Switching to individual billing has proved an effective way to remove over-consumption incentives associated with utility-included contracts. Yet as heat can move across multifamily units, such an intervention gives rise to potential externalities, with occupants in one dwelling turning their thermostat down as they benefit from heat transfers from their neighbours, who in return turn their thermostat up. Using data from the 2013 French housing survey, we quantify the net effect of these conflicting incentives and their distributional impacts. We compare variations in energy use across floor designations and billing contracts with those arising in water use, which arguably is immune from uncontrolled transfers. We use the existence of an elevator as an instrument to address endogeneity between floor choice and consumption patterns. We find evidence of heating externalities in that energy use (but not water use) is significantly higher in intermediate-floor units than in ground- or top-floor ones (most subject to heat losses). Over-consumption in ground- and top-floor units, however, is economically smaller than that due to utility-included contracts (as opposed to individual billing). While confirming the net energy saving effect of switching to individual billing, our results point to equity concerns, as those dwellings most exposed to heating externalities tend

to be occupied by poorer households.