

## **Luxembourg's position paper on the Commission's draft Land and Multimodal Transport Guidelines (LMTG) and draft Transport Block Exemption Regulation (TBER)**

First, the Government of Luxembourg welcomes the publication of the draft Land and Multimodal Transport Guidelines (LMTG) and the draft Transport Block Exemption Regulation (TBER) by the European Commission. However, given our experience over the last two aid schemes, going from 2015-2018 and 2019-2022, and the current aid regime expiring on 31<sup>st</sup> December 2027, we would like to provide some additional input to the public consultation by the Commission. This input mainly relates to article 10 of the TBER and the corresponding section 4.2.1.1 of the LMTG.

As Luxembourg represents one of the smallest countries in the heart of Europe, suffering from road congestion by transit transport, it is crucial to support the intermodal transport sector to switch the transport from road to an environmentally less polluting transport mode. As the national market practically does not exist due to non-viable distances, we depend on cross-border relations to destinations across Europe.

For over two decades, the sector has been able to develop an important network of intermodal rail services from Luxembourg, connecting our country and its surrounding regions with the rest of Europe, and offering cross-European services through the multimodal hub located in Bettembourg-Dudelange.

In 2023, the number of Intermodal Loading Units handled on the intermodal hub in Bettembourg-Dudelange has increased to almost 200.000 per year compared to 50.000 in 2008 due to important investment made by the Government in the construction of the intermodal hub. The estimated savings in CO<sub>2</sub> for 2023 amount to approximately 175 kT per year compared to the road-only alternative.

Due to Luxembourg's central position in Europe, many of the intermodal services serving the country cross multiple borders, raising operating costs compared to national services. This is due to the need for interoperable locomotives and multilingual drivers, which adds to the already higher costs of rail transport compared to road transport. Of note, the Luxembourg railway network is fully equipped with ERTMS. Despite these disadvantages, intermodal transport offers a key opportunity to reduce carbon emissions in Europe. The intermodal sector's development in Luxembourg has been supported by a Commission-approved state aid scheme, providing subsidies for intermodal services, with the current legislation expiring at the end of 2027. However, intermodal rail continues to struggle with competitiveness in terms of cost, quality, and speed, especially for distances over 800 km, and often requires operational support to remain sustainable.

The intermodal sector aims to expand, despite challenges in establishing new rail services due to costs and competition from road transport. Even at multiple frequencies per week, rail remains less flexible and is often impacted by infrastructure issues, increasing costs and transit times. Long-distance services, especially over 800 km, struggle to compete with cheaper road alternatives.

The proposed restrictions on aid for routes over 800 km in article 10(6) a) (i) of the TBER and point 96 a) (i) of the LMTG could harm existing and future services, leading to increased CO<sub>2</sub> emissions and costs. Cross-border operations and the high cost of rail drivers add to the financial burden. In consequence, we suggest removing this distance limitation from both the TBER and the LMTG.

As already noted by other Member States, allowing the former to demonstrate that a particular rail route of more than 800 km is in competition with a road route under the LMTG is not a satisfactory solution. This effectively places a disproportionate administrative burden on Member States (in particular on smaller ones such as Luxembourg, which usually lack sufficient human resources), incurs costs and may lead to abnormally long (pre-)notification procedures.

Concerning point 259 (a) of the LMTG on the amendment of existing national legislation, we understand, as stated by the Commission, that this type of provisions is standard. Nevertheless, regarding the consequences it would have on the sector and the legislative procedures that often take 2 years from the submission to publication, we plead for either a longer transitional period in order to give the Member States a chance to adjust, or to allow already-approved schemes to run their full term.

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