



Designing an EU Clean Heat Market Instrument

Key considerations for an efficient design and a balanced policy mix

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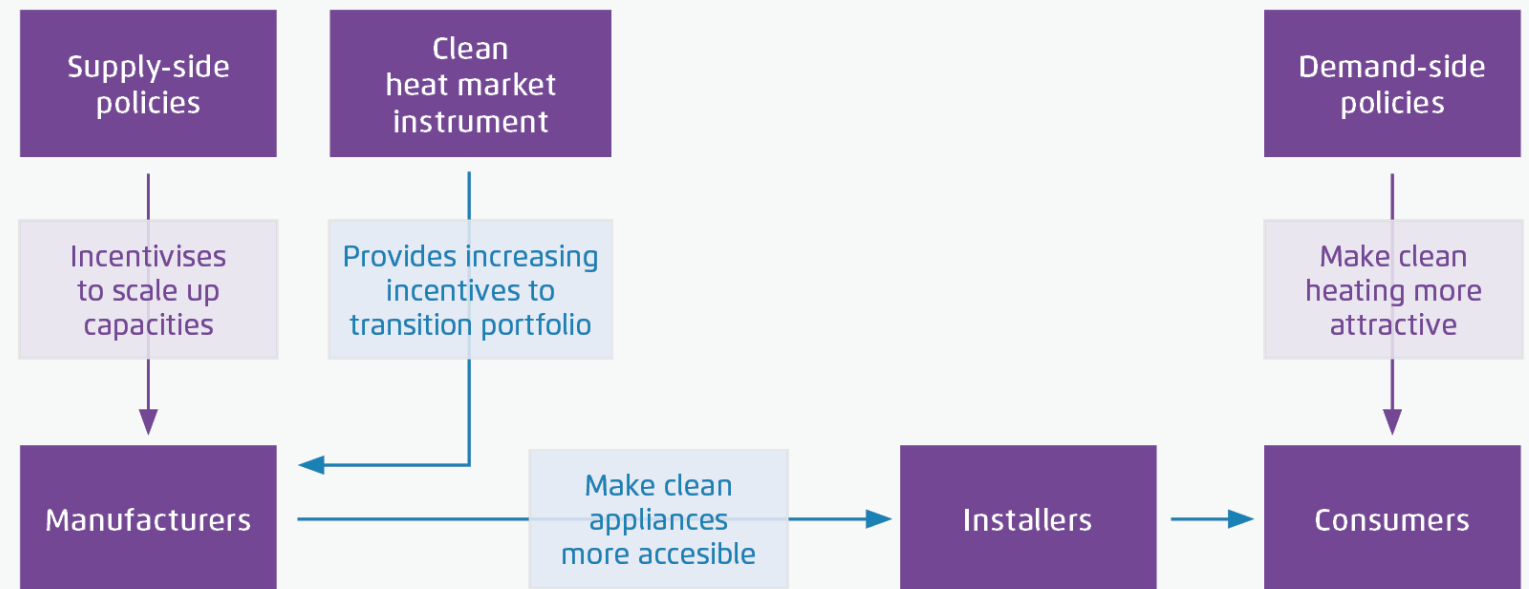
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A Clean Heat Market Instrument would represent an innovative new approach to EU heating policy

An EU Clean Heat Market Instrument would:

- 1. Obligate heating appliance manufacturers to report their annual sales of heating appliances;*
- 2. Publicly benchmark and disclose the performance of individual manufacturers and*
- 3. Apply performance-based charges to heating appliance manufacturers for each fossil boiler sold, while allowing for a partial recovery of these charges*

Clean Heat Market Instrument and traditional policy measures



A CHMI can serve as an important part of a strong post-2030 policy mix

How a CHMI could help to support the transition:

1.) **Activates market actors to make clean heating more accessible**

- Decreasing prices for clean appliances
- Improve technical support

2.) **Government commitment device**

- Signals government's dedication to clean heating goals
- Governments would be compelled to strengthen policy framework for clean heating

3.) **Increases effectiveness of carbon pricing while keeping ETS II prices in check**

- Complements carbon price with a corresponding price signal on heating appliances
- Additional installations of clean appliances reduce demand for certificates and thus prices in ETS II

A Clean Heat Market Instrument is no silver bullet

A CHMI cannot drive the transition on its own:

- Does not close pre-2030 delivery gap
- Does not address all market barriers

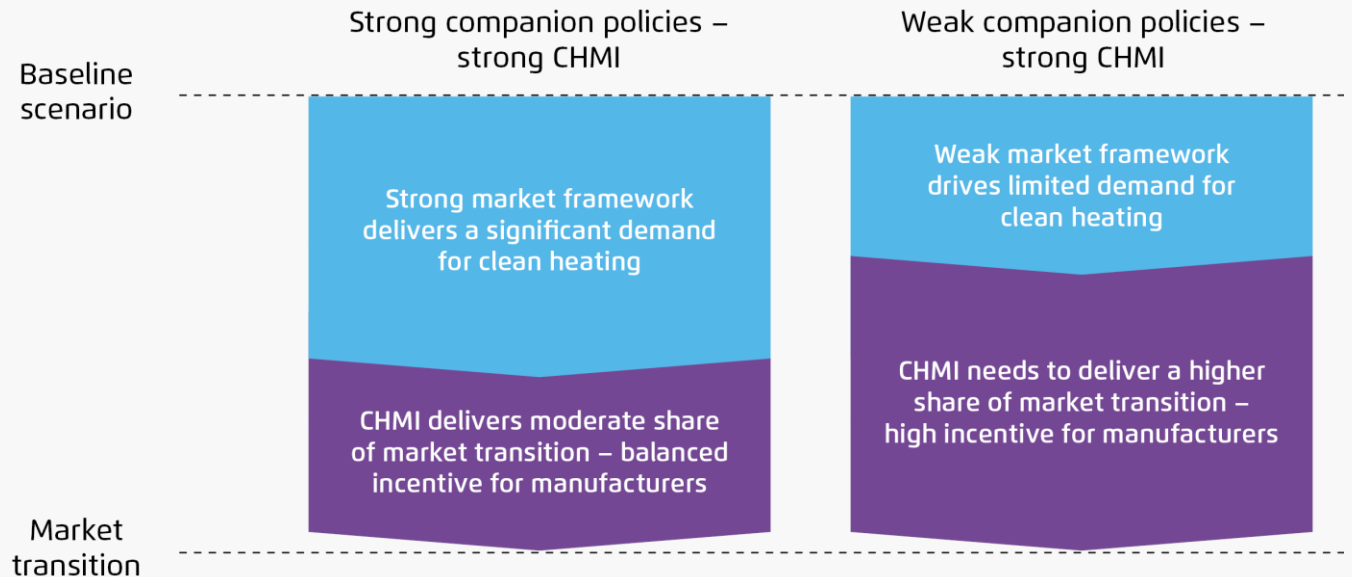
A balanced policy mix is required:

- Rebalancing energy prices for improving the market framework
- Providing targeted support to vulnerable households (e.g. through higher subsidy rates)

Early Action is needed:

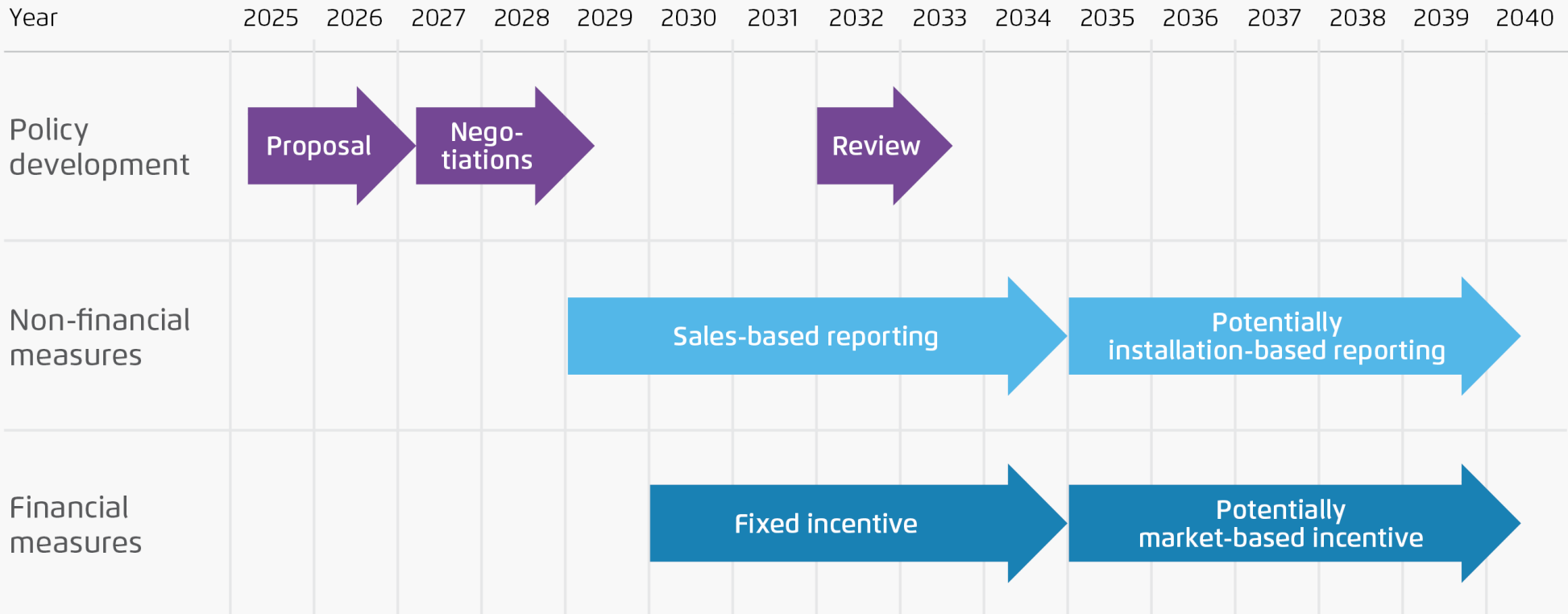
- Proper implementation of planned policies (esp. ETS II and Social Climate Fund)
- Rebalancing taxation for appliances and fuels

How the broader market framework influences the relative impact of a Clean Heat Market Instrument (CHMI)

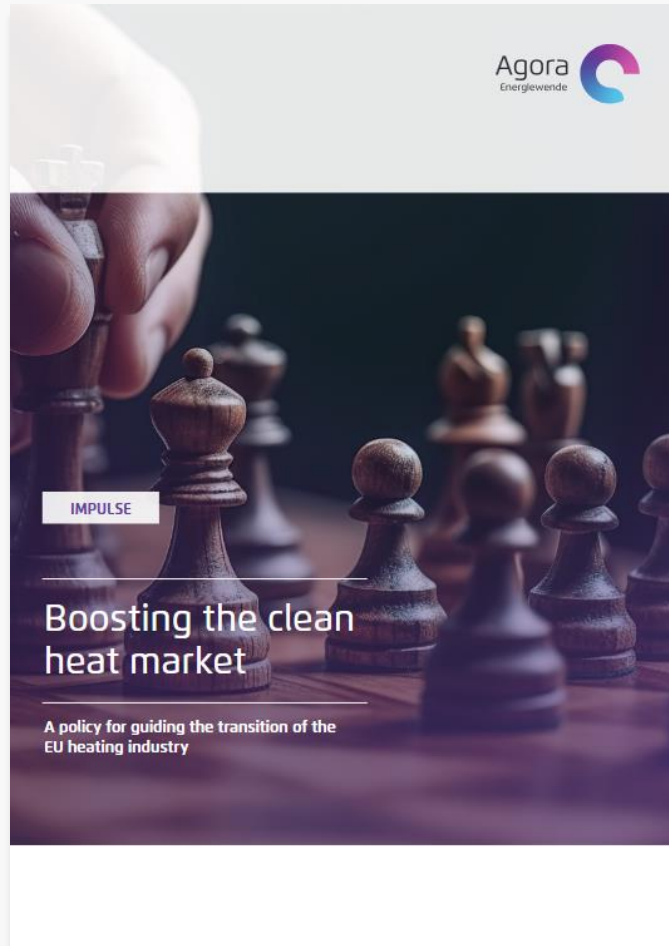


Timely action and a gradual introduction are crucial!

Potential timeline for progressively strengthening an EU Clean Heat Market Instrument



For more detailed design considerations, please check out our new report and accompanying LCP Delta research



Imprint

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