EFIEES

Brussels, 8th July 2025

EFIEES' Answer to public consultation on ETSI evaluation

EFIEES is the voice of private energy service companies (ESCOs) and their national associations across Europe. Our members represent over 100.000 professionals committed to the design and implementation of energy efficiency measures in public and private buildings, industrial facilities, as well as to the efficient operation of district heating & cooling networks.

The 2026 evaluation of the EU Emissions Trading System (EU ETS) and its Market Stability Reserve (MSR) offers a good opportunity to assess the system's performance to date, determine whether its full potential is being leveraged to meet the EU's decarbonisation goals, and identify areas for improvement. When it comes to evaluating the current system, **EFIEES' members consider the overall EU Emissions Trading System to be an effective tool for reducing greenhouse gas emissions** from currently covered sectors. It has been, and will remain, a central instrument in supporting the EU's decarbonisation objectives. In particular, the introduction of the Market Stability Reserve (MSR) has significantly enhanced the system's functioning and effectiveness.

However, **audits and verifications under ETS I place a considerable administrative burden on operators**. This represents an area where **improvements and simplification** could be pursued, provided that any proposed changes are supported by a thorough impact assessment to ensure that the integrity and effectiveness of the system are not compromised. The EU ETS indeed demands extensive data collection, the involvement of multiple internal teams, and coordination with external stakeholders such as accredited verifiers. The audit process and cycle should be streamlined and the administrative burden should be reduced notably by improving information sharing and coordination with authorities.

Moreover, another area for improvement is the need for **Member States to demonstrate greater transparency in how they use revenues generated from the EU ETS.** Detailed, accessible, and publicly available information is essential to enhance accountability and ensure that revenues are effectively allocated to decarbonisation efforts. In practice, some Member States indeed sometimes use them for other budgetary priorities. To address this, more precise, harmonised and binding rules should be established. Another key issue is the trading of ETS allowances by entities such as financial speculators or traders who are not directly involved in the ETS sectors. Their market activities can lead to unjustified increases in allowance prices and undermine the system's credibility and effectiveness.

Regarding the potential extension of the EU ETS I scope, EFIEES warns that including Municipal Waste Incineration (MWI) could **raise the cost of waste heat recovery, thereby adversely affecting its**

EFIEES – European Federation of Intelligent Energy Efficiency Services,
rue de la Science 23, B-1040 Brussels
Tel: +32 (0)2 230 65 50 – www.efiees.eu
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competitiveness. This would particularly impact users such as district heating networks, which play a key role in decarbonising the heating and cooling sector at the local level. As one of the key energy efficiency measures, waste heat recovery is essential to the local competitiveness as well as to the EU's energy transition and should be actively supported at the European level. As regards the proposal to lower the 20 MW threshold for installation capacity, EFIEES believes this is not advisable. **The ETS I was specifically designed for large installations, and extending it to smaller facilities would impose disproportionate administrative and financial burdens** without bringing major climate benefits.

Last, future improvements of the system should **allow a gradual extension of free allowances for the district heating and cooling (DHC) sector beyond 2030, potentially up to 2040**. DHC systems indeed face long-term decarbonisation challenges and cannot pass through ETS costs due to public ownership and affordability constraints. This extension would ensure a fair transition, aligned with the decarbonisation trajectory defined for Efficient District Heating and Cooling in the revised Energy Efficiency Directive (EED).

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