

EFIEES' Position on the revision of the ETS/ESR and the introduction of carbon pricing for buildings

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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 (DHC) networks.

We welcome the proposed revised EU ETS, with new, stronger, ambitions, and **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 implemented, reliable, while avoiding heavy additional administrative burden.**

1) A carbon price supporting building sector's decarbonisation with a level-playing field for heating & cooling

Introducing an ETS mechanism for buildings is the direction chosen by the EU Commission to support this sector's decarbonisation. In this respect, creating a separate ETS, while following an upstream approach, seems to be the best available option. The priority must be to ensure a coherent carbon price across different sectors, to allow for a fair "burden sharing" and a real level playing field within the heating and cooling sector, between individual and district solutions for buildings.

This new ETS scheme must be introduced in a progressive manner, to prevent market distortions and ensure affordability to protect the most vulnerable households.

Maintaining the building sector under the Effort Sharing Regulation (ESR) will also help guarantee that the carbon price mechanism and the overall ETS review are **effective and conducive to actual CO2 emission reduction in this sector. The ESR is indeed essential so that Member States maintain committed national climate policies and thus ambitious energy efficiency measures, and carbon pricing must be accompanied by the right regulatory tools.**

2) Energy efficiency and other tools to support vulnerable households and accompany market changes

EFIEES welcomes the prioritisation of Energy Efficiency actions under the Modernisation fund, and the creation of the Social Climate Fund (SCF). However, to be effective, the SCF needs to be given sufficient financial resources, even more so as it is a key tool to ensure that the introduction of carbon price for buildings does not penalise most vulnerable households.

Moreover, when designing the SCF and resulting national Plans, **the “Energy Efficiency First” principle and energy efficiency measures should be better recognised as essential means to support vulnerable citizens.**

Thus, the eligibility for support through SCF of energy management solutions, such as Energy Performance Contracts (EnPCs) must be guaranteed. We advocate for their inclusion and recognition as energy efficiency and building renovation tools, given they allow to target both energy performance and CO2 savings.

The SCF should also support the decarbonisation of DHC systems, as they accelerate the decarbonisation of the buildings, enable sector integration, while protecting citizens against energy poverty. To ensure a level playing field, no differences should be made between on-site and nearby renewables, following the non-discriminatory principle affirmed in the Energy Performance Buildings Directive . We thus propose to amend the definition of “building renovation” (Art. 2 SCF proposal) to include a switch to renewable and low carbon energy from nearby sources.

Following the same goals of social acceptance and affordability, in countries where a vast majority of DH systems are very large and based on coal, the Modernisation Fund should continue supporting, in a transitory manner, investments enabling the switch from coal to natural gas, where the availability of renewable solutions is limited in the short term. To benefit from such a support, the concerned DHC operators should engage in a roadmap, compatible with the national 2050 carbon neutrality plan, based on growing use of RES/Waste heat, and energy efficiency gains.