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# UFE's reply to the EC consultation on the revision of the European Strategy on Heating & Cooling

UFE welcomes the European Commission's intention to revise the **strategy on Heating & Cooling**. As 50% of all energy consumed in the EU is used for heating and cooling, and more than 70% still comes from fossil fuels (mostly natural gas)[1], **accelerating the decarbonisation of industry and buildings is a prerequisite for reaching carbon neutrality by 2050**. By promoting more efficient solutions such as heat pumps and lowering our reliance on imported fossil fuels, this transition is also a key lever to **reduce households' energy bills** and **strengthen Europe's energy security**. UFE believes that the revised strategy should focus on the following key priorities:

## 1. Prioritising electrification

As the most efficient and mature decarbonisation pathway, **electrification should be prioritised**, first of all by supporting the **deployment of electric furnaces and high temperature heat pumps to decarbonise industrial heat,** primarily up to 200°c.

In buildings, it should first and foremost be achieved through the **large-scale deployment of heat pumps**, and primarily to renovate the most final energy-intensive buildings and with the highest GHG emissions. Complementary solutions such as decarbonised and efficient heating networks, solar thermal, and eventually biomass, can also play a role.

Furthermore, the revised strategy should address the dual issues of **adapting buildings to climate change**, in particular regarding summer comfort, and reducing GHG emissions from cooling systems. UFE emphasis the crucial role played by heat pumps and efficient cooling networks in this context.

## 2. Adopting a comprehensive climate-efficiency approach

[1] According to Eurostat data: https://ec.europa.eu/eurostat/web/products-eurostat-news/w/DDN-20230203-1#:~:text=Energy%20for%20heating%20and%20cooling,of%20biomass%20and%20heat%20pumps).

Alongside energy efficiency, the objective of reducing GHG emissions should be at the core of the strategy, through the consumption of decarbonised energies, as energy savings alone do not systematically correspond to a significant reduction in GHG emissions.

- Therefore, UFE recommends complementing the "energy efficiency first principle", as set out in the Energy Efficiency Directive, with a **CO2 non-degradation principle per kWh consumed**. This will ensure that any measure or action promoted by the EEFP will actually lead to a reduction of GHG emissions per unit of consumption. Such a principle will also support a quicker phase-out of fossil-fuel energies, which will bring tangible results on the national decarbonisation trajectories.

### 3. Improving the energy metrics

In the current Energy Efficiency Directive, **the approach based solely on primary energy creates structural disadvantages for electricity compared to fossil fuels**, and thereby acts as a barrier to electrification. In practice, most consumers are primarily concerned by their energy bill, which is linked to final energy consumption rather than primary energy. However, sole final energy is measured thanks to meters installed whereas primary energy is calculated using conventional hypothesis that may vary over time or according to political decision.

To ensure a fairer and more transparent framework, we support that final energy should systematically be reported in priority, alongside primary energy, to better reflect consumer realities and environmental impacts. This dual approach would also avoid distortions such as assigning different primary energy values to two buildings with the same characteristics (insulation, ventilation systems, etc.) or same measured final energy consumption, solely because of the energy carrier used.

### 4. Stimulating demand by reducing upfront investment costs for households

Electrification technologies often involve higher upfront investment costs for households than fossil fuel alternatives. The revised strategy should aim at bridging this gap:

- **By encouraging Member States to implement demand-side support mechanisms**, to support connection to an efficient district heating and cooling system, where relevant, and the installation of heat pumps everywhere else. A share of EU funds, including revenues from ETS 2, should be earmarked for financing them.
    - In this context, the French scheme **"MaPrimeRénov"**, which helps fund the replacement of gas or oil-fired boilers with heat pumps and the connection of households to efficient district heating systems, can be considered as a best

practice, provided that it is implemented with sufficient regulatory stability and that its envelope is not subject to budget cuts. **White certificates** are also becoming a key instrument in France, with the latest reform strengthening their capacity to support heat pump installations.

  - The European Commission should also encourage Member States to apply a reduced VAT rate to the purchase of all kind of heat pumps.

- By recalling the obligation for Member States **to stop providing financial incentives for the installation of stand-alone boilers powered by fossil fuels from 2025**, with a view towards a complete phasing out by 2040, as required in their national renovation plans under EPBD obligations, and urging the Commission to issue and enforce detailed guidance.

### 5. Reducing operating costs

Reducing operating costs of electric solutions would contribute faster to compensate the initial price gap with fossil fuel alternatives. To unlock investments and encourage consumers to switch to decarbonised energies for heating and cooling, UFE calls for:

- **Accelerating electrification**: to limit our exposure to prices linked to fossil fuel markets.
- **Reducing taxation on electricity**: which would have a direct impact on household energy bill and contribute to reduce energy poverty.
- **Increasing OPEX support for the industry**: notably through CCFDs, in particular for temperatures above 150°C, which provide visibility on the CO2 price and thus on the relative cost of fossil vs low-carbon heating prices. Such support should remain in place as long as the ETS does not provide sufficient incentives for the switch.

### 6. Support European value chains

The REPowerEU objective of deploying 60 million heat pumps by 2030 must not lead to new dependencies on materials sourced from third countries.

- **UFE recommends implementing eligibility criteria for accessing EU funds and public procurements, rewarding companies that integrate part of their value chain(s) in Europe**. It could take different forms, including:
  - **A percentage of CAPEX/OPEX associated with a European company.**
  - **The number of production stages performed in factories located in Europe** (e.g. based on the French “Induscore”).

Furthermore, considering the lack of a skilled workforce (e.g. heat pump installers), UFE calls for:

- The proper implementation of existing EU initiatives (e.g. NZIA industry academies).
- The mobilisation of EU funds to support training/reskilling programs in Member States.
- Creating an Erasmus for the energy transition.

## 7. Promoting consumption management systems

To optimise the integration of heat pumps into the electricity system and increase system flexibility, the strategy should aim at developing tools for managing heat pump consumption, notably through the implementation of a dedicated "**equipment voucher**" in Member States to support financially their installation.