

17<sup>th</sup> May 2022

# The perfect fit:

Shaping the Fit for 55 package to drive a climate compatible heat pump market

## Agora Webinar

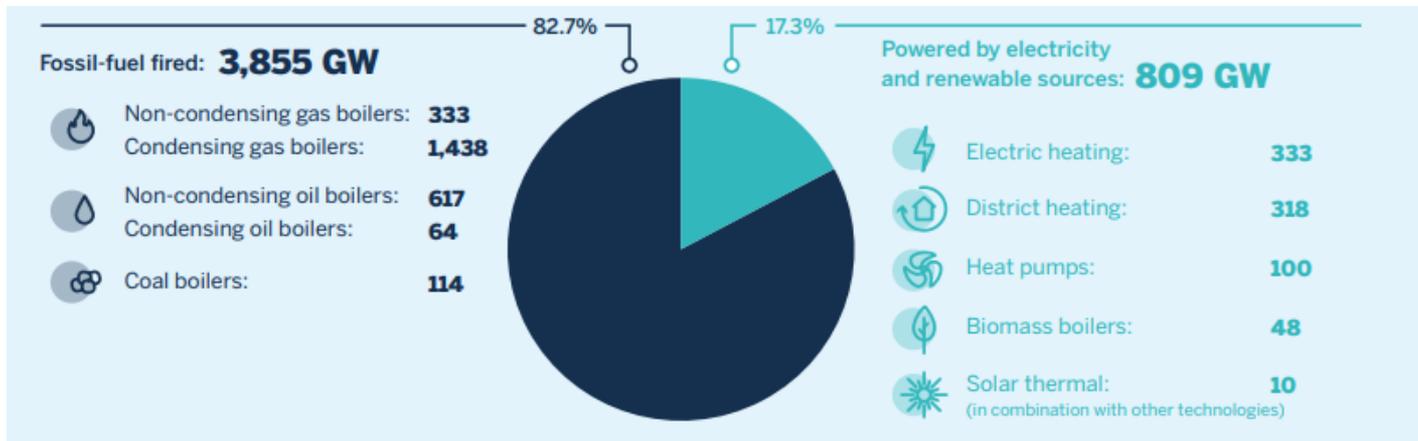
Dr Richard Lowes - RAP, Marie Baton - CLASP



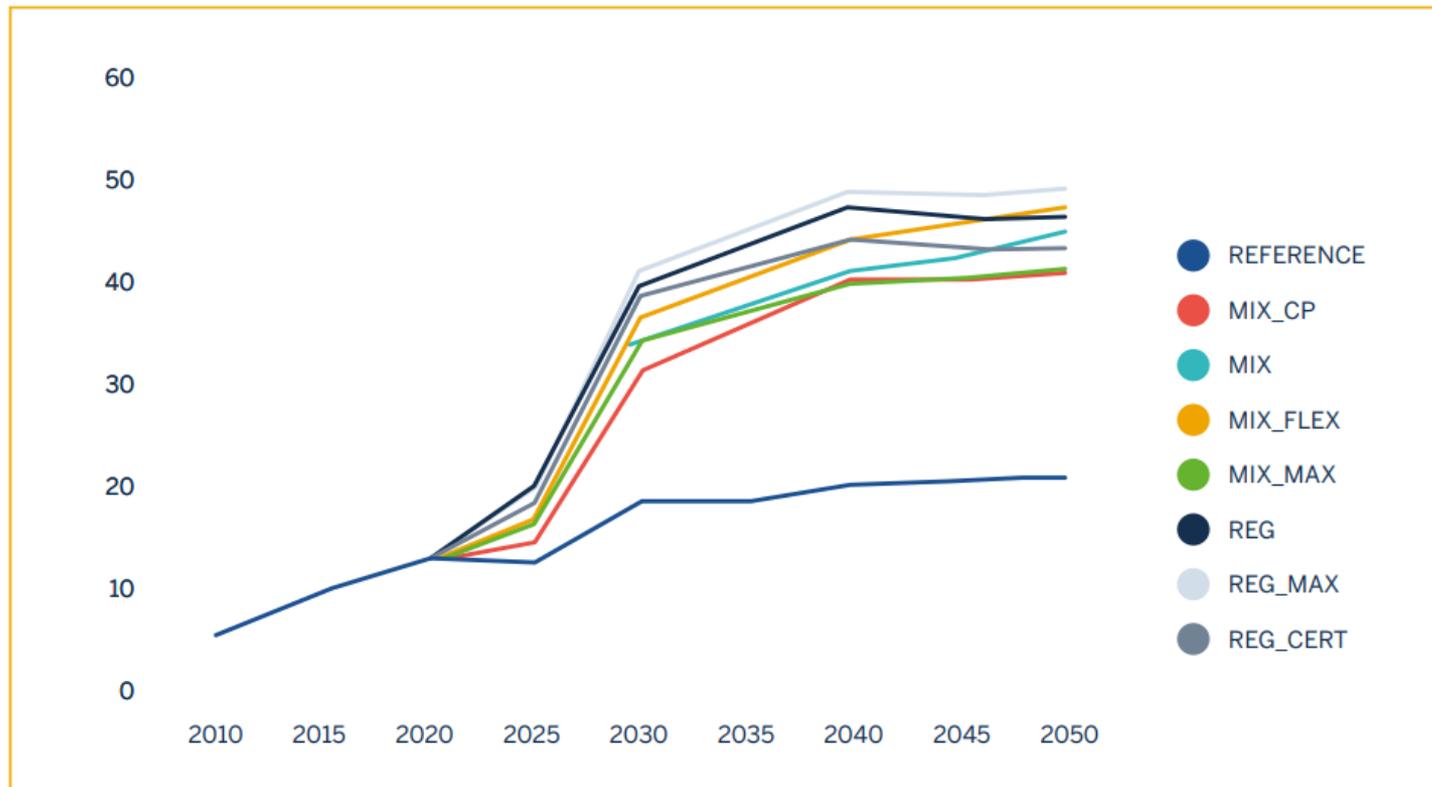
The slide content includes a header with logos for RAP, Agora Energiewende, clasp, GBPN, and CRUX ALLIANCE. The main title is "The perfect fit:" followed by the subtitle "Shaping the Fit for 55 package to drive a climate-compatible heat pump market". Below the text are four images: a close-up of a white LG heat pump unit, a modern building with a tall tower, a residential house with two heat pump units on the exterior, and a roof with solar panels.

# Overview

- The importance of heat pumps.
- Policy principles.
- The impact of Fit for 55 and proposals.
- What can Member States do now.



# Heat pumps are central to heat decarbonisation scenarios

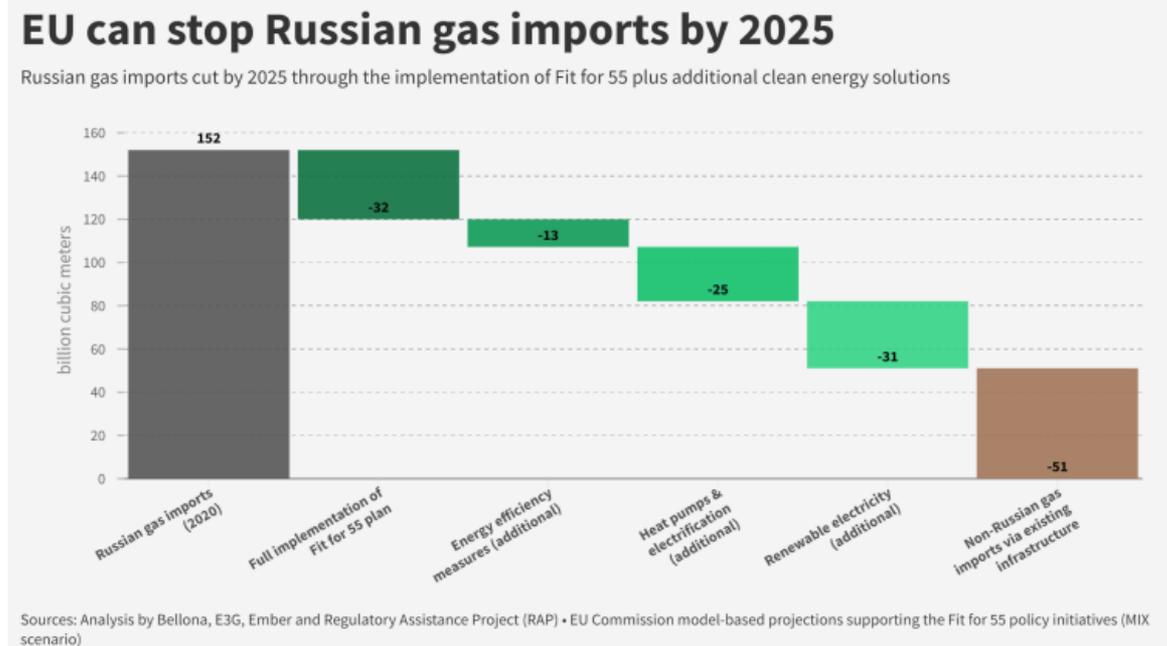


Source

Source: European Commission. (2021). *Impact Assessment on the Proposal for a Directive of the European Parliament and of the Council on energy efficiency (recast)*. Brussels, 14.7.2021 SWD (2021) 623 final PART 2/2

# Heat pumps are also a key tool for reducing gas demand

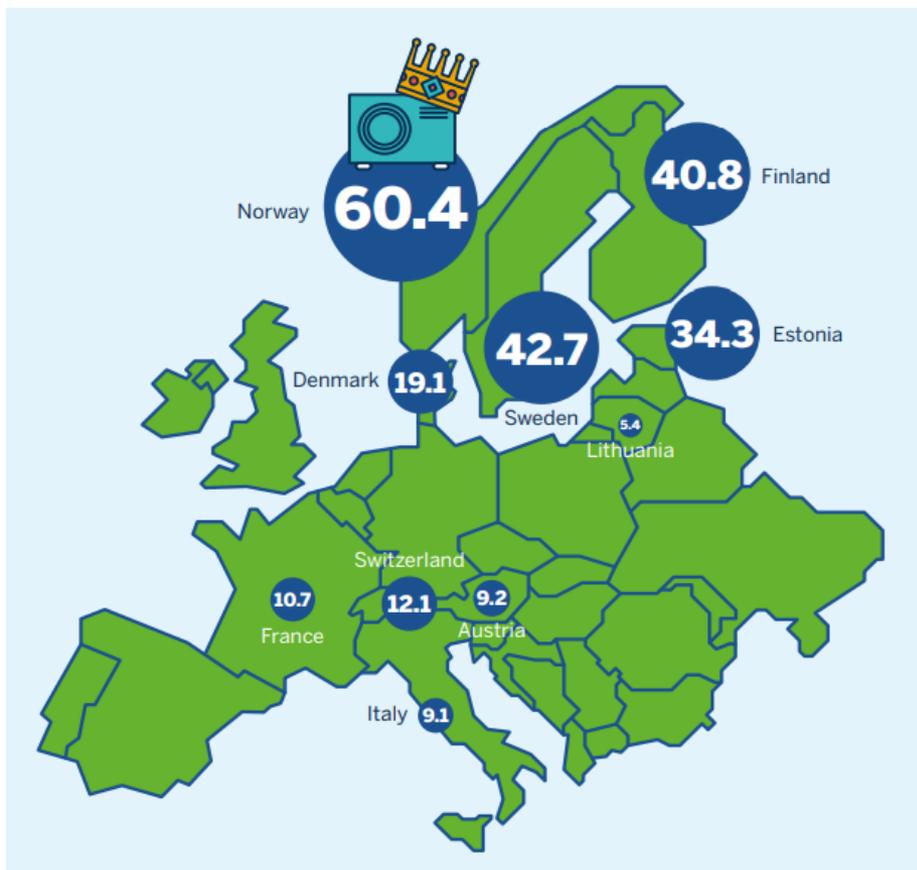
- REPowerEU proposes doubling Fit for 55 heat pump deployment rates.



<https://www.raponline.org/wp-content/uploads/2022/03/rap-e3g-ember-bellona-stop-russian-gas-2025-final2.pdf>

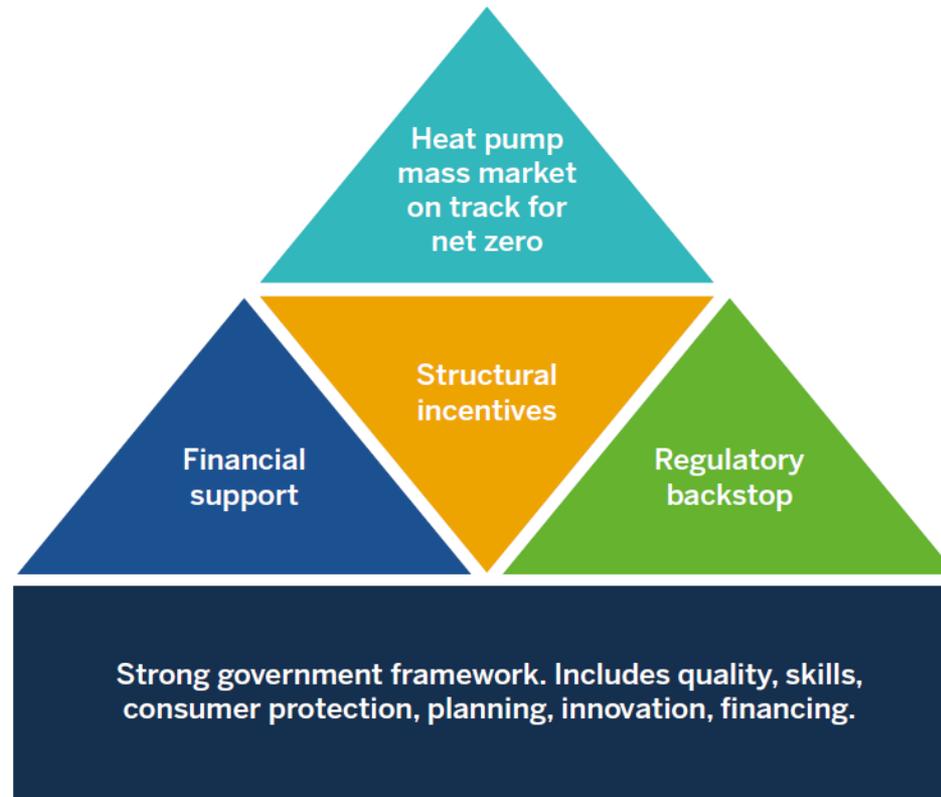
# What currently holds back heat pump deployment?

- **Economics;**
  - *Higher CAPEX and imbalanced energy prices.*
- **The existing policy; environment**
  - *Social license and even subsidies for fossil fuels.*
- **Incumbent heating infrastructure;**
  - *Network infrastructure*
  - *Technological familiarity.*



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# Evidence points to need for multiple policy reforms



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# The impact of the ETS 2 and ETD on pricing

- Both elements of package could shift running costs away from fossil fuels in favour of heat pumps.
  - Will ETS for buildings be maintained?
  - Will ETD reform see unanimous support?
- To support heat pump growth, both should be supported with **ETS** price cap.



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# RED and EED

- Both could support heat pump deployment.
  - RED looks to increase renewable energy target.
  - EED proposes to disallow savings from fossil fuel system upgrades.
- Treatment of bioenergy is a concern, cap would be sensible in RED.
- Energy savings target in EED could be stricter.



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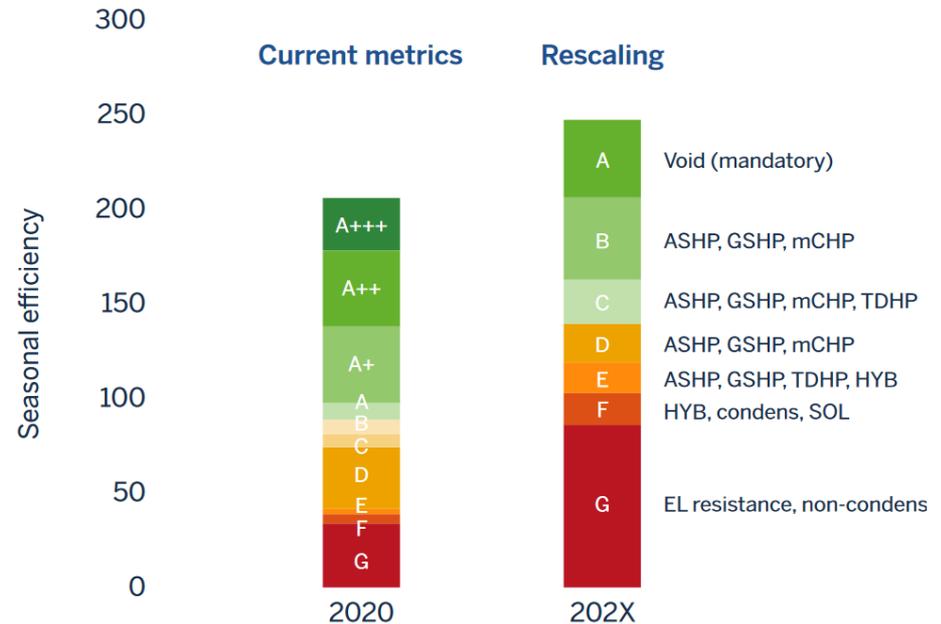
# EPBD

- New buildings: zero emission by 2030.
- Fossil fuel heating phaseouts by 2040.
- Should be brought forward to avoid lock-in effect.



# Labelling and ecodesign

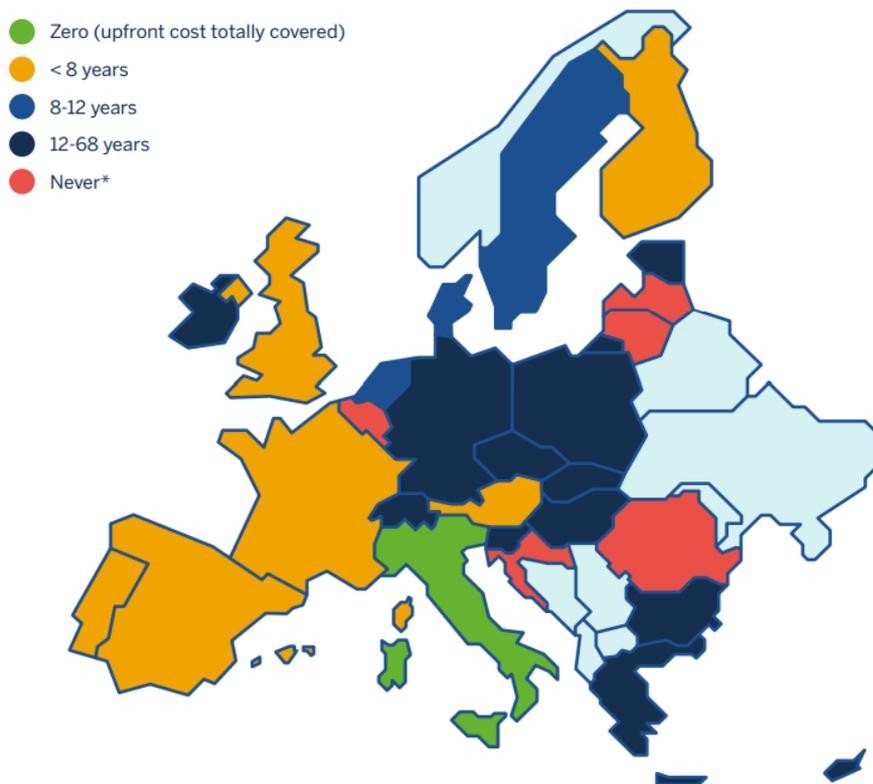
- Proposed **rescaling** of the energy label.
- Marking of ‘hydrogen ready’ boilers.
- Nothing to ban the installation of fossil fuel boilers.



- To better support the deployment of heat pumps, a **minimum efficiency requirement of 110% should be introduced** as soon as practical.

# Member State policy reform can come sooner

- Pricing strategies.
- Subsidy support.
- Regulation for bans.



**Germany's 'summer package' to focus on heating sector revamp**

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# Conclusions

- The centrality of heat pumps for heat decarbonisation and energy security increasingly recognised.
- Packages of policy measures are needed.
- The Fit for 55 proposals could drive the market.
  - Further reform is required for acceleration.
- Member States can act in advance.

# About RAP

The Regulatory Assistance Project (RAP)<sup>®</sup> is an independent, non-partisan, non-governmental organization dedicated to accelerating the transition to a clean, reliable, and efficient energy future.

Learn more about our work at [raponline.org](https://raponline.org)