



## **EUROHEAT & POWER**

The International Association  
for Combined Heat & Power  
and District Heating & Cooling

Antitrust Registry  
(Energy Sector Inquiry)  
DG Competition  
European Commission  
B-1049 Brussels

Brussels, 6 April 2006

### **Sector inquiry:**

#### **Information on competition on the heat markets in new EU Member States**

In the frame of the public consultation on the preliminary findings of the energy sector inquiry, *Euroheat & Power* would like to reiterate our concern on the malfunctioning of the heat market in some new Member States of the European Union.

Heat consumption represents more than 50% of total energy end-use and accounts for more than one third of total primary energy consumption. The heat market is a competitive market where energy suppliers meet final users to provide heating in buildings. District heating and cooling systems play an important role by providing a sustainable alternative to electricity and gas. They make it possible to optimally use and combine a large spectrum of "free" energy inputs: surplus heat from electricity production based on conventional or renewable fuels, from waste incineration and/or from industrial processes as well as different forms of renewable heat (i.e. geothermal, heat/cold from deep-sea or lake water) and thereby contribute significantly to reduce the losses in the European energy balance.

On Central and Eastern European markets, district heating and natural gas are directly competing as parallel natural gas and district heating networks exist in main cities. However, tariff regulations for the final customer tend to distort this competition. As a result, district heating companies are put in difficulty to both keep their existing customers and expand. We believe that such regulations contradict the principles of competitive markets and are convinced that they do not serve the objectives of the European Union's energy policy.

An overview of the situation is enclosed in the annex. We will appreciate the Commission's views on the situation and remain at your disposal to provide more information on this issue.

Yours sincerely,

Tomas Bruce  
President

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Managing Director