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EFIEES' VIEWS ON THE UPCOMING HEATING & COOLING STRATEGY

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.

EFIEES welcomes the Commission's forthcoming EU Heating and Cooling Strategy. This long-awaited initiative is very important for Europe's energy transition and climate neutrality, as heating and cooling accounts for half of the EU's energy use. This sector is deeply connected to Europeans' daily lives, influencing their **comfort, health, and household budgets**, with more than 60% of residential energy consumption dedicated to heating. It is **equally essential for Europe's industry**, where process heat alone accounts for around 60% of total energy demand. As rightly pointed out by the Commission in its call for evidence, with fossil fuel costs on the rise, addressing heating and cooling is indeed **not only a matter of sustainability, but also of competitiveness and energy security**. To support the development of the heating and cooling strategy, EFIEES has identified three key elements that should be taken into account when shaping such an important initiative:

Put energy efficiency at the core of the Heating & Cooling Strategy

Widely recognised as a cornerstone of the European Green Deal, the "**Energy Efficiency First" principle** must be **at the heart of both the design and the implementation** of the EU's Heating & Cooling Strategy. This principle ensures that energy efficiency measures are prioritised, while fully acknowledging their complementarity with the further deployment of renewable energy sources.

In this context, energy service companies (**ESCOs**), have a key role to play. By offering solutions like **Energy Performance Contracting** (EnPC), they act as **aggregators**, **allowing to integrate tasks, pool projects, optimise results, and mobilise both public and private investments** to deliver lasting impact with **guaranteed energy and CO2 performance.** They are thus important actors in ensuring that the EU **fully capitalises on the wide range of sustainable heating and cooling solutions**, by promoting **tailor-made approaches and fostering integrated, district-level strategies.** These efforts are also fully aligned with the principle of technological neutrality, which should remain a cornerstone of the strategy to make the most out of the ready-to-use local solutions available.

Most importantly, to fully support the energy transition and the companies driving it, the Heating & Cooling Strategy must support **providing a predictable and stable regulatory framework while**

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addressing the volatility of electricity prices. Energy Service Companies (ESCOs), together with other key actors enabling the transition, develop and invest in energy efficiency projects whose lifespans often extend over 20 years. To **secure these long-term investments**, they require visibility not only on the future trajectory of energy prices, but also on the **consistency and reliability of the legal and policy environment** governing this market. **Same priorities apply to the heat prices system** in the countries where district heating market is strictly regulated, and prices reflected in tariffs are under full control. Outdated schemes may lead to blocking much needed investments. To enhance them, the Strategy should support the legal predictability along with some level of freedom of contract in district heating markets, particularly with the industry.

Another **key energy efficiency measure that should be fully integrated into the Heating and Cooling Strategy is the recovery and use of waste heat**. Yet, for these solutions to deliver their full potential, it is essential to address the technical and regulatory barriers that still slow their uptake. Integrating different networks, ensuring compatibility between sources and demand, and deploying adequate thermal storage sometimes remain challenging. To overcome these issues, the strategy could encourage Member States to develop standardised national procedures for connection and valorisation of waste heat, and to support digital platforms that efficiently match waste heat sources with local demand. To further promote deployment, **Member States could also establish national incentives** such as white certificate schemes or fiscal measures like tax breaks or higher returns on capital to foster waste heat recovery projects. As (waste) heat is a local resource, such schemes should remain local or national in scope. Since Member States often require strong incentives at the European level to set up these frameworks, additional recommendations and targeted support from the Commission would be needed. Finally, **supporting the development of district heating systems can help unlock the untapped potential of waste heat**, as these networks enable an efficient and flexible supply of heating and cooling in urban areas, reduce emissions, and enhance the overall resilience of the energy system. Nearby and onsite heating and cooling sources should therefore be treated equally within the strategy to fully leverage their potential.

Guarantee stability in order to attract investments

As stated above, for companies such as ESCOs, regulatory **stability is a fundamental prerequisite for economic competitiveness**, particularly in light of the last EU mandate, which was characterised by an intense wave of legislative activity. Regulatory uncertainty is indeed costly and weighs heavily on private investment, as businesses of all sizes depend on predictability to design projects, expand, and succeed in Europe. **Administrative simplification and the reduction of related burdens** are rightly on the Commission's and Parliament's roadmap, but these efforts **should not lead to measures that ultimately have a disproportionate impact on other important objectives**. The focus of the heating & Cooling Strategy should thus be on **maintaining a predictable economic and regulatory environment in which EU industries can thrive and grow, by effectively implementing the Fit for 55 Package**.

Moreover, this regulatory stability must also be ensured at national level. While fully respecting the subsidiarity principle, support from the European Commission would be essential to **guarantee that well-designed national funding schemes are not abruptly discontinued**. In several Member States,

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programmes supporting renovation or clean heating and cooling have recently suffered from instability, leading to delays or interruptions in many energy efficiency and decarbonisation projects.

Additional targeted funding schemes to foster further stability could also be encouraged by the strategy, particularly to **address risks associated with waste heat projects**. One key barrier to the development of waste heat recovery lies in the long payback period of district heating infrastructure, typically 10 to 15 years, which industrial sites often cannot commit to. In addition, the risk of losing the heat source, due to process shutdowns, major modifications, or the closure of the industrial site supplying the waste heat, frequently represents a significant obstacle **A guarantee fund dedicated to industrial waste heat recovery** could be established to serve as **a safety net in case the industrial supplier of the recovered heat ceases operations**. The fund would operate on the principle of risk pooling across multiple projects, with contributions from each project in exchange for risk coverage, thereby securing project financing. However, the fund would need initial capitalisation to cover the risk for early projects before it has accumulated sufficient reserves. This tool, crucial for securing investments in waste heat recovery and the associated distribution networks, is key to **"priming the pump**" for projects of this type.

★ Design an independent and coherent cooling strategy

For too long, cooling has been treated as little more than an appendage to heating within the EU's "Heating & Cooling" framework. Yet, as the continent warms under the effects of climate change, cooling is emerging as a central pillar of Europe's energy policy. It should therefore be recognised not only as an essential energy service, but also as a **critical tool for climate adaptation**, helping to maintain comfort, to protect public health, and to ensure infrastructures' resilience. Designing a **dedicated and coherent EU-wide cooling strategy**, aligned, of course, with the heating agenda, is therefore key to ensure both the decarbonisation and the smooth functioning of our energy system.

The "**Energy Efficiency First" principle** should, of course, also apply to cooling, fostering the deployment of clean solutions while ensuring the integration of cooling into the wider energy system by containing demand. In practice, this requires identifying the most suitable solutions for each project through a tailor-made approach, while adopting, wherever possible, a district-level perspective. The **heating and cooling plans** required by the revised Energy Efficiency Directive (EED) for cities with over 45,000 inhabitants will be particularly helpful in this regard. These plans could notably help define potential "**cooling opportunity zones**", pinpointing areas where collective solutions, in particular district networks can deliver the greatest benefits and impacts, both in terms of efficiency and decarbonisation, a logic that equally applies to heating. In particular, district cooling should prioritise the harnessing of local energy sources that cannot be transported or relocated, ensuring that these resources are not wasted. The strategy should thus **guarantee the complete implementation and the optimal deployment of the local heating and cooling plans, to maximise efficiency and decarbonisation benefits.**

Beyond these plans, the Heating and Cooling Strategy should also **address both the benefits of, and the urgent need for, adapting building stocks to anticipate and contain the cooling demand**. Enhancing building renovation, promoting passive cooling measures, and improving overall energy

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performance will be crucial in that sense. Such measures would not only contribute to EU energy efficiency and decarbonisation goals but would also directly support the further consideration of concepts like **summer comfort** and **summer energy poverty**, ensuring that buildings remain liveable and affordable during increasingly hot periods.

Finally, the strategy should be guided by the principle **that both cooling and heating are inherently local issues.** It is therefore crucial to enable Member States to develop their own methodologies for assessing the efficiency of cooling systems, providing them with common guiding principles and the flexibility needed to adapt solutions to their specific local conditions.

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