

Frequently Asked Questions

Why are energy prices capped?

The prices for gas and electricity are determined by global and regional markets and fluctuate based on supply and demand. However, they are also influenced by speculation from large producers and investors who want to increase their profits as much as possible. Financial products linked to energy prices play an important role here, as these have a big influence on price developments. Here, it is not households and companies that buy energy to consume it, but financial actors whose priority is to earn a lot of money.

After Russia's attack on Ukraine, the energy market spiralled out of control. Uncertainty drove up prices and big profits were made by producers and speculators. In order to prevent these prices from falling on to households, many states, including Luxembourg, introduced an energy price cap. The prices for the consumer were thus capped, albeit at an already relatively high price level. However, the energy producers and suppliers continued to be paid the market price for the energy they sold, because the state puts up the difference. Therefore the state finances the profit margins of energy companies.

Whom does the cap on energy prices help?

Every household with a gas heater and electricity consumption benefits from the price cap. Especially households with low income notice the cap, because they usually spend more on energy relative to their income. Households with high incomes profit financially more from the price cap in absolute terms because they usually consume more gas and/or electricity.

What are the government's plans on the energy price cap?

The price cap on gas will be completely removed from January 1, 2025 and the cap on electricity will be reduced by half. The government justifies this by saying that prices have stabilized at a lower level than in 2023 and at the beginning of 2024. However, this is not entirely true, especially since electricity prices continue to remain very high. In addition, energy prices are at risk of rising again due to the conflict in the Near East/Middle East

What does the government's decision actually mean for households?

For a household that heats its apartment or house with gas and uses electricity for its common appliances (fridge, washing machine, oven...) and lighting, the new price cap would increase the yearly cost by an average of €670, so just over €60 more per month. On the other hand, for households relying on a heatpump, the cost increase would be more severe: it would be €1070 per

year, so €90 per month. This amount was calculated by the *Chambre des Salariés* based on figures from *STATEC*.

In addition, the government's decision would lead to an increase in inflation, as higher consumer prices for energy would also increase the cost of many products. Lots of small businesses are also affected by the price cap. The higher energy prices would be passed on to their retail prices. However it is difficult to say how severe the impact of this would be,

What would déi Lénk (The Left) do?

For the time being, we want to maintain the energy price cap. We think that it is wrong to trigger new price hikes given the current difficult situation that many households find themselves in. Many households are strongly affected by the high housing costs, be it through their rent, be it through the interest on their mortgage. The high costs concern households in most income categories. We think that households should not have to pay hundreds of euros in additional costs to be able to ensure a basic supply of energy. That's why we demand that the current energy price cap must remain in force in the short term and at least for the year 2025!

Should the state finance a price cap forever?

In the long term, it does not make sense for the state to spend tax money on co-financing speculation and the profits of large energy companies, without any guarantees by the energy companies that those profits will actually be invested in the expansion of the networks and into renewable energies. ENCEVO made a profit of 171 million euros last year with the purchase and sale of energy. ENCEVO is the holding group to which ENOVOS and CREOS also belong. These profits are only possible because energy is traded like a commodity and large energy companies throughout Europe are profit-oriented companies that compete with each other. The higher the profit, the higher the dividends are that flow to the shareholders the more money flows from the small to the big pockets.

What is the alternative to the liberalized market?

The production and distribution of energy would need to pass into public ownership, so that profit would not get in the way of achieving other goals. The energy market and prices would stabilize, if decision about infrastructure expansion, investments into renewable energy, and the price of energy could be made by the state and local communes, making the cost of energy more predictable for those households and small businesses. This approach would have prevented the large price fluctuations that we have seen over the past few years. The urgent investments needed to upgrade the infrastructure could be funded/achieved through reasonable energy tariffications and fiscal policy that more is more heavily based on social and ecological criteria. Future choices on sustainable energy systems should not depend on global energy prices or the underhand schemes of private energy companies who act beyond any democratic control.

What can be changed here in Luxembourg?

Public investments into sustainable and renewable energy sources such as wind and solar, as well as large heat pumps and heat networks that cover entire districts would mean that the state and

local communes could produce their own energy. Cooperatives that integrate household energy production should also be promoted. On the other hand, it is also necessary to bring the energy grid into public ownership. This way tariffs can be implemented, making basic energy consumption much cheaper, this would also make unnecessarily wasting energy much more costly. On top of this, we need to further incentivize and make it more accessible for homes and buildings to undergo energy retrofits because as we all know, the cheapest energy is the one that is not consumed!

Does this have anything to do with the right to energy?

Yes! Because the companies that charge households for the supply gas and electricity are private, they are naturally incentivized to have high prices which many cannot afford. There have been repeated instances where households have had their energy shut-off because they cannot afford to pay their bills. Even if, in theory, local social services should jump in, this is not always the case.

For us, the right to energy means that the basic need for energy can never be put into question. Therefore, the withdrawal of gas or electricity by the supplier must be prohibited. The basic need for energy must always be guaranteed. However, this is only possible if energy becomes a public service.