We support the application of a CO2 price signal on fossil energy through the extension of the EU Emissions Trading System to heating in all public, commercial and residential buildings.

ETS2 makes replacing fossil heating with more cost-effective renewable solutions attractive to all end-users whilst raising revenue to finance programmes which deliver this outcome nationally and through the Social Climate Fund. Revenues raised through this carbon pricing mechanism must be used to accelerate the energy transition in heating through investments in renewable heating, cooling and energy savings.

Renewable heating solutions such as geothermal, ambient, and solar thermal energy are cost-effective and available today. They are key for decarbonising the building stock and industrial processes.

As of today, all these benefits towards Europe’s energy and climate targets are not reflected in the regulation of energy prices.

ETS2 is an essential additional policy tool towards levelized cost of renewable and fossil heating. It contributes to making the most sustainable heating solutions also economically more attractive. It remedies the fact, that fossil heating is not subject to an EU-wide carbon price, unlike renewable electricity-based heating applications which is covered under ETS1. Therefore, we recommend:

- The Social Climate Fund must start in 2024 to provide sufficient time for supply-chains and workforces to ramp up to deploy mass renewable heating investments before the carbon price becomes operational.
- ETS2 is applied to all residential and public buildings.
- Revenue from the ETS2 must be funnelled into support measures to finance the total cost of individual or community renewable heating solutions to enable poor households to participate in the energy transition.
- The Effort Sharing Regulation must be amended to ensure equivalent carbon pricing and investment programmes are mandated and monitored through the Governance Regulation. Furthermore, governments should establish national heat renovation programmes financed by domestic carbon taxes.
- Member States could be given to option to opt out of the ETS2 provided they have a national carbon price which internalises the external effects of fossil heating, makes renewables-based heating solutions more attractive, provides means to finance the total cost of investment in renewable heating and is aligned to the ETS2 price.
- An EU-wide energy carrier based minimum carbon price could also be introduced in the Energy Taxation Directive to ensure harmonisation for Member States that opt out of ETS2.

EPHA: Jozefien Vanbecelaere - jozefien.vanbecelaere@ehpa.org | +32 484 66 84 19
EGEC: Sanjeev Kumar - s.kumar@egec.org | +32 499 539731
SHE: Felix Kriedemann - felix.kriedemann@solarheateurope.eu | +32 456 12 87