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Innovation Fund 2025 Auctions Attract Nearly €10 Billion in Bids for Industrial Decarbonisation

Key policies: *Innovation Fund, EU Emissions Trading System (EU ETS), Clean Industrial Deal, European Hydrogen Bank, Industrial Decarbonisation Bank, European Green Deal, Fit for 55 Package*

The European Commission has announced overwhelming industry interest in the 2025 Innovation Fund auctions, with companies across Europe submitting almost **€10 billion** in funding requests to support industrial heat decarbonisation and renewable hydrogen production.

Applications closed on 19 February 2026, with the two auctions attracting a combined **143 project proposals** requesting approximately **€9.8 billion** in financial support. The funding demand significantly exceeds the available budget, demonstrating Europe's strong commitment to accelerating industrial decarbonisation and strengthening clean technology deployment.

Supported by revenues from the EU Emissions Trading System (EU ETS), the Innovation Fund will allocate **€2.3 billion**, complemented by an additional **€1.79 billion** in national funding from Germany and Spain through the innovative **Auctions-as-a-Service** mechanism.

Strong demand for industrial decarbonisation

The high number of applications reflects growing momentum among European industries to invest in low-carbon technologies that reduce emissions while improving competitiveness and energy security.

The Innovation Fund 2025 auctions comprise two flagship initiatives:

- **IF25 Heat Auction** – supporting industrial heat decarbonisation
- **IF25 Hydrogen Auction** – supporting renewable and low-carbon hydrogen production

Together, these initiatives contribute directly to the objectives of the **Clean Industrial Deal** by accelerating the deployment of innovative climate technologies across Europe.

IF25 Heat Auction exceeds expectations

The **IF25 Heat Auction**, the first EU-wide competitive auction dedicated to industrial process heat decarbonisation, attracted **85 applications** from projects in **14 Member States**, requesting approximately **€1.4 billion** in support.

With an available budget of **€1 billion**, the auction was oversubscribed by approximately **40%**.

Participating industries included:

- Chemicals
- Food and beverage
- Pharmaceuticals
- Textiles

This project is supported by the Interreg Danube Region Programme co-funded by the European Union.

- Pulp and paper
- Glass manufacturing
- Iron and steel

The initiative supports technologies capable of replacing fossil fuel-based industrial heating, including:

- Heat pumps
- Electric boilers
- Electric furnaces
- Solar thermal systems
- Geothermal energy
- Thermal energy storage

The majority of applications proposed electric boiler installations and direct resistance heating technologies, highlighting the growing electrification of industrial heat processes.

Significant climate impact expected

If implemented, the submitted industrial heat projects could deliver substantial climate benefits over their first five years of operation.

According to Commission estimates, the proposals could:

- Avoid approximately **3.78 million tonnes of CO_2-equivalent emissions**
- Generate around **19.4 terawatt-hours (TWh)** of decarbonised thermal energy
- Install approximately **981 megawatts (MW)** of electrified thermal capacity

Successful projects will receive fixed premium payments linked to verified production of decarbonised industrial heat for up to five years.

The auction also serves as a pilot initiative for the future **Industrial Decarbonisation Bank**, which aims to scale investment in industrial low-carbon technologies.

Hydrogen auction attracts record funding requests

The third **European Hydrogen Bank** auction implemented through the Innovation Fund also generated exceptionally strong interest.

The **IF25 Hydrogen Auction** received **58 applications** from projects across **11 Member States**, requesting a combined **€8.4 billion** in funding.

With an available Innovation Fund budget of **€1.3 billion**, demand exceeded available resources by more than six times.

The auction supports projects producing renewable fuels of non-biological origin (RFNBO) hydrogen as well as, for the first time, electrolytic low-carbon hydrogen produced using nuclear electricity.

New opportunities for strategic sectors

The 2025 hydrogen auction introduced several important innovations.

For the first time, it included a dedicated funding category for hydrogen projects supplying the:

- Maritime sector
- Aviation sector

The auction also expanded eligibility to include:

- Renewable hydrogen (RFNBO)
- Electrolytic low-carbon hydrogen

Among the submitted proposals:

- **50 projects** focused on RFNBO hydrogen production
- **5 projects** proposed electrolytic low-carbon hydrogen
- **3 projects** targeted maritime and aviation applications

Collectively, the proposed projects represent approximately **4.3 gigawatts (GWe)** of electrolyser capacity.

Successful applicants will receive fixed premium payments based on verified hydrogen production over a maximum period of ten years.

National funding boosts investment

Through the **Auctions-as-a-Service** mechanism, participating Member States can use the Innovation Fund's competitive auction framework while providing additional national financing.

For the 2025 auctions:

- **Germany** will contribute **€1.3 billion** to support domestic renewable hydrogen projects.
- **Spain** will provide **€490 million**, including **€440 million** for hydrogen production and **€50 million** for industrial heat decarbonisation.

This approach allows high-quality projects that may not receive EU funding due to budget limitations to benefit from national support while maintaining the same transparent and competitive evaluation process.

Evaluation process begins

The European Climate, Infrastructure and Environment Executive Agency (CINEA) will now evaluate all submitted proposals.

This project is supported by the Interreg Danube Region Programme co-funded by the European Union.

The assessment will include:

- Admissibility and eligibility checks
- Technical qualification assessment
- Price-based ranking of eligible bids
- Selection of projects according to the published award criteria

Initial evaluation results are expected between **May and June 2026**, with successful applicants invited to prepare grant agreements.

Final grant awards are anticipated during the **fourth quarter of 2026**.

Selected industrial heat projects will be required to reach financial close within two years and begin operations within four years of signing grant agreements.

Hydrogen projects will have two and a half years to reach financial close and five years to commence clean hydrogen production.

Background

The **Innovation Fund** is one of the world's largest financing programmes supporting the demonstration and commercial deployment of innovative net-zero and low-carbon technologies. Financed through revenues generated by the **EU Emissions Trading System (EU ETS)**, the Fund has already allocated approximately **€12 billion** to around **200 projects** across the European Economic Area.

The Fund combines traditional grant calls with competitive auctions that allocate financial support through market-based mechanisms, helping direct investment towards projects capable of delivering the greatest emissions reductions at the lowest cost.

Alongside the 2025 auctions, the Commission continues to support clean technology deployment through the **Innovation Fund 2025 Net-Zero Technologies Call**, which remains open until **23 April 2026** with a budget of **€2.9 billion**. The programme supports industrial decarbonisation, renewable energy manufacturing, energy storage, heat pumps, hydrogen technologies and innovative pilot projects, reinforcing Europe's industrial competitiveness while advancing its objective of achieving climate neutrality by 2050.

Source: https://climate.ec.europa.eu/news-other-reads/news/innovation-fund-2025-auctions-attract-almost-eu10-billion-bids-european-industry-decarbonisation-2026-03-20_en