

## Heat pumps need action

Heat pumps are a key technology for reaching the EU climate objectives and decarbonising buildings. Whether electric, hybrid or thermally driven heat pumps, they are designed to fit the variety of building types across Europe. In the current legislature, the EU has recognized their role and attempted to create favourable regulatory conditions for their market uptake. These include strategic REPowerEU objectives, which were set in 2022 and aim at doubling the deployment rate of hydronic heat pumps resulting in 10 million and 30 million additional hydronic heat pumps by 2027 and 2030, respectively. This means 2 million additional heat pumps installed every year.

However, the reality is different: despite a market growth in the previous two years, consumer demand for heat pumps is now closer to 1 million a year. Therefore, Europe is not on track to achieve REPowerEU 2030 targets.

What is more, today the European Commission recommends a 2040 Climate Target of 90% greenhouse gas emissions reduction. This is only feasible if these REPowerEU targets become a reality and each and every household in Europe is able to contribute to the energy transition and install technologies such as heat pumps. This translates into the need to work on making the Green Deal also a good deal for all consumers, delivering finally on the social dimension of the transition.

The heating industry is contributing to reaching the EU targets by investing massively in manufacturing capacity and research and development to produce more heat pumps in Europe that are adapted to its diversity of buildings and environment; and by training more professionals to install them in European homes. In brief: there are no supply bottlenecks to make the EU targets reality.

The main reason for the stagnation in heat pump sales are the many remaining barriers for their deployment, such as: the upfront investments required for a heat pump installation, which is even more difficult to meet by consumers in a severe macro-economic situation; the "stop-and-go" practice for incentives across Europe, causing confusion for consumers; the relatively high price of electricity in some countries when compared to the price of other energy vectors, which makes customers' payback of the investment longer; the shortage of skilled installers; the weakness of the electricity grid in some regions of Europe. And lately, the polarization of the political debate around the energy transition, which politicizes technologies, erodes confidence and slows down the market. Finally, low consumer awareness is still an issue, leading to a low replacement rate of old and inefficient heaters with modern ones. Some of these barriers are country-specific, some apply Europe-wide, some are structural, some have emerged in the past months.

We have been highlighting these as barriers to the mass heat pumps deployment for a long time. Going forward, we think that a plan which does not address them will not be effective. This is why we would like to suggest 10 actions, some of which can be taken at European level and others which we encourage the EU Commission to raise with EU member states in the framework of the National Energy and Climate Plans:

1. **Stable, long-term incentives schemes**, avoiding “stop-and-go” programmes: incentives that work best are those which are predictable, reliable and simple to implement for consumers. They should particularly target lower income households which are more exposed to energy poverty and inefficient buildings.
2. Bring the **operating costs** down to make the technology more attractive for consumers: electricity prices are expected to further increase due to the required additional investments on the electricity grid, therefore the following short- and medium-term measures should be taken to sustain heat pumps’ demand:
  - a. Utilities should offer **dynamic prices** and **heat pump tariffs** to their customers as soon as possible. Such tariffs would reflect the flexibility heat pumps can provide to the energy system, and remunerate the customers for supplying that flexibility by reducing their electricity bills;
  - b. As the prerequisite to make use of heat pumps’ flexibility, **the roll out of smart meters** and/or **dedicated metering devices** should be accelerated and carried out swiftly across Europe;
  - c. The framework for energy taxation at EU level<sup>1</sup> should be revised to facilitate the roll-out of heat pumps and Member States should be asked to reduce the taxes paid by private households for electricity towards the permitted minimum value.
3. **Carbon pricing** and the **Carbon Border Adjustment Mechanism** need to apply also to imported heat pumps and components. As a result of carbon pricing and the Carbon Border Adjustment Mechanism (CBAM) heat pump manufacturers producing in the EU are facing the threat of higher production costs. To ensure the industry’s competitiveness, the effect of these carbon levies on raw materials has to be mitigated by putting a price on the emissions embedded in finished goods coming into the EU if a similar carbon price was not yet paid in the country of origin.
4. **Upgrade schemes** for old, inefficient appliances, where there are no existing support schemes: we need to make the heating market grow again by accelerating the replacement rate of old appliances which are not up to the latest efficiency standards. Today’s average age of installed heaters is between 17 and 25 years, and they are replaced at a slow annual rate.
5. **One-stop shops** providing information points at local level for consumers: that is necessary to help them navigate available financing and incentives options, including innovative private financing models.
6. **Installer training**: in order to increase skilled workforce availability, small-sized installers need to go on re-training courses, for which they need to be financially supported. Additionally, financial support is needed to increase manufacturers’ training capacity to deliver this.
7. **Attract more people to the installer profession**: in the short term, “**city twinning energy programmes**” can be set up in non-EU partner countries which would include training courses for installers; for attracting more people in the medium and long term, **Young Installers Programmes** can target young people, setting up EU wide and national information campaign and proposing updates to public education curricula.

---

<sup>1</sup> Defined by the COUNCIL DIRECTIVE restructuring the Union framework for the taxation of energy products and electricity (Energy Taxation Directive)

8. **Joint energy system planning** platform, with mandatory integration of the end-use sector: to ensure cost-effective and technically feasible planning of the integration of heat pumps in the energy system.
9. **Mandatory inspections** of old heating systems: this would establish regular contact between professionals and consumers and increase the safety of installations and consumer awareness.
10. **Label of installed heaters**: industry intelligence tells us that a consumer will be more likely to plan the replacement of his/her system if he/she knew how inefficient or old it was. An efficiency label of installed appliances can indicate consumers and incentivize planning replacements.

As industry leaders committed to the European Green Deal, we stand ready to work alongside the EU institutions and Member States to overcome the barriers highlighted above and make heat pumps the go-to technology for decarbonising Europe's buildings. We firmly believe that, by implementing these 10 actions, we can unlock the full potential of heat pumps, make the EU targets a reality and pave the way for a cleaner, more sustainable future.

Sincerely,

Bertrand Schmitt, **EHI Chairman**

Paolo Merloni, **Executive Chairman, Ariston Group**

Tjarko Bouman, **CEO, BDR Thermea Group**

Jan Brockmann, **CEO, Bosch Termotechnik GmbH**

Thomas Heim, **President, Residential & Light Commercial HVAC EMEA, Carrier**

Patrick Crombez, **General Manager, Daikin**

Pierre Louis François, **CEO, Groupe Atlantic**

Alberto Montanini, **Director Regulation, Immergas Spa**

Federico de' Stefani, **CEO, SIT Spa**

Norbert Schiedeck, **CEO, Vaillant Group**

Antonio Recinella, **CEO, Ferroli**

Ilari Aho, **VP Sustainability, Uponor**

Francois Audo, **Vice President and Managing Director, RLC Europe and Riello, Carrier Corporation**