

New Innovation Fund auction on industrial process heat decarbonization

A Eurelectric response to a stakeholder consultation

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

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WG Industrial Competitiveness & Innovation
Electrification & Sustainability Committee
WG Climate Change & Decarbonisation
Generation & Environment Committee

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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 [Communication on the Clean Industrial Deal: A joint roadmap for competitiveness and decarbonization](#) a new auction to promote the decarbonization of key industrial processes, drawing on the experience of the hydrogen auctions of the [Innovation Fund](#). 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 [here](#) and the presentation from the Stakeholder Workshop [here](#).

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

2 About you

* 2.1 Please provide your full name

Union of the Electricity Industry - EURELECTRIC

* 2.2 Please provide your e-mail address

ipetcu@eurelectric.org

* 2.3 Please indicate your job position

Ioana Petcu, Senior Advisor

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

Business Association

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.

[CLIMA-IF Privacy Statement IFIndHeatAuction.pdf](#)

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
- ☐ 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

We believe applicants could include other costs (including the ones mentioned above), but we encourage ensuring transparency/ visibility on what is included.

We believe the inclusion of costs related to grid connection requires further consideration, and might be kept outside the calculation of the funding gap. In this regard we encourage the EC to consider that the grid connection differs depending on the area and could be subject to co-funding. However, it is perhaps pertinent to be considered for support grid connection costs, as an additional element of a potential "auction as a service" national support.

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 other ideas to facilitate the participation of SMEs and midcaps, if any.

Authorise the pooling of different SMEs and/or mid-caps from the same (industrial) site to be eligible to participate in the auction. However, this requires further consideration with regards to the legal nature of a potential applicant which would require the establishment of another company/consortium etc, and what would be the incurred administrative burden.

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

4.3.1 If yes, what would be your **preferred way to create baskets**?

- ☐ A carbon abatement cost threshold expressed in EUR/tCO₂ (i.e. one basket for low abatement costs and one for high)
- ☒ A heat temperature threshold expressed in °C (i.e. one basket for low temperature heat projects and one for high)
- ☐ Steam vs. non-steam
- ☐ Continuous vs. non-continuous production processes
- ☐ Other

Please specify the threshold you would suggest in °C

500

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

- ☐ 1 year
- ☐ 2 years
- ☐ 3 years or more

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

5 Additional requirements / safeguards

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

- ☐ yes
- ☒ 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

Please specify the equipment/components and the third country on which EU has dependency

There are identified dependencies on compressors, transformers and cabling

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

Italy: Industria 5.0, Conto Termico, FER-T, Fondo Transizione Industriale

France :

- Call for tenders “Major Industrial Decarbonisation Projects 2024”: both CAPEX and OPEX
 - Call for projects - Decarbonisation of industry: CAPEX only
 - Call for projects - AAP DECARB FLASH: several rounds in 2025 and 2026. Support for small-scale decarbonisation projects whose cost is comprised between €100,000 and €3M.
 - Call for projects - AAP ZIBAC (low-carbon industrial areas): Phase 2: to support the decarbonisation of France's 11 highest-emission industrial areas. The aim of this second phase is to examine in greater depth the decarbonisation scenarios and trajectories selected, and to prepare the economic, industrial and infrastructure decisions and investments for these areas
 - Call for projects - AAP IBAC PME: to support small projects led by SMEs developing innovative and competitive methodologies, technologies, industrial solutions and services in the field of industrial decarbonisation.
 - Call for projects - AAP DEMIBAC: to promote the emergence of innovative solutions for decarbonising industry, from industrial research to demonstration.
 - Call for projects - AAP BCIAT (biomass heat for industry, agriculture and tertiary): from April 22, 2025 to October 16, 2025. Support for CAPEX, with grants of up to €30 million for heat production projects of more than 12 GWh/year from biomass and certain by-products.
- Other program available in France: France relance 2030

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:

We believe this pilot auction could be improved in several additional ways:

1. By differentiating auctions based on temperature levels. We support a segmentation based on temperature
 - a. Processes that are under 500°C (where electrification technologies are more commercially mature and competitive)
 - b. Processes that are above 500°C (hard-to-abate sectors with more innovation and technological readiness improvements needed)
2. By providing support before entry into operation to help projects overcome initial funding barriers while reducing investment risks (particularly pertinent for SMEs and mid-caps)
3. By limiting the scope of the auction to direct electrification, in order to concentrate and focus financing towards the most cost-efficient decarbonisation projects.
4. By integrating an auction-as-a-service scheme, to enable MS to finance other projects participating in this auction.
5. By enabling dynamic support, to better consider unforetold evolutions (e.g. inflation) and ensuring that the selected projects remain viable.
6. The mechanism must ensure full transparency and prevent double funding beyond the limits set by EU State Aid rules. The Commission should conduct due diligence and ensure that beneficiaries do not receive additional overlapping aid for the same eligible costs.

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

Contact

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Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

■ Growth, added-value, efficiency

Environmental Leadership

■ Commitment, innovation, pro-activeness

Social Responsibility

■ Transparency, ethics, accountability



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