



EFIEES represents **energy efficiency service companies** which ensure an overall management of energy demand to end-users. These companies provide operational maintenance and management of equipments of their industrial, tertiary and residential customers (collective or individual), public or private, principally: sport installations, schools and hospitals. They commit, by long-term contract, on a technical, financial, economic and environmental performance. Their remuneration is based on the performance commitment, defined on compliance with operating quality standards and/or delivery on supply of improvements in energy efficiency.

EFIEES members are directly concerned by the EU-ETS regulation as far as the (private) companies **EFIEES** represents run "**outsourced**" **combustion industrial installations**, and are also involved in the **operation of District Heating networks**, as producers/distributors of heat, in several Member States, in particular Central & Eastern Europe (but not only).

EFIEES' members represented in 2011 approximately 18 Mt of CO₂ in EU-27, emitted by district heating networks and by industrial installations of combustion.

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On 25 July, the European Commission published a draft proposal of Regulation, amending the Regulation 1031/2010/EC, aiming at stabilising the price of CO₂ allowances, that sunk from 17 Euros in 2011, to 7 Euros mid 2012. by "backloading" a certain amount of allowances (3 possible scenarios could be considered, with amounts varying from 400 millions to 1,2 billion of allowances).

EFIEES understands that the proposed measure, if accepted by the European Parliament and Member States, would be only a first step in order to allow the Commission to propose structural solutions that are still unknown at this moment.

To that extent, we highlight that, on the short term, backloading without any further measure will not have any valuable effect on the ETS. Moreover, it might have a perverse impact: instead of being a first step towards stabilisation, there are risks linked to the lack of visibility and lack of legal certainty related to the backloaded allowances (will they or not be set aside?). That could strengthen the erratic movements affecting CO₂ prices, on the contrary to the Commission's purpose, as long as discussions go on, first on the backloading, and later on further measures.

As long as structural measures are indeed necessary to restore effectiveness of the EU ETS, the need for visibility is key for investment planning.

The goal that must be achieved by a revision of the EU ETS auctioning system is a signal on the price that clearly drives investments for more energy efficiency and renewable energies, with a regulation that is able to prevent excessive volatility. In order to stimulate energy efficiency and renewable energy in heat/heating sector, it is crucial to tackle the issue of distortion of competition between District Heating networks and other heating systems (collective or individual), producing "diffuse" CO₂ emissions, not subject to the EU ETS. A reflexion aiming at bridging the gap between the 2 systems, currently leading to a real **"domestic carbon leakage"** has to take place **on how diffuse CO₂ emissions can fall under the EU ETS.**

EFIEES asks consequently that all possible new rules or solutions should be examined for this purpose, for example any mechanism that would allow ALL primary energy consumption used for heat/heating purposes to be equally subject to the EU ETS, through an obligation on energy suppliers to non-ETS sector.

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