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EU Awards €400 Million to Accelerate Industrial Heat Decarbonisation Through First Innovation Fund Heat Auction

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

Across 10 European Economic Area countries, Austria, Belgium, Czechia, Denmark, France, Germany, Hungary, Portugal, Slovenia and Spain, the projects will use a wide range of technologies to decarbonise industrial heat production, and accelerate the market uptake of electrified heat solutions and of heat produced directly from renewable sources.

The selected projects, with their use of innovative technologies, **will avoid more than 6.6 million tonnes of CO2 emissions over 10 years by replacing natural gas-fuelled heat production systems**. Together they are expected to produce around 16.3 terawatt-hours (TWh) of decarbonised heat over their first 5 years of operation, based on a thermal capacity of 766 megawatts (MW). **This is equivalent to replacing over 1.5 billion cubic metres of natural gas over five years, roughly comparable to the annual consumption of 4 million EU households. **

The projects will receive a total amount of around **€400 million in grants **from the Innovation Fund. The money is coming from the EU Emissions Trading System (ETS).

The support from the Innovation Fund will allow these projects to contribute to the EU's **clean transition, energy independence and security and industrial competitiveness**.

Selected Projects

Projects have a wide range of technology and sector portfolios. Most projects rely on **direct resistance heating** or **indirect resistance heating**. Others include technologies such as **heat pumps**, **solar thermal**, **electromagnetic and dielectric heating**, and **hybrid technologies**.

In terms of industrial off-taker sectors, projects cover** pulp and paper**, as well as **glass, ceramics and construction materials** and **iron and steel**, which are sectors that have so far been less represented in the Innovation Fund portfolio. Other sectors that benefit from the Heat Auction are **food and beverage**, **textiles** and **pharmaceuticals**.

The auction was structured around three 'topics', based on temperature level and installation capacity:

- 5 projects are invited under the high-temperature heat topic, amounting to €62.1 million in support
- 44 projects are invited under the medium-temperature heat topic above 5 MW capacity, with a total budget of €286.5 million
- 16 projects are invited under the medium-temperature heat topic with 3-5MW capacity, with a total of €47.9 million.

Next steps

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

The European Climate, Infrastructure and Environment Executive Agency (CINEA)** will now begin the formal preparation of grant agreements with the selected projects**.

This process will confirm the final conditions for financial support. **Grant Agreements are expected to be signed in the second half of 2026. **

Selected projects will have to reach financial close within two years of grant signature and enter into operation within four years. These commitments are backed by a completion guarantee provided by the projects to the Commission. CINEA will continue to monitor progress throughout implementation to ensure projects are delivered as planned and support is used in line with the agreed terms. The final list of signed projects under the Innovation Fund (IF25) Heat Auction is expected to be published in the fourth quarter of 2026.

Moreover, preparations for the Innovation Fund 2026 have begun, with the announcement of a second round of the Heat Auction for 2026 with a budget of €1 billion announced at the 2026 Cleantech Conference on Tuesday. The Commission plans to publish the draft Terms and Conditions for the IF26 Heat Auction by the end of May 2026 and a general Innovation Fund Stakeholders consultation event will be held on 19 June 2026.

Background

The IF25 Heat Auction is the first EU-wide auction to tap the large potential for decarbonisation of heat production in industry. It is a pilot for the future Industrial Decarbonisation Bank. While there is considerable potential across all industrial sectors, the uptake of decarbonised solutions for process heat production is still slow. The auction covers technologies such as heat pumps, electric boilers and furnaces, as well as solar thermal, geothermal and thermal energy storage, and was open to projects from all industrial sectors.

With a total of 85 applications submitted, this first auction for the decarbonisation of industrial heat received a strong and encouraging response from industry. Project size and grant requests from the 65 successful projects ranged from 3 MWth to 45 MWth, and from €444 000 to €37.1 million.

The Innovation Fund has an estimated total budget of €40 billion from the EU Emissions Trading System for the period from 2020 to 2030. It creates financial incentives for companies and public authorities to invest in cutting-edge net-zero technologies and support Europe's transition to climate neutrality. The Innovation Fund has already awarded grants to around 260 innovative projects across the EEA.

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

The European Commission has selected **65 projects** under the **Innovation Fund Heat Auction**, the first EU-wide competitive funding programme dedicated to accelerating the decarbonisation of industrial heat production across Europe.

The selected projects, located in **10 European Economic Area countries**, will receive approximately **€400 million** in grants financed through revenues from the **EU Emissions Trading System (EU ETS)**. The investments will support the deployment of innovative low-carbon heating

technologies, helping European industry reduce greenhouse gas emissions, strengthen energy security and improve long-term competitiveness.

The Heat Auction represents an important milestone in Europe's industrial decarbonisation strategy and serves as a pilot initiative for the future **Industrial Decarbonisation Bank**.

Supporting industrial decarbonisation across Europe

The selected projects are distributed across:

- Austria
- Belgium
- Czechia
- Denmark
- France
- Germany
- Hungary
- Portugal
- Slovenia
- Spain

Together, they will accelerate the replacement of fossil fuel-based industrial heat systems with cleaner, electrified and renewable alternatives.

The Commission expects the projects to play a significant role in supporting Europe's transition towards climate neutrality while reducing dependence on imported natural gas.

Significant climate and energy benefits

According to Commission estimates, the selected projects will deliver substantial environmental and energy security benefits.

Over their first ten years of operation, the projects are expected to:

- Avoid more than **6.6 million tonnes of CO_2 emissions**
- Produce approximately **16.3 terawatt-hours (TWh)** of decarbonised industrial heat during their first five years
- Deliver a combined thermal capacity of **766 megawatts (MW)**

The clean heat generated is equivalent to replacing more than **1.5 billion cubic metres of natural gas** over five years—roughly matching the annual gas consumption of approximately **4 million EU households**.

These outcomes contribute directly to the European Union's objectives of reducing greenhouse gas emissions while improving energy independence.

Wide range of innovative technologies

The selected projects demonstrate the diversity of technologies capable of decarbonising industrial heat production.

The portfolio includes:

- Direct resistance heating
- Indirect resistance heating
- Industrial heat pumps
- Solar thermal systems
- Electromagnetic heating
- Dielectric heating
- Hybrid heating technologies

These solutions replace conventional natural gas-fired systems with cleaner electricity-based or renewable heat sources, reducing emissions across multiple industrial sectors.

Supporting Europe's energy-intensive industries

The projects cover a broad range of industrial sectors, including several industries that have previously received limited support through the Innovation Fund.

Beneficiary sectors include:

- Pulp and paper
- Glass manufacturing
- Ceramics
- Construction materials
- Iron and steel
- Food and beverage
- Textiles
- Pharmaceuticals

By supporting some of Europe's most energy-intensive industries, the programme aims to strengthen industrial competitiveness while accelerating the adoption of low-carbon production processes.

Funding allocated across three auction categories

The Innovation Fund Heat Auction was organised into three funding categories based on operating temperature and installation capacity.

The selected projects include:

- **5 projects** under the high-temperature heat category, receiving approximately **€62.1 million**
- **44 projects** under the medium-temperature category for installations above **5 MW**, receiving approximately **€286.5 million**
- **16 projects** under the medium-temperature category for installations between **3 and 5 MW**, receiving approximately **€47.9 million**

Project sizes range from **3 MW** to **45 MW**, while individual grant awards vary from approximately **€444,000** to **€37.1 million**.

Next steps

The **European Climate, Infrastructure and Environment Executive Agency (CINEA)** will now begin preparing grant agreements with the selected project developers.

Grant agreements are expected to be signed during the **second half of 2026**.

Following signature, project developers must:

- Reach financial close within **two years**
- Begin operations within **four years**

The Commission will continue monitoring project implementation to ensure investments are delivered according to agreed milestones.

The final list of signed projects is expected to be published during the **fourth quarter of 2026**.

Second Heat Auction already under preparation

Building on the strong interest shown by industry, the European Commission has already announced a second **Innovation Fund Heat Auction** for **2026**.

The new auction will have a budget of **€1 billion**, more than doubling the funding available in the inaugural call.

Key upcoming milestones include:

- Publication of draft Terms and Conditions by the **end of May 2026**
- Innovation Fund Stakeholders consultation event on **19 June 2026**

The expanded programme reflects the Commission's intention to accelerate industrial decarbonisation across Europe and scale up investment in clean industrial technologies.

Background

The **Innovation Fund Heat Auction (IF25 Heat)** is the first EU-wide competitive funding mechanism specifically designed to accelerate the decarbonisation of industrial process heat.

Financed through revenues from the **EU Emissions Trading System (EU ETS)**, the auction supports technologies including industrial heat pumps, electric boilers and furnaces, solar thermal systems, geothermal energy and thermal energy storage. The initiative also serves as a pilot for the future **Industrial Decarbonisation Bank**, which aims to mobilise large-scale investment in industrial decarbonisation.

The inaugural auction attracted **85 applications**, demonstrating strong demand for support from European industry. The **Innovation Fund**, with an estimated budget of **€40 billion** for the period **2020–2030**, remains one of the world's largest funding programmes for innovative net-zero technologies and has already supported around **260 projects** across the European Economic Area. By accelerating the deployment of clean industrial technologies, the programme contributes to the European Union's objectives of climate neutrality, energy security and industrial competitiveness.

Source: *https://cinea.ec.europa.eu/news-events/news/life-driving-innovation-autonomy-and-resilience-competitive-europe-2026-05-06_en*