Stakeholder Consultation on the new Innovation Fund auction on industrial process heat decarbonization

Fields marked with * are mandatory.

1 Introduction

In February 2025, the European Commission announced in the <u>Communication on the Clean Industrial</u> <u>Deal: A joint roadmap for competitiveness and decarbonization</u> a new auction to promote the decarbonization of key industrial processes, drawing on the experience of the hydrogen auctions of the <u>Inno</u> <u>vation Fund</u>. It is proposed to allocate the **budget of up to EUR 1 billion** through fixed-premium auctions in support of projects that **decarbonise industrial process heat** through innovative electrification technologies such as heat pumps, electric boilers, resistance heating, induction heating, plasma heating and other solutions as well as renewable heat solutions (solar thermal and geothermal). First ideas for the auction scope and design were presented and discussed with stakeholders during a Workshop on 16 April 2025. As a follow-up, the European Commission is inviting all interested stakeholders to provide feedback on the **proposed design elements** of the new auction by participating in the following survey. Your participation will help to ensure that the later draft **Terms and Conditions** are attractive and workable for project developers. The auction is scheduled to open in December 2025.

A discussion paper about the proposed auction can be found <u>here</u> and the presentation from the Stakeholder Workshop <u>here</u>.

The Survey should take approx. 15 minutes. Thank you very much for your contribution!

2 About you

*2.1 Please provide your full name

Martin Kaspar

*2.2 Please provide your e-mail address

martin.kaspar@thuega.de

*2.3 Please indicate your job position

EU Energy Policy / Head of Brussels Office

2.4 Please provide the name of the organisation or company you represent (if any)

Thüga AG

2.5 Which type of organisation / company do you represent (if any)?

- Potential participant in the industrial heat auction, i.e. an industrial company using industrial process heat
- Company providing electrified industrial process heat technologies such as heat pumps, electric boilers, electric furnaces or direct renewable heat solutions
- Bank / financial institution
- Business Association
- Academia, think tank, policy consulting
- Public administration
- Other

I accept the personal data protection provisions.

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3 Scope of the auction

3.1 The **proposed scope of the new auction** to be organised under the Innovation Fund is direct electrification of heat and use of direct renewable energy of heat (i.e. solar & geothermal). Do you agree with the proposed scope of the auction or do you think some options are missing?

- Yes, I agree with the proposed scope
- No, I do not agree with the proposed scope
- Yes, I agree but some options are missing

3.3 **How long** should the fixed premium support be provided, counting from the date of the project's entry into operation?

- 3 years
- 5 years
- 9 7 years
- 10 years

3.4 The bid in the auction can cover the entire funding gap between the project's costs (CAPEX, OPEX, DEVEX...) and market revenues of the project. Do you think that beyond the installation costs of the heating solution (CAPEX) and the electricity consumption (OPEX), it should be possible to **include other costs in the bidding price of the auction**?

- yes
- 🔘 no

3.4.1 In your view, costs for which other options should be included in the bidding price of the auction, beyond installation costs (multiple choice)?

- Electricity grid connection
- Thermal storage

- Electricity storage
- Other investments in demand-side flexibility
- Costs for heat distribution
- Other costs

Please specify

In case, due to the transformation (more) waste heat can be used in surrounding district heating, any connection thereto should also be considered in form of a hollistic approach

4 Key design elements of the auction

4.1 The auction design could include minimum requirements with regard to the size of the projects. In your view, what would be an **appropriate minimum size of the installation** - as an eligibility criteria to participate in the auction?

- Expressed in thermal capacity: > 5 MW up to 20 MW
- Expressed in thermal capacity: > 20 MW
- Expressed in thermal capacity, but with a different threshold
- Expressed in EUR of CAPEX: > EUR 7.5 Million up to EUR 20 Million
- Expressed in EUR of CAPEX: > EUR 20 Million
- Expressed in EUR of CAPEX, but with a different threshold
- The threshold should be expressed in a different way (neither in MW or EUR of CAPEX)
- There should be no minimum requirement on the project size.

4.2 What conditions should be put in place to facilitate the **participation of SMEs and mid-caps** (multiple choice)?

- Low thresholds for the size of eligible projects
- Technical assistance during the application
- Fast evaluation procedure and short waiting times after the auction closes
- Higher payment frequency to reduce liquidity costs during the project implementation phase
- Others

Please specify the threshold that you would find adequate to facilitate the participation of SMEs and midcaps (in MW or EUR of CAPEX).

Up to 20MW (thermal)

4.3 The pilot auction will have a budget of up to EUR 1 billion, which could be split into two **separate auction baskets**. Do you agree with creating separate baskets?

🔘 yes

🧿 no

4.4 After the grant signature, what would be a realistic maximum **time to Financial Close** for projects bidding in the pilot auction?

- I year
- 2 years

4.5 After the grant signature, what would be a realistic maximum **time to Entry into Operation** for projects bidding in the pilot auction?

- 2 years
- 3 years
- 4 years
- 5 years or more

4.6 In order to sign the Grant Agreement, a **completion guarantee** will likely be required to make sure that projects are delivered on time. Which arrangement do you consider feasible for bidders in the pilot auction?

- Completion guarantee equal to 4% of the grant to be awarded
- Completion guarantee equal to 8% of the grant to be awarded
- Other solution

4.7 Do you see any difficulties in **measuring and verifying the amount of produced** / **consumed process heat** by the company implementing the project?

- Yes
- No

4.7.1 Which difficulties do you see for the company measuring the amount of produced/consumed electrified process heat (multiple choice)?

- Availability of adequate metering systems
- Heat losses / position of the metering device
- Certification to verify the amount of the produced/consumed electrified heat by a third party (i.e. an independent auditor)
- Others

5 Additional requirements / safeguards

5.1 Should there be minimum requirements with regard to the **minimum temperatures of heat** or **minimu m energy efficiency of the equipment** used in the industrial heat project (e.g. for heat pumps, boilers, etc.)?

- ves
- o no

5.2 Is there today a situation of **EU's dependency of supply** from any single third country for **equipment** /**components** in the scope of this new auction?

- Yes, there is dependency on certain equipment/components
- No, there is no dependency or risk of it

5.3 The electricity mix is in many EU countries not yet fully decarbonized. Should there be additional requirements / safeguards to address the **risk of indirect emissions** outweighing direct emission abatement?

Yes, there should be additional safeguards / requirements to address indirect emissions

No, there should be no requirements/safeguards, the grid will progressively decarbonise driven by the Emission Trading System (ETS).

5.4 Consumption of electricity at peak hours can increase electricity system costs and power sector emissions. Whilst the ETS reflects increased emissions in the price, should this also be taken into account actively in the auction design?

- No, this problem is adequately addressed by the ETS price signal.
- Yes, there should be a hard limit on the number of full load hours that bidders can consume from the grid (avoiding peak consumption hours with highest prices and emissions).
- Yes, whilst there should be no hard limit on the number of hours that bidders consume electricity from the grid, the subsidy payments under the auction should be limited.

5.5 If requirements on demand-side flexibility are included in the auction design, should they differentiate between Member States?

- No, there is no need to mandate flexibility requirements/incentives, this is addressed by the ETS price signal.
- No, flexibility requirements should not be Member State specific, based on the emission intensity of the national grid.
- Yes, flexibility requirements should be Member State specific, based on the emission intensity of the national grid.

5.6 Are you aware of **national funding programmes** currently available to support the electrification of heat, uptake of direct renewable heat or heat storage?

- Yes
- 🔘 No

5.6.1 Please indicate name of the programme(s) and the country it operates in and specify whether it targets CAPEX, OPEX or both

A) Klimaschutzverträge [DE] (CAPEX&OPEX);

B) KfW / BAFA: Energie- und Ressourceneffizienz in der Wirtschaft (especially Modul 2: Prozesswärme aus Erneuerbaren Energien [DE] (CAPEX)

6 General comments

6.1 If you wish you can provide any additional comments on the scope and key design parameters of the proposed auction in this section:

While in the Communication on the CID the Commission points out that the auction should be "supporting industrial decarbonisation AND electrification (...)" the scope has now been reinterpreted in "supporting industrial decarbonisation THROUGH electrification (...)". This seems to be contrary to the political agenda of the new Commission which wanted to adopt a more technology neutral approach.

For many companies, the best path to transformation is an energy mix (both via electrification AND hydrogen). Having to submit separate funding applications for each energy source makes transformation unnecessarily complicated, bureaucratic and time-consuming – placing a particular burden on SMEs. Therefore, a holistic approach from a respective company's point of view and to minimize bureaucracy and reporting requirements would be favourable.

Thank you very much for your participation in this Survey! We highly appreciate your contribution.

Contact

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