

EFIEES' Feedback to ETS Update Consultation

Brussels, 5th February 2020

EFIEES, the **European Federation of Intelligent Energy Efficiency Services**, is the voice of energy service companies (ESCOs) and their national associations in 12 EU Member States. Our members represent over 130.000 professionals engaged in the design and implementation of energy-efficiency solutions in public and private buildings as well as industrial facilities. In some countries, they also ensure the efficient operation of district heating & cooling networks.

We welcome the objective of this initiative, which aims to revise and possibly extend the EU ETS, in order to meet the renewed climate ambition for 2030 and the long-term goal of climate neutrality by 2050, while considering the need for a just transition and ensuring that all sectors contribute to the EU climate efforts in a fair and coordinated manner.

In particular, **we support the introduction of a carbon price in the sectors that are currently not covered by emissions trading, notably the building sector**, provided that such a scheme is properly designed and implemented, and that **monitoring rules are reliable**, while avoiding double-counting and heavy additional administrative burden.

In light of this, we would like to stress the following elements, which need to be duly considered when reviewing the EU ETS:

- The main priority of this and related initiatives should be to **establish a coherent carbon price across different sectors, to allow for a fair “burden sharing” and a real level playing field**. Whether emissions trading for buildings were to be integrated into the existing EU ETS or into a new separate ETS, **it would remain vital to have a level playing field among all the different heating and cooling solutions**. This will deeply rely on how the new separate ETS or the extended EU ETS is defined.
- To achieve this, **the synergies between available policy instruments (the ETS, the ESR, the ETD and the CBAM, for the external dimension) should be fully exploited and coherence between the different tools should be imperatively ensured**. The future mechanism should, as much as possible, lead to a stable, predictable and progressive carbon price.
- Hence, **the review of the ETS and the review of the ESR need to be addressed in a coordinated and coherent manner**, especially if we want both instruments to effectively contribute to the EU updated climate targets. **The ESR is a tool of utmost importance when it comes to ensuring that Member States pursue committed national climate policies and thus ambitious energy efficiency measures**. Its key role should not be overlooked when revising, and potentially extending the EU ETS (to building and transport sectors). **A carbon pricing, in order to be effective, has indeed to be accompanied by the right regulatory tools**.

- Moreover, a carbon price mechanism and an overall ETS review should be **fair**:
 - On the one hand, this means that **market distortions should be avoided** and that **sectors already covered by the scheme today should not bear the consequences of its extension**. The higher the ambition, the larger the scope needs to be.
 - On the other hand, this implies that **the social and distributive impacts of a possible ETS extension to other sectors, especially buildings, should be addressed in the spirit of solidarity, support for a just transition and protection of the most vulnerable households**. Tackling these aspects requires a rethinking of existing instruments and a possible introduction of new mechanisms for ETS revenues' recycling, to be used to support poor households and vulnerable consumers.
- As the ultimate goal of carbon pricing is to lead towards increasing emission reductions, **decarbonisation actions, such as fuel-switching and energy efficiency improvements, should be strongly incentivised**, also through revenues' recycling and new supporting instruments.
- Finally, when reviewing the EU ETS, should any extension be decided, it is important **to distinctly treat the transport sector and the building sector**, as they are facing different challenges. In case of such extension, their differences would have an important impact on the future design of the EU ETS.