

Stakeholder consultation on the Draft Terms and Conditions for the 2026 Innovation Fund auction for industrial process heat decarbonization

Eurelectric feedback

Stakeholder consultation on the Draft Terms and Conditions (“Draft T&Cs”) for the 2026 Innovation Fund auction for industrial process heat decarbonization (electrification and use of direct renewable heat)

Feedback table

Instructions

Thank you for taking the time to provide written feedback on the **Draft Terms and Conditions (“Draft T&Cs”) of the 2026 Innovation Fund auction for industrial process heat electrification**. We would also like to invite you to our workshop on **7 July 2026**, where we will present the draft T&Cs and answer questions you may have.

We invite you to provide your structured feedback in the below table on the different design elements of the auction. Your feedback will be taken into account for the publication of the final T&Cs. We are asking you also some additional questions in the below table to seek your feedback on specific design elements. Given the high number of interested stakeholders and our ambition to review all relevant feedback in very short time, please mind the following:

- Short, concise feedback, e.g. in bullet points is sought. If you have overall, high-level feedback, please provide it at the beginning restricting yourself to a few paragraphs.
- Please substantiate your feedback with evidence, wherever possible.
- Don't feel obliged to provide feedback on all points in the table.
- Please indicate what type of stakeholder you are and whether you intend to bid

Please send your feedback via email to clima-auctions@ec.europa.eu by 2 July 2026.

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Information about the respondent and general feedback

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Position: Head of Energy Policy, Climate & Sustainability

Company / Institution / Member State: Eurelectric

Type of Stakeholder (e.g. “industrial company using process heat”, “industrial process heat technology provider” (e.g. heat pumps, electric boilers, direct renewable heat solutions, etc.), “Member State”, etc.): business association

Intention to bid in IF26 decarbonized heat auction (yes/no): N/A

General feedback (optional):

The **IF26 Heat Auction (IF26 HEAT)** represents a **very positive step forward** in building on the experience of the IF25 Heat Auction and consolidating a predictable EU framework to support the decarbonisation of industrial process heat. **Ensuring continuity and recurrence of this type of instrument is critical to provide visibility to investors and industrial stakeholders.** A stable and recurring auction-based approach should therefore be prioritised as a core instrument for industrial heat decarbonisation in the EU.

Regarding the draft T&C for the IF26 HEAT, we would highlight the following key points:

1. **We encourage the Commission to carefully monitor and assess the geographical distribution of awarded projects** in IF26 and future auctions, in order to identify best practices among Member States and preserve a level playing field. Regional disparities may emerge, notably due to differences in regulated energy costs, network tariffs, charges, levies and taxes. However, Eurelectric cautions against overly complex mechanisms that would artificially correct differences in electricity prices between regions. Instead, the Commission should ensure transparency on relevant national cost components and support schemes, and assess whether they materially affect bid comparability.
2. **Compatibility of national support schemes:** In line with Eurelectric’s position on the Industrial Decarbonisation Bank, cumulation with other EU and national funding instruments should be possible, including indirect carbon cost compensation, provided that it does not distort competition within the auction framework or lead to overcompensation. Any State aid, centrally managed EU funding or non-aid subsidy already granted, including reductions in regulated electricity costs such as network tariffs, charges, levies and taxes, should be transparently reported and added to the bid for the purpose of ranking. Clear and transparent rules on the cumulation of support instruments are needed, especially in multi-funding scenarios.

3. **Helpdesk availability and support:** The helpdesk should remain fully available until the proposal submission deadline and be adequately reinforced in the final phase of the call. Critical operational and administrative questions often arise shortly before submission, and timely support is essential to ensure high-quality and compliant applications.
4. **Production requirements should remain proportionate and reflect project realities.** The draft Terms and Conditions provide that the grant may be terminated or reduced if production falls on average below 30% of the expected yearly average volume for three consecutive years, calculated over a rolling three-year period. While this addresses sustained underperformance rather than short-term deviations, it may still create uncertainty for large-scale and greenfield projects where output depends on several parties and external factors. The final Terms and Conditions should clarify how responsibility will be assessed in multi-party and service-based projects and ensure proportionate treatment where underperformance is not caused by the supported technology itself.
5. **The application period** is too short relative to the level of preparation required. The overall timeline between the grant agreement and project implementation may become excessively long. The market would benefit from visibility on upcoming calls at least 12 months in advance, allowing projects to be prepared sufficiently far ahead.

1.1 General auction design elements

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
1.0	Objective of the auction	To reduce GHG emissions in industry by cost-effectively supporting the market uptake of electrified, direct-renewable and nuclear industrial process heat.		
1.1	Auctioned good	Fixed premium subsidy for direct GHG abatement (expressed in EUR / t CO₂ abated) achieved through technologies using electricity, nuclear heat, direct-renewable (solar thermal or geothermal) heat sources or hybrid solutions thereof to produce industrial process heat. The achieved abatement will be calculated by multiplying the volume of produced process heat (in MWh_{th}) with the phase 4 ETS heat benchmark emission factor (0.170 tCO₂/MWh). See point 4.6 ‘Monitoring, reporting and verification’ for details on monitoring, verifying and reporting the volume of process heat. <u>Question to stakeholders: Should projects which commit to a greater proportion of electrification be ranked differently than projects retaining fossil fuel capacity? If so, what rules should govern this – considering also the need for backup capacity, complexity in monitoring and that new entrants may have less fossil capacity to decommission.</u>	1. It is positive to standardise the emission calculation and adopt Phase 4 ETS benchmark as the sole reference, ensuring equal treatment of all applicants, simplifying the application process, and ensuring consistent treatment of all projects, regardless of their previous fuel configurations. <u>Question</u> 2. Projects should not be ranked solely on the proportion of electrification or retained fossil capacity. Keeping the existing gas system as backup gives operators the confidence to electrify without risking production. Penalising this limited backup would slow down, not accelerate, electrification. Ranking should instead reflect realistic, verifiable emissions reductions and the ability to operate mainly on electrified heat under normal conditions.	1. Setting a sole reference avoids creating an unfair advantage for projects that previously used more polluting fuels such as coal and avoids penalizing projects that have already transitioned to cleaner fuels. Using a uniform benchmark, such as the Phase 4 ETS heat benchmark, ensures equal treatment of all applicants and avoids rewarding past high-emission behaviour. 2. The focus should be on decarbonizing specific industrial processes, rather than entire facilities. In this context, hybridization represents the most realistic and cost-effective pathway to electrification in the short term. Hybrid systems allow for greater operational flexibility, enabling industries to adapt their energy use to the availability of renewable electricity and to maintain process reliability. This compatibility with variable renewable energy sources is essential for accelerating

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				the transition while ensuring industrial competitiveness.
1.2	Budget as constraining value	The total available Innovation Fund budget for each topic is the constraining value of the auction. The Innovation Fund budget is known in advance and will be EUR 1 billion, and each of the two topics will have a dedicated budget (see point 1.9 'Auction topics/baskets'). There is also a possibility of 'Auction-as-a-Service' (see also point 1.12 'Auction-as-a-Service'). The auction will be cleared where the budget is exhausted. The number of projects and production of process heat supported/GHG abatement will be derived from the total available budget and the individual bids with their respective bid prices and volumes. In the event of under-utilisation of budget within a given topic, budget may be transferred to another topic.	In the event of under-utilisation of budget within a given topic, budget shall be transferred to another topic taking into account in particular projects with highest impact (e.g. GHG emission reduction/euro spent). To ensure an efficient use of funds, the entire budget should be allocated so that, where eligible projects remain in one basket, they can still be awarded support. In particular, budget reallocation should prioritise the topic where lower support per ton of CO₂ leads to higher overall emissions abatement, thereby maximising cost-effectiveness at EU level. In allocating the budget, a partial award of the marginal bid shall be considered. - When the last-ranked bid exceeds the remaining budget, offering voluntary partial funding instead of leaving it unallocated - bidder may adjust size/scope, provided it stays above the minimum eligible capacity We welcome the possibility to receive the option of "Auction-as-a-Service".	To make better use of the funds, the entire budget should be allocated so that, if there are eligible projects that have not been allocated in one of the baskets, they can be awarded aid.
1.3	Support type	Output-based support (payment per MWh of heat produced/GHG abatement achieved). See also point 1.1 'Auctioned good'.		
1.4	Support form	Fixed premium.		
1.5	Indexation of support	No indexation.	We encourage the Commission to consider an indexed premium, based on our experience with Renewable Energy Auctions where developments in the supply chain have underscored the importance of indexing of bid caps to ensure that any cost increases in supported projects are reflected in increased compensation to avoid suspension of projects. This would be particularly valuable between the bid submission and the financial close, especially with projects with longer lead times.	

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1.6	Grant duration (disbursement period)	The grant duration will end 5 years after the Entry into Operation of the project. See also point 4.3 'Sanctions in case of non-compliance with support requirements'.	A five-year period can be very short for assets with a useful life exceeding 20 years, potentially placing a disproportionate burden on the price premium required during that limited timeframe. Our recommendation is to expend this support for a longer period of time. It would be important to maintain alignment with other instruments, notably the Hydrogen banks, and provide support for 10 years. An advance payment before Entry into Operation would be highly appreciated. The final Terms and Conditions could consider a limited advance payment once a project reaches Financial Close, which is already required within 2 years for the medium-temperature basket and 2.5 years for the high-temperature basket under the draft Terms and Conditions. This would help address upfront cash-flow constraints while maintaining a clear project maturity milestone before any pre-EiO disbursement. The size of this advance payment could remain limited, for example around 30% of the expected first-year support, and be subject to appropriate safeguards such as completion guarantees, reimbursement schedules and clear recovery rules.	
1.7	Ranking of bids	Price-only ranking in EUR/tCO ₂ .		
1.8	Bid components	Applicants will state: (1) the subsidy requested per unit of produced heat (expressed in EUR / MWh_{th}) An automatic formula in the application form will translate (1) into (2) the bid price, i.e. the subsidy requested per tonne of CO₂ abated using the phase 4 ETS heat benchmark, expressed with two digits after the comma. (3) the nominal thermal capacity in MW_{th} of the heat production unit that produces electrified industrial process heat, nuclear heat or direct-renewable process heat that will be installed and verified as being operational by the time of entry into operation. (4) the volume of expected average yearly process heat produced (see point 1.1 'Auctioned Good'), expressed in MWh_{th}. Please note that already at the application stage, subsidised heat production will be limited to the equivalent of 70% of hours per year	- Applicants should be required to report all forms of public support already granted or firmly secured, including State aid, centrally managed EU funding and support measures that do not constitute State aid, such as reductions in regulated electricity costs, taxes, levies or grid fees. To avoid competition distortions within the auction framework and overcompensation, any such support should be added to the bid for the purpose of ranking. Clear and transparent rules on the cumulation of support instruments are needed, especially in multi-funding scenarios.	Not all support granted by Member States to industrial consumers takes the form of State aid. Differences in regulated costs included in electricity and gas bills, such as network tariffs, charges, levies, taxes and system services, can significantly affect project economics and bidding behaviour. If not properly accounted for, such measures may distort competition between bidders and undermine the comparability of bids across Member States. Requiring full transparency and adding already granted support to the bid for ranking purposes would help preserve the level playing field

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		at nominal capacity unless the project applies for a ‘indirect emissions/flexibility’ bonus (see point 1.10 ‘Indirect emissions/flexibility requirements’). The maximum grant amount is therefore calculated as: An automatic formula in the application form will translate (4) into (5) expected average yearly volume of GHG abated (expressed in t_CO2), using the phase 4 ETS heat benchmark (as explained in Point 1.1 ‘Auctioned good’).		while allowing cumulation of support under clear safeguards.
1.9	Auction topics/baskets	There will be two topics (‘auctions baskets’): 1. a medium-temperature heat topic that covers heat produced at a metered temperature of 100-400 for with a minimum size of > 3 MW. In addition, projects with a temperature of 80-100 degrees <u>and</u> capacity above 10 MW <u>and</u> which utilise heat pumps with COP > 1.5, direct renewables or nuclear heat are also eligible in this topic. With a budget of EUR 700 million. 2. a high-temperature heat topic that covers heat produced at a metered temperature of above 400°C by projects that have a size equal to or higher than 3MWth with a budget of EUR 300 million. Temperatures need to be metered according to the measurement system specified in Point 4.6 ‘Monitoring, verification and reporting’. If there are budget remainders, the Commission may redistribute them between the call topics.	We are in favour of a minimum size expressed in thermal capacity, but the threshold should be set at 1 MWth to enable the participation of smaller industrial assets, SMEs and mid-caps. The current 3 MWth threshold can be challenging for entire sub-sectors to reach, in particular for heat pump projects, which are precisely among the most relevant solutions targeting lower temperature ranges. We also welcome the extension to lower temperatures between 80°C and 100°C. However, this eligibility should apply regardless of project size and could be further reduced to 70°C, in line with our previous feedback, while taking into account the competitiveness and cost-effectiveness of heat pump solutions at lower temperature levels. Industrial processes often use cascading heat needs across a range of decreasing temperatures, which can contribute to higher overall efficiency. If part of a process operates below 100°C, the project may be disqualified, even where heat is used as efficiently as possible in a whole range of temperatures. Smaller projects should therefore not be disadvantaged compared to larger projects in this regard. Clarification is also needed on the rationale for setting the 10 MW threshold for projects in the 80-100°C range. Industrial heat pump projects above 10 MW are not frequent on the market. Therefore, the current limit may de facto exclude viable electrification projects for processes below 100°C. The final Terms and Conditions should also clarify that, in line with the general approach allowing several units to be combined in one single location, the required capacity threshold for projects in the 80-100°C range does not need to be met by one single heat pump unit, but can be reached	Large-scale heat pumps above 10 MW are currently not common in the market. If the current design is maintained, this may effectively prevent heat pump-based solutions from competing in this basket, limiting participation and reducing the overall decarbonisation potential. Industrial electrification projects often rely on hybrid configurations to optimise efficiency and flexibility. Assessing eligibility based on individual technologies rather than overall system performance may exclude cost-effective solutions delivering equivalent decarbonisation outcomes.

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			through several smaller units installed on the same site. The threshold should therefore be set as low as possible, while taking into account project competitiveness, cost-effectiveness and the current maturity of large industrial heat pump solutions. More generally, temperature thresholds should avoid creating perverse incentives not to lower process temperatures when installing new equipment, even where this would improve overall energy efficiency, if doing so risks making the project ineligible. Finally, clarification is needed on the eligibility of hybrid systems in the 80-100°C range. It is unclear whether hybrid systems combining technologies (e.g. electric boilers and heat pumps) would qualify if they achieve an overall COP >1.5, or whether eligibility is limited to standalone heat pump-based solutions. If hybrid configurations are not allowed, the Commission should consider lowering the minimum temperature threshold from 100°C to at least 80°C, and ideally to 70°C, regardless of the technology used, to avoid excluding viable electrification projects.	
1.10	Indirect emissions & flexibility considerations	While power sector emissions overall are covered by the EU ETS, in many bidding zones, electricity consumption during peak hours is linked to high emissions from electricity generation, as well as increased system costs, such as additional capacity, grid or redispatch costs. The auction therefore aims to avoid incentivising consumption of electricity from the grid that leads to high emissions from electricity generation and higher system costs (i.e. consumption of electricity during peak hours). This is why there is a bid bonus of 25% (i.e. reduction of the bid price for the purpose of ranking only) for the projects that can prove: they deploy 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 for 4h by 20% within 1h	Differences in national support schemes and regulated cost structures should be addressed for ranking purposes, without affecting the level of support granted to selected projects. In line with Eurelectric's position on the Industrial Decarbonisation Bank, any State aid, centrally managed EU funding or non-aid subsidy already granted, including reductions in regulated electricity costs, should be added to the bid for the purpose of ranking. This should take into account both State aid and non-State aid elements reported by applicants, as described under point 1.8. Clarification is needed on the storage requirement definition. Eurelectric supports maintaining sufficient flexibility in the application of the storage requirement, allowing applicants to demonstrate compliance either in relation to the project's electricity consumption from the grid or the heat demand of the process, depending	Support schemes and regulated costs, such as network tariffs, levies, taxes and other charges, vary significantly across Member States and can distort competition between projects. Accounting for already granted support in the bid for ranking purposes would help preserve a level playing field across Member States, allow projects to be compared on a more consistent basis, and ensure that the most cost-effective projects at EU level are selected. As this adjustment would apply only for ranking purposes, and not to the level of support granted to selected projects, it

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		or - they deploy heat pump(s) with Coefficient of Performance (COP) of at least 1.5 or - they deploy direct renewable heat or nuclear heat. In addition, projects that claim this bid bonus can receive subsidy for up to 100% of hours per year * nominal thermal capacity. Conversely, projects that do not claim this bid bonus cannot receive a subsidy for produced heat volumes above the equivalent of 70% of hours per year * nominal thermal capacity. Claiming the bid bonus for indirect emissions/flexibility must be decided by the applicant already at the bidding stage (see point 1.8 'Bid components'). If a project claims the bid bonus but fails at the Entry into Operation to prove it implemented storage solution or a heat pump(s) with Coefficient of Performance (COP) of at least 1.5 or direct renewable heat solution or nuclear heat, it will be terminated. See also point 4.3 'Sanctions in case of non-compliance with support requirements' Beyond this indirect emissions/flexibility requirement, indirect emissions do not need to be accounted for abatement (see also point 1.1 'Auctioned good').	on what is most relevant for the project. The final Terms and Conditions should clarify the calculation methodology and provide practical examples, without making the requirement more restrictive than currently proposed. For example, if assessed against heat demand or thermal output, a project with 5 MWth of capacity would need to provide 20% of 5 MWth for 4 hours, i.e. 4 MWth, while assessment against electricity consumption could lead to a different storage volume. The final Terms and Conditions should also clarify how the 4-hour requirement will be applied and verified in practice. 3. Clarification is also needed on the eligibility for the flexibility bonus related to heat pumps with COP ≥ 1.5. It is unclear whether hybrid systems (e.g. combining electric boilers and heat pumps) would qualify if the overall system achieves a combined COP above 1.5, or whether the bonus is limited to standalone heat pump installations.	would preserve the integrity of the auction outcome while reducing distortions linked to external cost factors. 2. The storage requirement should please be clarified to ensure consistent interpretation. 3. Industrial electrification projects often rely on hybrid configurations to optimise efficiency and flexibility. Assessing eligibility based on individual technologies rather than overall system performance may exclude cost-effective solutions delivering equivalent decarbonisation outcomes.
1.11	Safeguards against over-subsidisation	Ensuring competition through market testing, total available budget and feedback on the level of competition from one round to another. See also the rules on combined public support in Annex IV. No claw backs.		
1.12	Auction-as-a-Service	The Auction-as-a-Service mechanism is open to all EEA countries. Additional safeguards might be needed concerning nuclear heat or to ensure that the subsidized projects lead to net emissions savings, taking into account indirect emissions from electricity. Any exemptions to the requirements on not installing new fossil fuel-fired capacity as part of the same installation (see possible exemptions in point 2.1 'Eligibility') would need to be closely examined and monitored.		

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
1.13	Granting authority	Climate, Infrastructure and Environment Executive Agency (CINEA) or national granting authority in case of Auction-as-a-Service.		

1.2 Qualification requirements

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
2.0	Admissibility	Strict respect of submission deadlines, use of forms provided through the Funding and Tenders Portal, and compliance with presenting all required documentation (Application Forms and self-declarations contained therein), together with mandatory documents and supporting documents (see section III).		
2.1	Eligibility	- Proposals must be for projects located in the EEA. There is no limitation on the origin or type (e.g. energy company, project developer, industrial player etc.) of members of the consortium. - Proposals must concern the deployment of industrial process heat: - electrification technologies (e.g. heat pumps, direct and indirect resistance heating, electromagnetic and dielectric heating, plasma heating) or - direct-renewable (solar thermal or geothermal) heat technologies - Small modular nuclear fission reactors for heat generation only (nuclear heat) - or hybrid projects of the above-mentioned technologies. - Electrolysis processes (e.g. in the aluminium sector) are not eligible. - Electric arc furnaces for steel making are not eligible. - Heat production for space heating or sale to district heating is not eligible.	We encourage the Commission to clarify whether and under which conditions genuine waste heat from operating nuclear power plants could be eligible, provided that this does not divert heat or energy from power generation.	

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		- 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. - Projects must not install new fossil fuel-fired capacity as part of the same installation as concerns the project. Glass furnaces are exempt from this rule, as technical/safety barriers to full electrification exist. Other applications that show similar technical/safety restrictions need to provide evidence of such barriers as well as a transformation path from fossil-fuel to climate neutral fuel. - The electrified or direct-renewable process heat needs to be produced by new thermal capacity (i.e. heating production units for which at the time of application start of works did not yet take place), in order to ensure an incentive effect of the subsidy. - A restriction on the maximum grant amount per bid applies: EUR 100 million in the medium temperature heat topic and EUR 250 million in the high temperature heat topic (see point 1.9 'Auction topics/baskets') - Minimum project size requirement applies: 3 MW_{th} (thermal output capacity of the heat production unit(s)). The newly installed capacity must be in a single location (several units can be combined together in a single location); virtual pooling of capacity is not permitted. - Minimum eligible temperature level requirements apply: Process heat below 80°, 100°C or 400°C depending on the auction topic/basket (see point 1.9 'Auction topics/baskets'), determined as the temperature of heat generated following the rules set out in point 4.6 'Monitoring, Verification and Reporting' is not eligible in this auction.		
2.2	Relevance and Quality	- The proposals will be evaluated on a pass/fail basis on relevance. - Quality, consisting of technical, financial, and operational maturity is assessed based on the documents listed in section III of the Terms & Conditions and Application Form B. - Projects must comply with the applicable 'Do No Significant Harm' technical screening criteria outlined in Commission Delegated Regulations (EU) 2021/2139 ('Climate Delegated Act'). After the evaluation but before grant agreement signature, for projects invited to grant agreement preparation a financial capacity and legal entity check will be made to ensure that successful applicants have stable and sufficient resources to successfully implement all proposed		

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		projects and comply with EU exclusion situation limitations (default, prosecution, etc.).		
2.3	Completion guarantee	A completion guarantee covering 6% of the maximum grant amount (see point 1.8 'Bid components') will be requested from projects invited to prepare grant agreement. A letter of intent from a bank or financial institution to issue a completion guarantee will be required as part of the proposal. A template will be made available and will have to be used (no changes to the template are allowed). The completion guarantee should be in euro and issued by an approved bank/financial institution (with the following minimum rating from at least one of these rating agencies: BBB- from S&P or Fitch, Baa3 from Moody's or BBB (low) from DBRS) established in an EEA. This completion guarantee must be able to be called on first demand by the granting authority if the project (i) does not reach approved financial close within 2 years for medium temperature or 2.5 years for high temperature, or (ii) does not reach approved entry into operation within 4 years after signing the grant agreement for medium temperature or 5 years for high temperature (see point 4.0 'Maximum time to reach financial close and entry into operation'). The completion guarantee shall be issued at the latest two months after receiving the evaluation result letter inviting the selected applicants for grant agreement preparation. It shall be valid from the date of issuance until six months after the maximum time to entry into operation (see point 4.0 'Maximum time to reach Financial Close and Entry into Operation'). The duration of the completion guarantee is expected to be at least 4 years and 11 months for the medium temperature topic and 5 years and 11 months for the high-temperature topic. A template will be made available and will be mandatory. If entry into operation is reached earlier, the guarantee can be released earlier. The enforcement of completion guarantees is further explained in point 4.3 'Sanctions in case of non-compliance with support requirements.	We support lowering the completion guarantee from 6% to 4% to facilitate direct access to the auction for industrial players, in particular SMEs and small-cap companies . Otherwise, the guarantee requirement may become too challenging and discourage smaller actors from participating.	

1.3 Design elements defining the auction procedure

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
3.0	Competitiveness of the process	The key rules ensuring competitiveness of the process are: - No discrimination against participants in auction. - Transparency on requirements and sufficient lead times to prepare bids. No ex-post adjustments of auction rules or results.		
3.1	One-stage or two-stage auction	One-stage.		
3.2	Auction type	Static auction.		
3.3	Pricing rules	Pay-as-bid.		
3.4	Minimum prices	No minimum price.		
3.5	Ceiling prices	Ceiling price of 400 EUR/tCO₂ proposed in the medium temperature baskets Ceiling prices of 800 EUR/tCO₂ proposed in the high temperature basket Ceiling prices apply before bid bonuses have been applied.		
3.6	Clearing mechanism and marginal bid	For each topic, proposals that pass eligibility and admissibility assessment will be first ranked according to their bid price from lowest to highest. Bid bonus can be claimed for solution on indirect emissions/flexibility. Those proposals whose maximum grant amounts fit within the Innovation Fund basket/topic budgets (see point 1.9 'Auction topics/baskets'), and the proposals necessary to fill the reserve list, if any, will be assessed against the award criteria of 'Relevance' and 'Quality', on a pass/fail basis. Remaining proposals will be rejected. They will not be evaluated against the 'Relevance' and 'Quality' award criteria. The last proposal that exceeds the call budget will be added to the reserve list.		

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3.7	Tie-breaking rules	For proposals with the same bid price after application of the bid bonus (within a topic), a priority order will be determined according to the following approach: Successively for every group of ex-aequo proposals, starting with the lowest bid price group, and continuing in ascending order: 1) Proposals with the overall smaller maximum grant amount will be preferred. 2) If this does not allow to determine the priority, proposals which have at least one SME in their consortium will be preferred. 3) If this does not allow to determine the priority, proposals located in the country with fewer funds awarded (EUR) previously under the Innovation Fund will be preferred.		
3.8	Minimum number of bidders	The auction volume will not be adapted to the observed participation. Each topic of the auction may be cancelled if less than two proposals are submitted.		

1.4 Design elements defining rights and obligations

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auctions	Feedback	Substantiating evidence, data sources, background information
4.0	Maximum time to reach financial close and entry into operation	A project reaching Financial Close (FC) should be able to demonstrate that all contracts are signed and conditions in them fulfilled. The financial close needs to be approved by the granting authority. o Maximum time to reach FC from Grant Agreement signature: 2 years after signing the grant agreement in the medium temperature basket and 2.5 years in the high temperature basket A project reaching an Entry into Operation (EiO) should be able to demonstrate as operational a nameplate thermal capacity and eligible temperature levels for its electrified/direct-renewable heat production		

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		unit of at least 100% of that expressed in the bid. The entry into operation needs to be approved by the granting authority. Maximum time to reach EiO from Grant Agreement signature: 4 years after signing the grant agreement in the medium temperature basket and 5 years in the high temperature basket.		
4.1	Heat production flexibility rules	Projects that do not claim the ‘bid bonus’ have to observe 70% of hours per year * nominal thermal capacity restrictions as per point 1.10 ‘Indirect emissions/flexibility requirements’.	Flexibility to allow limited overproduction should be introduced, enabling projects to compensate for potential underproduction in other years. For example, an annual cap (e.g. up to 140% of expected production, as applied in the Hydrogen auction) could be envisaged. Such overproduction should remain subject to the existing constraint on operating hours (e.g. 70% cap for projects not benefiting from the flexibility bonus). This flexibility would be particularly relevant for smaller industrial players with seasonal demand patterns, helping them to participate in the auction without being penalised for structural variations in heat consumption.	Allowing limited overproduction would improve operational flexibility and project robustness. It would also better reflect the reality of smaller industrial sectors (e.g. agri-food), where heat demand is often seasonal. Without such flexibility, these projects may face higher risks of underperformance, limiting their ability to participate despite offering cost-effective decarbonisation potential.
4.2	Rules on combined support	Please see Section IV <u>Question to Stakeholders: A number of State aid schemes targeting electricity consumption is currently in place. Are you aware of:</u> <u>schemes that have a relatively low impact on the bid and could be – in the final Terms and Conditions allowed to be combined with the IF auction grant while still keeping level playing field amongst the bidders? If yes, which ones?</u> <u>schemes that have a strong impact on the bid, are not necessarily available in all Member States and could give an advantage to competing bids, so that the cumulation should continue not to be allowed to be combined with the IF auction grant. If yes, which ones?</u>	We support allowing combination with and cumulation of other EU and national funding instruments, including indirect carbon cost compensation, provided that this does not lead to competition distortions within the auction framework or to overcompensation. Clear and transparent rules on the cumulation of support instruments are needed, especially in multi-funding scenarios. This should also cover support beyond the IF26 grant period, where relevant, as ensuring continuity of support may be important to maintain the long-term viability of industrial electrification investments and avoid stranded projects due to unaddressed OPEX burdens. Any State aid, centrally managed EU funding or non-aid subsidy already granted should be transparently reported and added to the bid for the purpose of ranking. This should include	National support schemes and regulated cost structures vary significantly across Member States and can materially affect project economics and bidding behaviour. Not all support granted to industrial consumers takes the form of State aid. Non-aid subsidies, including reductions in regulated electricity costs such as grid fees reductions, can also provide a competitive advantage if they are not properly accounted for. Transparent and harmonised treatment of support instruments is therefore essential to preserve fair competition within the auction. Adding already granted State aid, centrally managed EU funding and non-aid subsidies to the bid for the purpose of ranking would help avoid competition distortions and overcompensation, while still allowing projects to combine different support instruments under clear rules.

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			measures that reduce regulated electricity costs, such as reductions in grid fees, levies or charges. Cumulation should therefore remain possible, but only under clear safeguards ensuring transparency, bid comparability and the absence of overcompensation.	This approach should also apply to national measures with a strong impact on electricity costs, including grid fee reductions for energy-intensive industries, such as the 19 StromNEV Umlage or reductions in network tariffs, exemptions from charges and reduced electricity taxes in France as well as, where implemented, national schemes granting reductions in transmission or network tariffs based on industrial load profiles, such as the “energy norm” currently under development in Belgium. Such measures can materially lower electricity costs for specific industrial users and should therefore be accounted for in the ranking to ensure that bids remain comparable across Member States.
4.3	Sanctions in case of non-compliance with support requirements	If at application stage, a project claims to implement a storage or to deploy a heat pump with required Coefficient of Performance (COP) or direct renewable heat or nuclear heat but by Entry into Operation does not prove it is implemented, the project will be terminated and the grant amount will be recovered, as its bid expressed in EUR/t_CO2 avoided would be no longer valid. If the maximum time to reach Financial Close or Entry into Operation is exceeded, the grant agreement will be terminated, and the granting authority will call the completion guarantee see point 2.3 ‘Completion guarantee’. The grant agreement may be terminated, or the grant reduced if the electrified/direct-renewable industrial heat production (and consequently the GHG abatement) falls on average below 30% of the expected yearly average volume as stated in the bid for three consecutive years. This average will be calculated over a rolling 3-year period.	Clarification is requested regarding the conditions under which the completion guarantee is enforced. It is understood that the guarantee is called only if the project fails to meet the deadlines for Financial Close or Entry into Operation. However, it would be helpful to confirm whether, in the case of underperformance against minimum production thresholds, the consequence would be limited to a reduction or recovery of support, without triggering the completion guarantee. Further clarification of the provision related to production levels would be appreciated, for example through the inclusion of a practical example.	Ambiguity in this area may affect the bankability of projects , particularly regarding the conditions under which the completion guarantee could be executed.
4.4	Payment schedules	Semi-annual or annual according to choice of applicant (every 6 or 12 months after entry into of operation) based on metered electrified/ direct-renewable industrial heat production from the new installation described in the proposal (see point 4.5 ‘Reporting requirements’).	We encourage the Commission to allow partial grant disbursement before project commissioning , possibly with safeguards such as completion guarantees, reimbursement schedules and clear recovery rules, in order to preserve the results-based funding principle. This would be particularly relevant for sectors such as the chemical industry, as well as SMEs and mid-	In practice, feedback from IF25 indicates that semi-annual payment schedules may lead to delays (e.g. up to several months after the reporting period), driven by administrative workload related to verification and reporting. While annual payments may reduce administrative burden, they can create liquidity constraints for projects, particularly during early years of operation.

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			caps, which often face cash flow constraints and may prioritise maintenance CAPEX over transformation investments, while electrification requires significant upfront capital expenditure. It is noted that payment frequency can be chosen between semi-annual and annual payments. Clarification would be helpful on whether annual payments could involve significant delays in disbursement. Based on experience from IF25, even semi-annual reporting and verification may be associated with delays of several months due to administrative and reporting processes, which could negatively affect project cash flow and financing conditions. Independently of the chosen reporting frequency, an advance payment mechanism could be introduced once the 60-day reporting window is opened, with a defined share of the payment, for example 50%, disbursed upfront and the remaining balance paid after verification of the reported data.	An advance payment mechanism would help mitigate these effects by improving cash flow predictability, while maintaining full control through ex-post verification of reported production.
4.5	Reporting requirements	- To fulfil the call objective of price discovery and contribution to market formation, the following information will be published: (i) for successful bidders: identified bid price, name of the project and coordinator, total volume electrified/direct-renewable heat produced, total volume of carbon abatement to be achieved, nominal capacity of the electrified/direct-renewable heat production unit(s), product of the use of heat and sector where heat is applied and possible other information, (ii) for unsuccessful bidders, anonymized overview of statistics such as: bid price, total volume electrified/direct-renewable heat produced, total volume of carbon abatement to be achieved and nominal capacity of the electrified/direct-renewable heat production unit(s), products of the use of heat and sectors where heat is applied. Additional data and analysis may be published where anonymization is guaranteed. - Until entry into operation projects will have to report annually on their progress in project implementation. - After entry into operation, projects will report periodically alongside their requests for payment (i.e. for every 6 or 12 months of		

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		operation). Reports will concern the electrified/nuclear/direct-renewable heat production and resulting abatement, see point 1.1 ‘Auctioned good’, as well as the temperature level of the produced heat. - o In these reports, projects will also have to confirm that rules on combination of support are respected. • If relevant, proof of installation of energy storage, sufficient coefficient of performance for heat pump, direct renewables or nuclear heat if claiming a bid bonus (see point 1.10 ‘Indirect emissions/flexibility requirements’) will be required at Entry into Operation. • Reporting on DNSH principle application at the end of project’s monitoring period.		
4.6	Monitoring, verification and reporting of process heat volume and temperature	(Industrial) process heat production needs to be monitored, reported, verified by an independent third party every six months or 12 months (see section 4.4) after Entry into Operation so that grant payments can be made. Payments are proportional to volume of process heat produced. Therefore, the correct monitoring, reporting and verification of produced process heat is crucial. To claim payments under this auction, projects must monitor and measure the produced process heat with an EMAS or ISO50001 compliant management system. Meters such as heat flow meters and thermometers need to be calibrated accordingly. There are two possible measurement approaches: • Direct measurement of process heat or • Indirect measurement of process heat. All technologies are required to follow one of the two approaches as specified below. Both process heat volume and temperature levels will have to be measured. Approach 1: Direct measurement of process heat • If the heat production volume can be measured directly by monitoring a heat flow, projects are required to do so. All applications of heat pumps, and direct-renewable heat technologies are required to follow this approach.		

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		- The heat flow must be measured by a heat meter in a heat transfer medium such as steam, hot air, water, oil, liquid metals or salts, transported through identifiable pipelines or ducts. The temperature level of the process heat is determined by a temperature measurement of the heat transfer medium after it has passed the source of heat increasing the temperature of the heat transfer medium, such as the heat exchanger of the heat pump. The temperature level needs to be monitored simultaneously with or as part of the measurement of the heat flow. Process heat production of one reporting cycle can be funded if the weighted average temperature lies within the limits of the corresponding temperature basket (see points 1.9 'Auction topics/baskets' and 2.1 'Eligibility'). To calculate the weighted average temperature, the average temperature of every hour is multiplied with the average heat flow of every hour. The sum of products of all hours is divided by the total heat flow in the monitoring period. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate. <i>Approach 2: Indirect measurement of process heat</i> - If heat flow cannot be measured directly, projects must determine heat production based on the electricity consumption of the heat production unit. All applications of resistance heating (e.g. furnaces, boilers), electromagnetic and dielectric heating (e.g. melters, ovens), shockwave heating and plasma heating are required to follow this approach. The process heat production is determined by multiplying the hourly average electricity consumption by 100% for all applications. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate. - The temperature level of the process heat must be measured with an adequate measurement approach. Thermometers already used for process monitoring and process control can be used. The temperature level needs to be monitored simultaneously with the electricity consumption. Process heat production of one reporting cycle can be funded if the weighted average temperature of all such measurements lies within the limits of the corresponding temperature basket (see points 1.9 'Auction topics/bas-		

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		kets' and 2.1 'Eligibility'). To calculate the weighted average temperature, the average temperature of all such measurements of every hour is multiplied with the average electricity consumption of every hour. The sum of products of all hours is divided by the total electricity consumption in the monitoring period. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate.		

1.5 Mandatory documents necessary for the assessment of qualification requirements

No.	Design Element	Feedback	Substantiating evidence, data sources, background information
5.1	Mandatory documents necessary for the assessment of qualification requirements: • Application forms A, B and C/extended form C • Detailed budget table/calculator ('financial information file' with the bid calculation) • Participant information • Timetable/ Gantt chart • Feasibility study • Completion guarantee letter of intent (template will be provided and will be mandatory to use) • Other annexes: Equity supporting evidence, Equipment procurement supporting evidence, Electricity sourcing strategy, Heat off-taker strategy.	The draft T&Cs replace Letters of Intent from heat off-takers with strategy descriptions. This is a welcome simplification, but the strategy should still provide enough information to demonstrate credible demand and mature discussions with relevant off takers, as such documents ensure that applicants have secured minimum commitments from key stakeholders and prevent speculative behaviour. Some cases may arise where the same off-taker is referred to in several applications; the final T&Cs should clarify how such situations would be assessed, this could help maintain a transparent and efficient matching between supply and demand, and avoids artificial competition for the same off-taker, reduces uncertainty for investors, and strengthens the overall credibility of the awarded projects.	

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent a total of +3500 companies 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 and Innovation (lead)
Electrification and Sustainability Committee
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