Innovation Fund 2026: Heat Auction

National Information Webinars

October 2026
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European Commission

Agenda

1. Heat auction objectives
2. IF25 Results
3. IF26 Auction Design
4. IF25 → IF26 Changes
5. Lessons Learned
6. Q&A

Disclaimer

This online webinar for the IF26 Industrial Heat Decarbonisation Auction is to provide potential applicants with general guidance to help them complete their proposals.

If there is any conflict between:

- the information provided during this on the one hand, and the provisions set out in the **official call text** for the Innovation Fund auction call for Industrial Heat Decarbonisation as well as the **related FAQs** posted on the EU Funding & Tenders portal on the other,

*the latter two documents **take precedence** over the materials from the Info day and act as the text of reference for the IF26 Industrial Heat Decarbonisation Auction.*

The information provided at the Online Webinar is not of a binding nature and without prejudice to the assessment of the submitted proposal(s).

Deploying innovative net-zero technologies for climate neutrality



€40 billion* available between 2020-2030

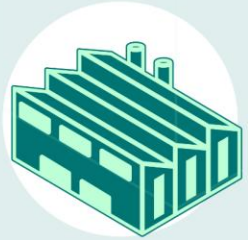


grants awarded through regular calls and auctions



avoid GHG emissions, boost competitiveness

supporting innovation in:



Energy-intensive industries



Renewable energy



Energy storage



Industrial carbon management



Net-zero mobility and buildings

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INNOVATION FUND
Funded by the EU Emissions Trading System

**based on a carbon price of €75/tonne*

A Critical Priority

75%

of EU industrial emissions come from process heat



Support Energy and Technology Independence

Simultaneously supporting **Energy Independence**, the **Green Transition** of Energy Intensive Industries and **EU cleantech manufacturing capacity and economic security**.



Primary Pathways

Electrification is the primary route to widespread industrial decarbonisation.



Support Both Tracks

Roll out mature technologies at a scale as a pilot for the Industrial Decarbonisation Bank while boosting deployment of innovative, emerging solutions.



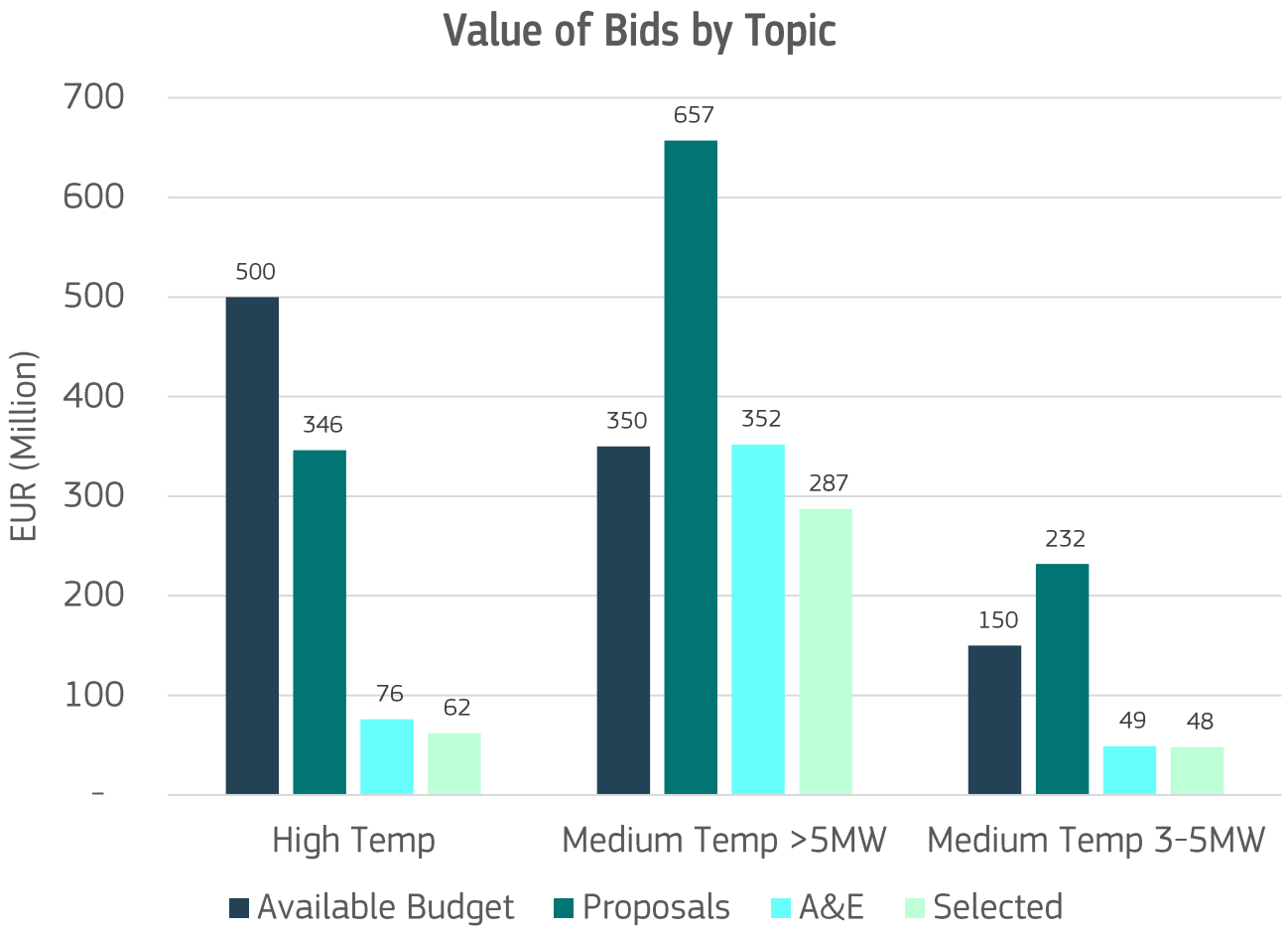
Efficient Instrument

Enable price-discovery through a cost-efficient and admin-light market mechanism.

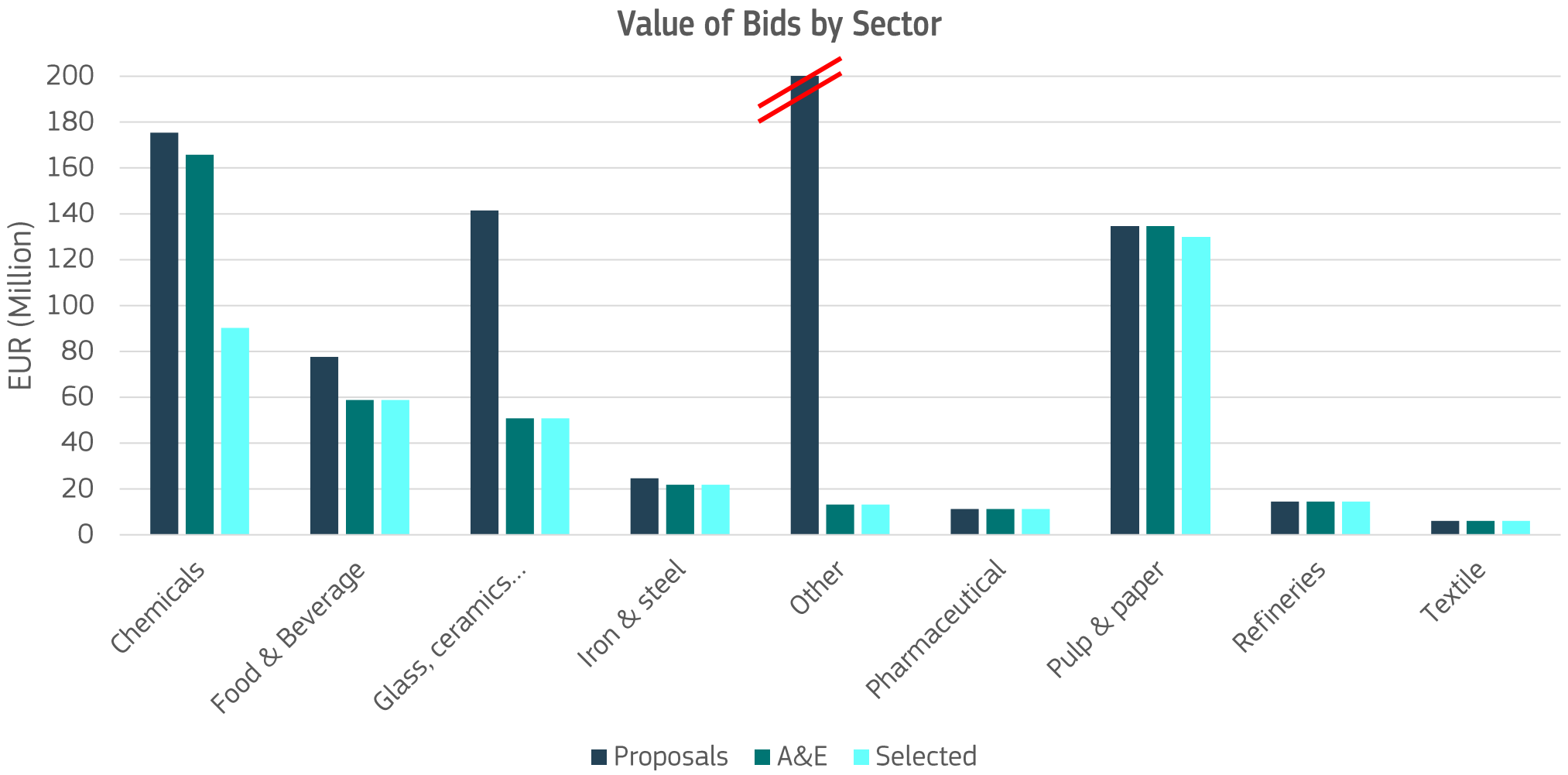
IF25 Results

Budget use

- Budget of the pilot auction **not fully used**
- Key reason: short time available for the preparation of the bids
- Effort to **simplify the 2026 design** and **deliver the final T&C faster** to the market (public consultation closes early July)
- AaaS (EUR 50M) with Spain will not be used

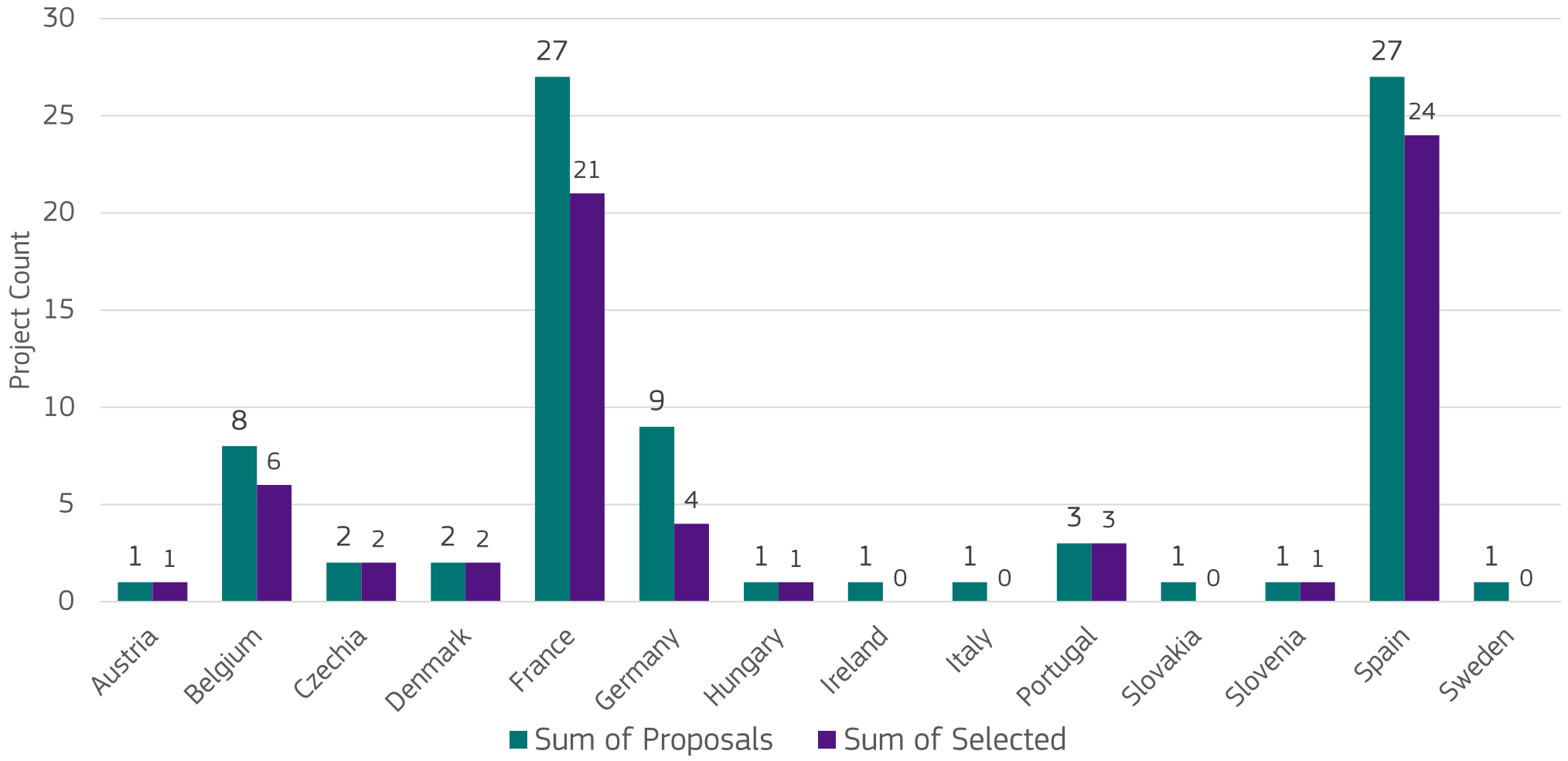


Project Sectors



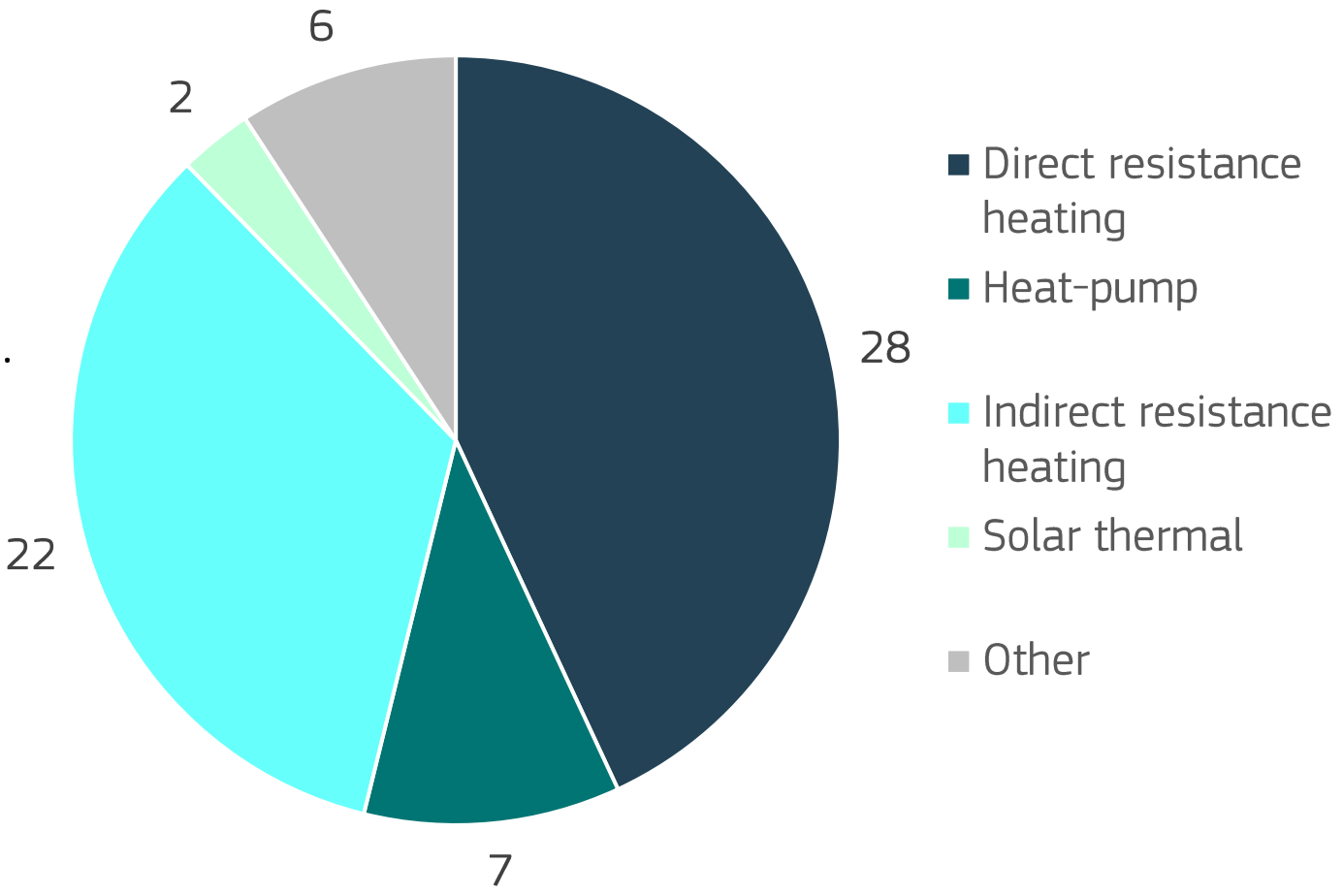
*No bids from the non ferrous metals

Project Locations

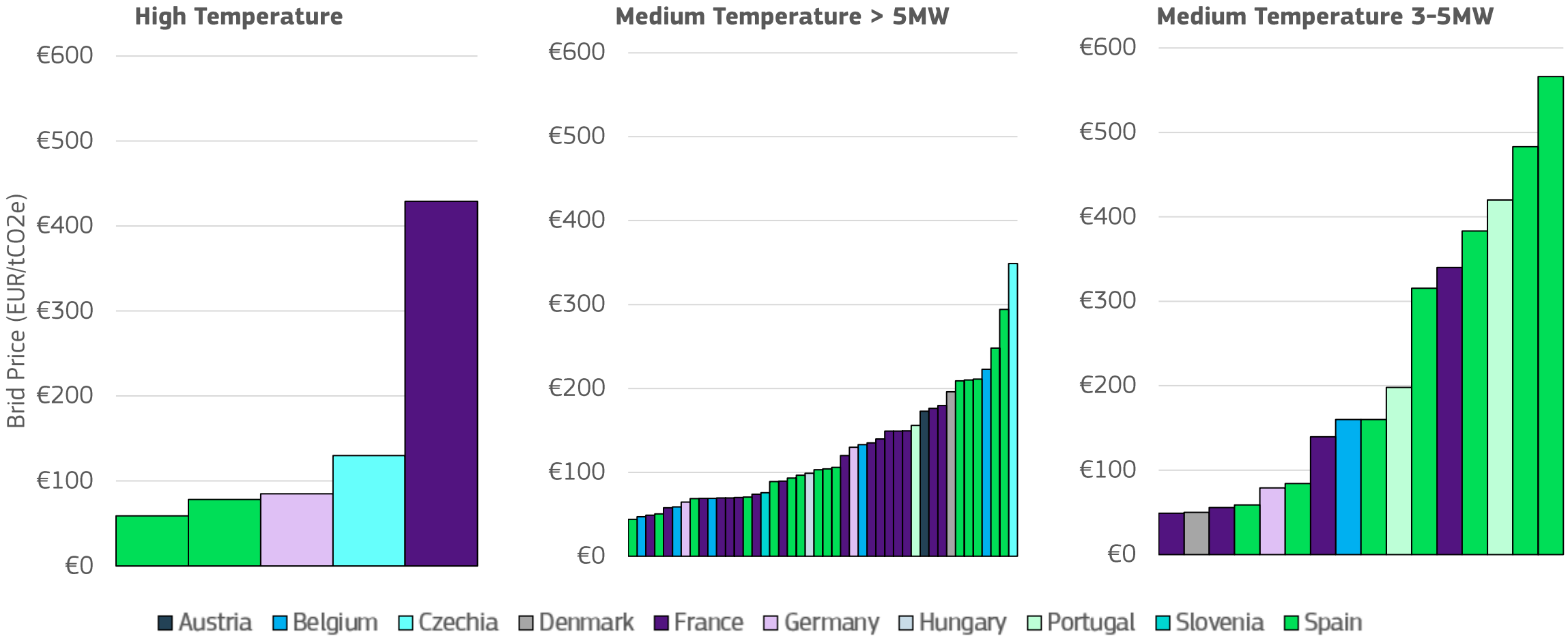


Technologies and applications

- Electric Boilers were the preferred solution due its inherent flexibility and quick time to develop.
- Thermal energy storages were also a popular solution.



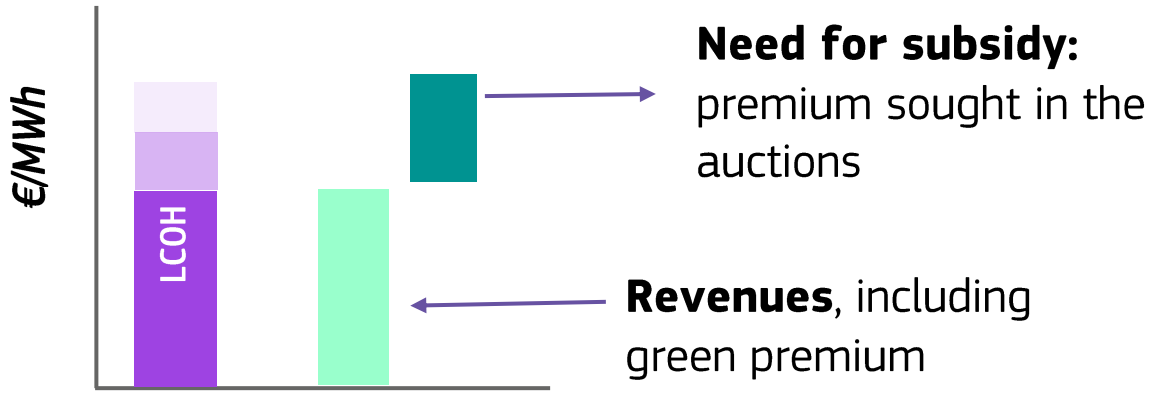
Bid Curves


High Temperature
Medium Temperature > 5MW
Medium Temperature 3-5MW
Brid Price (EUR/tCO2e)
€600
€500
€400
€300
€200
€100
€0
Austria
Belgium
Czechia
Denmark
France
Germany
Hungary
Portugal
Slovenia
Spain

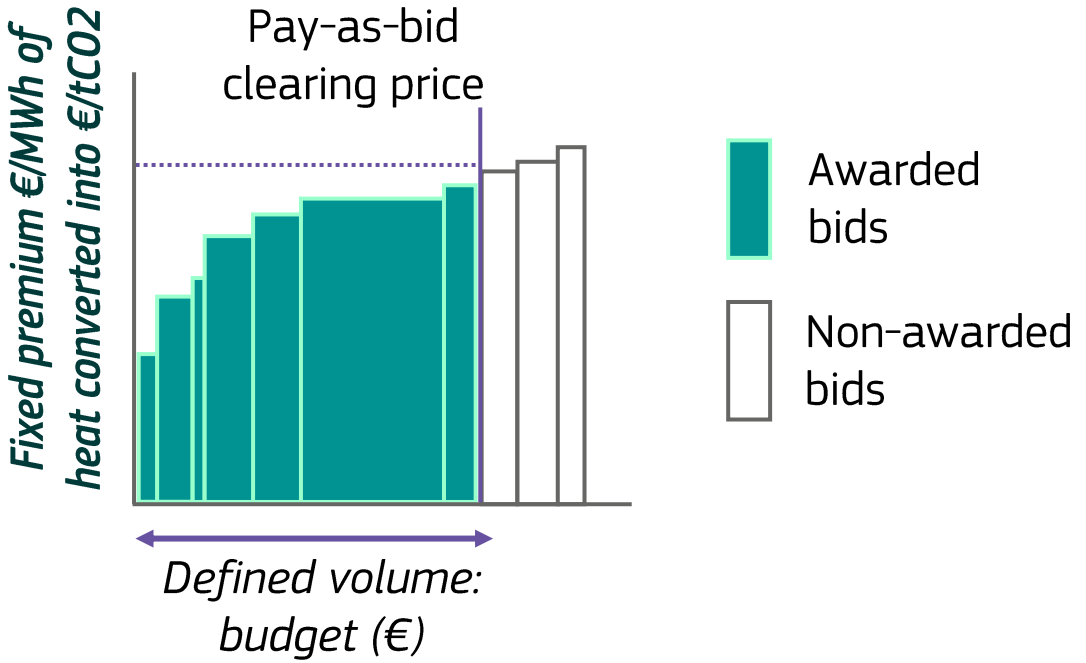
IF26 Auction Design

Auction Design: Bid ranking

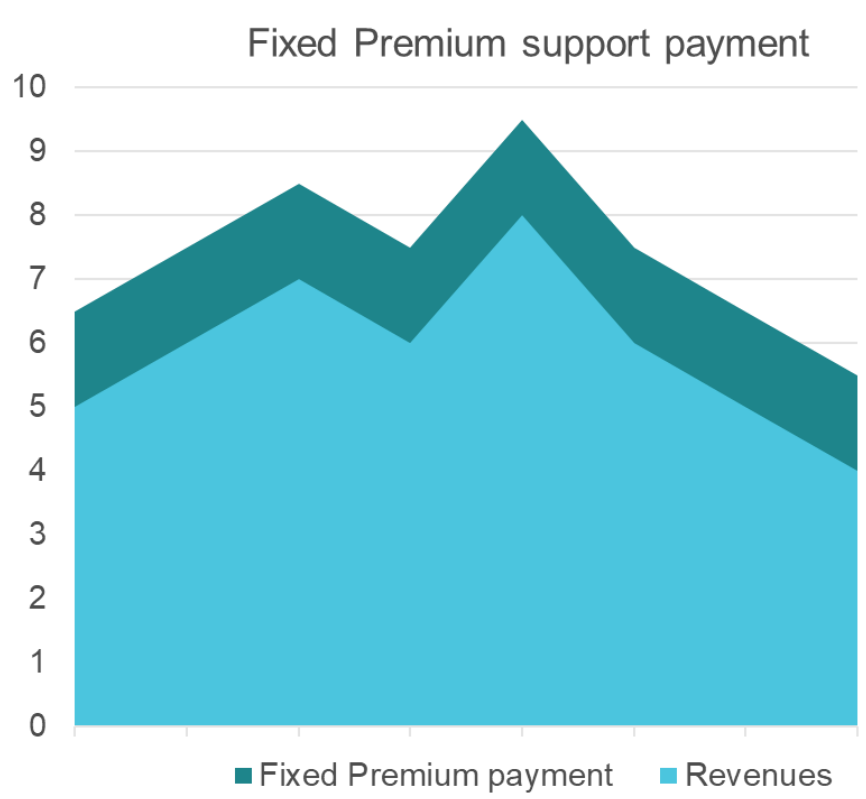
Fixed-premium auction

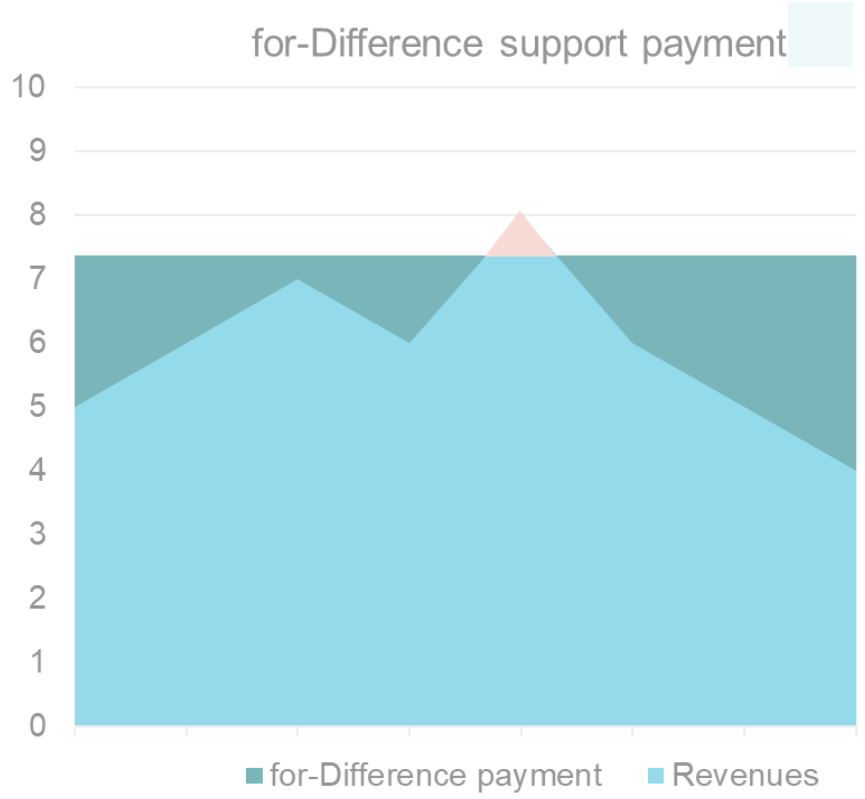


Bids ranked on price only
MWh of heat are converted into tCO_2



Type of Support Scheme





Main Eligibility requirements (I)

Technology/ applications	• **Industrial process heat electrification technologies** (e.g. heat pumps, electric boilers, resistance heating, induction heating, smelters, melters, ovens, shockwave heating, plasma torches) or **direct renewable heat technologies** (e.g. solar-thermal or geothermal) or **Nuclear SMR heat** or **combination of the above.** • **Electric arc furnaces not eligible.** Other processes for which heat generation is already mostly electrified may also be excluded • Heat production for **space heating** or sale to **district heating not eligible** • Only heat production for **Industry** is eligible (not commercial, electricity generation, residential, etc)
Location/ consortium	• Projects must be located in the E**EA** • **Single location** (virtual pooling of capacity is not permitted) • Member of consortium: no limitations on the origin or type (e.g. energy company, project developer, industrial player etc.)
Installation	• **No new installation of fossil fuel-fired capacity** at the same site (except in specific cases – e.g. glass furnaces and then only the non fossil heat is eligible for support) • Heat pumps can reuse **waste heat from (existing) industrial processes, nuclear power generation, data centers** - but not from other power generation, district heating, waste incineration.

Main Eligibility requirements (II)

New Capacity/ Start of works	• The project must be new thermal capacity (start of works did not take place at the time of application). Noting the grid connection is not considered start of works.
Min and Max Project Size and Grant	• Maximum grant amount per bid: **€ 100 million (low/medium temperature topics)** • Maximum grant amount per bid: **€ 250 million (high temperature topics)** • Minimum € 2.5 million project CAPEX • Minimum heat production capacities apply (3 MW – high/medium, 5MW – low temperature topic) • Ceiling Price: €400/tCO2 (low/medium), €800/tCO2 (high temperature topic). Applied after bid bonus.
Other requirements	• Projects that have already been awarded funding under the Innovation Fund are ineligible • Projects must align with the applicable 'Do No Significant Harm' (DNSH) technical screening criteria outlined in the EU Taxonomy 'Climate Delegated Act' • Heat production for activities primarily aimed at fuel production based on non-recycled fossil feedstocks is not eligible, excluding the production of low-carbon fuels.

Bid definition

Project Input:

€/MWh

0.224 tCO2/MWh

Automatic conversion with the **emissions factor** of natural gas (assumed 90% efficiency

Bid: €/tCO_2

-25%

For projects qualifying for the bid bonus

Bid for Ranking Purposes €/tCO_2

Slido
#IF26Heat

Auction Design: Qualifications

- **Admissibility**
- **Eligibility**
- **Relevance:** will the project produce decarbonized? Will it lead to direct GHG abatement?
- **No 'resilience' requirements** – but potentially restrictions on sourcing battery inverters from high-risk suppliers.
- **Quality:** is the project sufficiently mature (technical, financial, and operational maturity)?
- **Do No Significant Harm (DNSH) check**
- **A financial capacity and legal entity check** before the grant agreement to ensure that successful applicants can implement the project

Auction Topics

Low Temperature

- € 100 Million Budget
- 80-100ºC
- >= 5 MW_{th}
- €100 Million max bid
- Ceiling Price €400/tCO2
- Only HPs, Nuclear Heat or Direct Renewables

Medium Temperature

- € 600 Million Budget
- 100-400ºC
- >= 3 $MWth_{th}$
- €100 Million max bid
- Ceiling Price €400/tCO2
- All eligible technologies

High Temperature

- € 300 Million Budget
- >400ºC
- >=3 $MWth_{th}$
- €250 Million max bid
- Ceiling Price €800/tCO2
- All eligible technologies

Bid Bonus: Indirect Emissions

Indirect emissions from electricity generation are not considered in the project emissions savings (e.g. the project emissions for all bids are considered zero.

However, a 25% bid bonus (reduction in bid for ranking purposes only) will apply to projects with lower indirect emissions:

1. New electricity or thermal storage for the purpose of the project sufficient to replace the project's electricity consumption from the grid or the heat demand of the process by 20%, for duration of 4h and active within 1h. Onsite or offsite storage is acceptable; or

2. Heat pump(s) with Coefficient of Performance (COP) of at least 1.5; or

3. Direct renewable heat or nuclear heat

Timeline

Grant Agreement

- Completion guarantee: 6% of maximum grant amount.
- Letter of Intent from an eligible bank or financial institution required at application.
- Completion guarantee within 2 months after receiving evaluation result.

Financial Close

- Project should be able to demonstrate that all contracts are signed and conditions in them fulfilled
- Maximum 2.5 years after signing grant agreement.

Entry into Operation

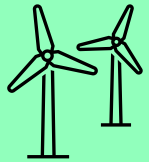
- Project should be able to demonstrate as operational a nameplate thermal capacity and eligible temperature levels for its production unit of at least 100% of that expressed in the bid
- Maximum 5 years after signing grant agreement.

Reporting/Payments

- Bid information
- Annual reports until EiO
- After EiO annual payments (except for SMEs who can request 6 monthly)
- End of Project: DNSH compliance report.

Combined support/Cumulation restrictions: (rationale: for a level playing field

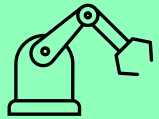
Combined support allowed:



- Supplying electricity installation support
- Energy Infrastructure support (under conditions)
- Reduction in taxes/levies which finance energy/environmental objectives



- Previous support for early project development (R&D, Feed studies)



- Equipment manufacturer support

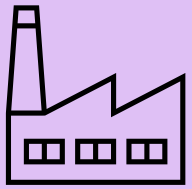


- Product purchaser support



- Indirect cost compensation (under conditions)
- General and non-selective grid fee reductions (if not project related)
- Demand-side response and flexibility measures (under conditions)

Combined support not allowed:



- CAPEX or OPEX Support unless otherwise specified
- Reductions from levies or taxes which reflect part of the cost of providing electricity to the beneficiaries
- Electricity price relief measures, typically schemes approved under Section 4.5 of CISAF
- Schemes providing aid on the basis of the CO2 abatement level obtained, which support the very same CO2 abatement as the IF heat auction

A self-declaration will be required as part of the project application, stating that ***by the time of grant agreement signature*** *the project will not be in any excluded cases of combined support*

IF25 to IF26 Changes

Changes - Eligibility

Expanded Eligibility

Section	IF25	IF26
Min Temperature	Min 100°C	Min 80°C*
Heat Source for Heat Pumps	Environmental or waste industrial heat	Environmental, waste industrial, waste nuclear or waste data centre heat
Eligible Technologies	Electrification or Direct Renewables	Electrification, Direct Renewables or Nuclear Heat
Eligibility of Fossil Fuel Refining	Eligible	Not eligible unless for production of low-carbon fuels
CAPEX Limitations	No Limit	Projects must have a CAPEX greater than or equal to €2.5 M
Inverter Sourcing	No Limitations	Possible limitations placed on inverters from high-risk suppliers

**if HP/nuclear heat/direct renewable installation >=5MW*

Changes – Emissions Factor

Simplific
-ation

IF25

Emissions Reduction depended on Fossil Fuel replaced if an equivalent capacity was decommissioned:
Coal, Oil or Gas

Otherwise the ETS Heat Benchmark was used.

Observations

- Fossil fuel decommissioning significantly impacts bid ranking.
- However many applicants were decommissioning redundant capacity and continued to run in hybrid mode.
- Disadvantaged projects needing gas for emergency backup

IF26

→ All Projects ranked on the gas emissions factor, which is the fuel most projects replace

Changes – Flexibility and Indirect Emissions

25% Bonus

IF25

Run Hours Restrictions:

70%: Solutions without any flexibility

80%: Flexible Ramping

100%: Energy Storage or Heat Pumps or use of direct renewables

Observations

>Created additional admin burden.

>Projects typically didn't run more than 70% anyway.

IF26

→ Projects with minimal grid impacts or indirect emissions receive 25% ranking bonus:

- Direct Renewables or Nuclear heat
- Projects with energy storage (thermal or electrical)*
- Heat Pumps (due to lower electricity usage)

70% full load hour restrictions for other projects.

**4 hours duration/20% volume/1h activation time. Onsite or offsite.*

Changes – Other Auction Features

Relaxed Conditions

Section	IF25	IF26
Project Timeline	Max 2 years to Financial Close Max 4 years to Entry into Operation	Max 2.5 years to Financial Close Max 5 years to Entry into Operation
Payment Flexibility	No specific conditions	Up to 140% in a given year
Start of Works		Grid connection explicitly excluded as start of works
Metering of Electric Boilers	Assumed 95% efficiency	Assumed 100% efficiency
Documentation Requirements	• LoI/MoU Equity • LoI Completion Guarantee • LoI/MoU Equipment Provider • LoI/MoU Offtaker • LoI/MoU Electricity Supply • Permitting Strategy • Grid Connection Evidence	• Evidence - Equity • LoI Completion Guarantee • Evidence - Equipment • Evidence – Offtakers* • Strategy - Electricity Supply • Strategy – Permitting • Strategy – Grid Connection

*Where relevant

Changes – Cumulation

More detailed information and minor support schemes 'white-listed'

IF25

Extensive section on cumulation rules (section IV in T&C)

Additional clarification in Q&A on possibility to cumulate with Indirect Cost Compensation if product benchmarks are used for ICC

Observations

> Difficulty for projects to verify whether they benefit from State aid

> Some State aid schemes have very minor impact on project economics

IF26

→ Clarification what is **not** State aid (general tax reductions, white certificates, cost-reflective network charges, etc)

→ **White-listed:**

- Demand side response and flexibility measures (under certain conditions)
- Capacity remuneration schemes for projects with electricity or heat production (under certain conditions)
- General and non-selective grid fee reductions (if not related to the project)
- ICC if product benchmark is used

→ **Black-listed:** electricity price relief measures and schemes supporting CO2 abatement

Lessons Learned

Lessons Learned – Project Management

- DO NOT EDIT the completion guarantee letter of intent template (at application stage) nor the actual completion guarantee (during GAP). The form matters; the text should match what is provided.
- When appointing the project coordinator, applicants should consider selecting the company best able to pass the legal and financial checks during grant agreement preparation.
- Check carefully Annex 3 of the call text: there is a strict prohibition of double funding from the EU budget.
- Please be aware of grid connection timeframes. It is noted there are no Start of Works barriers for grid connection activities.

Lessons Learned – Technical Elements

- Projects intending to apply for flexibility solutions should carefully verify that they meet all applicable conditions. If there is any doubt, or if the justification for the claim is not clear and straightforward, consider refraining from submitting the claim. Penalties may apply in cases of unjustified claims.
- For heat pump projects, if you intend to use waste heat as an eligible source, please verify that it meets the relevant conditions and provide a simple but clear justification to support this claim. If these conditions are not met, the project may be considered ineligible.
- For Heat Pump and MVR projects, please consider the metering arrangements for your project carefully.
- During the GAP process, some projects installing some types of thermal storage and heat pumps have faced challenges with permitting for chemical storage. Please be aware of this topic.

Next Steps

Application process – *Indicative deadlines*

Early December 2026

Auction opening

Mid February 2027

Auction closing

March - May 2027

Evaluation

May - June 2027

Results

November 2027

Latest Grant Agreement signature



Indicative timeline

Clarifications?



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