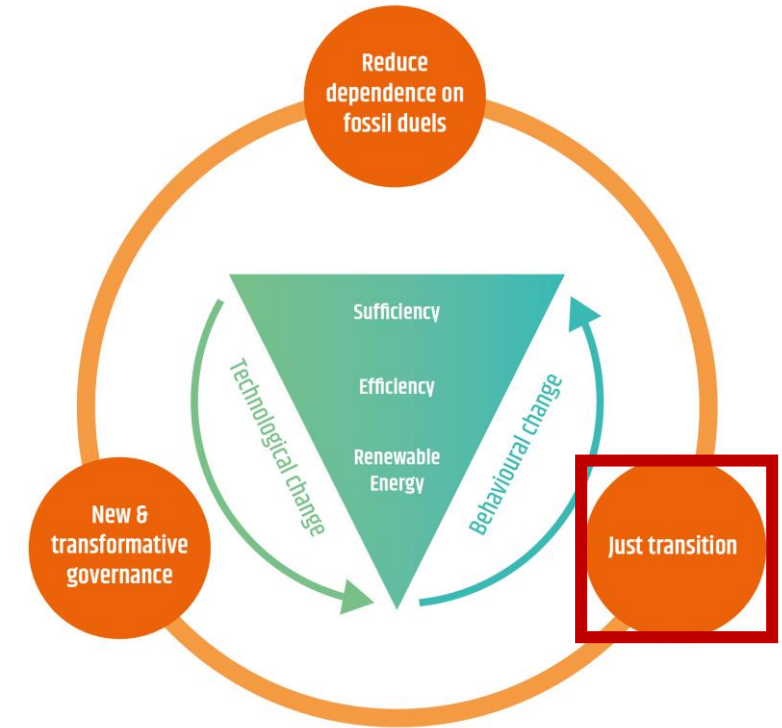
Three main questions for national policy design

- What are the costs, benefits and risks associated with a policy?
- How are these costs, risks and benefits distributed?
- How can we evaluate the policies socio-economic impacts?



Contribute to the UN's 17 Sustainable Development Goals (SDGs)

Transformation to a Sustainable and Decarbonised Society

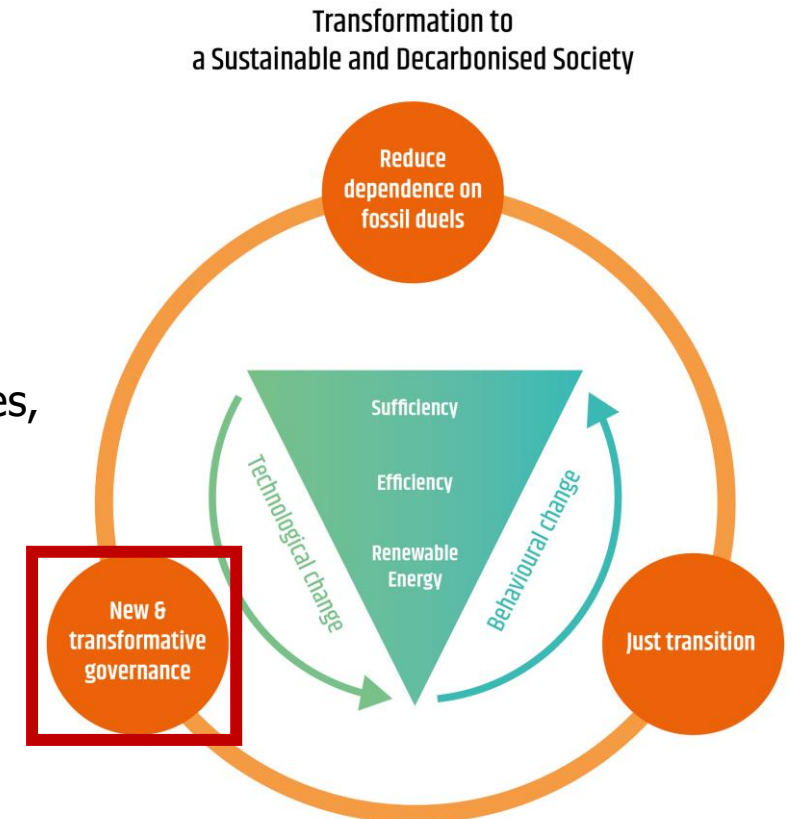


New and transformative governance

Transforming processes and structures

Three key levers

- **Integrated governance:** coherent policy goals across governance levels and sectors.
- **Participative governance:** enable meaningful participation of communities, groups, citizens, and stakeholders.
- **Fair governance:** alleviate inequalities across generations, rural/urban communities, minority groups etc.



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Statement on the
draft PNEC update

Main points of feedback and critique

Integrated solutions are missing:

The current plan largely neglects the need to design and discuss comprehensive and coherent bundles of policies that strategically aim at systemic changes, while motivating citizens to change their current high consumption and high-GHG emitting behavior towards more climate-resilient lifestyles.

Production- versus consumption-based emissions

The PNEC recognizes the importance of keeping consumption-based emissions in mind. However, both the STATEC modelling included and most measures are aimed at reducing production-based emissions. This will inevitably lead to carbon leakage abroad. Inclusion of integrated policies that support the reduction of consumption-based footprint, e.g. by focusing on fostering behavioral changes.

High danger of carbon leakage in transport sector

According to STATEC calculations, emission targets in the buildings and industry sectors will most likely not be achieved, whereas the target in the transport sector will be overachieved. Unfortunately, this reduction relies heavily on taxing fuel consumption of the logistics sector and non-residents → carbon leakage

Propositions to strengthen the PNEC

Higher CO2 tax

The CO2 tax should be raised to 200€/t CO2 considering both scientific evidence and public opinions from the Klima-Biergerrot (KBR). The additional revenue should be used to finance transformational climate protection measures and to relieve vulnerable households and companies.

Integrated energy and mobility planning

Integrated energy planning in municipalities and other instruments that help to design integrated solutions should become mandatory

Agriculture and LULUCF

While the PNEC is focused on the targets of 2030, the OPC considers that measures proposed in these sectors are not sufficient to lead to climate-resilient development. A clear target for limiting the livestock size in line with the recommendations from the KBR as well as a clear commitment for increasing the carbon absorption capacity in the forestry sector and by agroforestry are required

Models and scenarios

Sensitivity analyses for the model results are needed with respect to GDP growth, energy prices and feasibility of policy implementation. Limitations and assumptions of the modelling approach need to be documented and made transparent and publicly accessible.

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Opinion on Luxembourg's fossil fuel subsidies

National and international context

The OPC recognises the importance of financial support for vulnerable consumers but notes that subsidising fossil fuels exacerbates climate change.

European Scientific Advisory Board on Climate Change (ESABCC)

- *Member States should clearly specify in their updated NECPs how and by when they will phase out fossil fuel subsidies, including a clear trajectory towards a full phase-out by a specific year in the immediate future. [...] Support measures for vulnerable households that constitute a fossil fuel subsidy should be altered to well-targeted interventions that do not undermine the incentive for energy savings or the shift towards renewable energies.*
- *A rapid phase-out of fossil fuel subsidies would increase Member States' revenues or reduce their expenditures, which could then be reoriented to finance climate investments.*

OPC recommendations

- **Provide direct income support to vulnerable consumers instead of competition-distorting price interventions, such as energy subsidies**
- **Adjustment of the National Consumer Price Index (IPCN) basket**
Whilst the OPC is aware that adjustments to the IPCN basket are politically sensitive and technically complex, the exclusion of fossil fuels from the IPCN basket would make the IPCN sustainable and prevent further increases in energy prices from directly triggering wage increases.
- **Investment in indirect measures to reduce the need for fossil fuels that are targeted at more vulnerable consumers**



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Thank you

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