

The logo for the Cool Heating Coalition, featuring the text "Cool Heating Coalition" in white on a dark blue background. To the right of the text is a stylized graphic of a semi-circle with a red-to-orange gradient, resembling a sun or a flame.

Cool
Heating
Coalition

A photograph of a large stadium interior, showing the curved tiers of seating and the central field area. The image is partially obscured by a blue diagonal line and a blue rectangular area on the right side of the page.

POSITION AND RECOMMENDATIONS ON THE CLEAN INDUSTRIAL DEAL

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Position and recommendations on the Clean Industrial Deal

Brussels, January 2025

The Cool Heating Coalition (CHC) welcomes the European Commission's initiative for a Clean Industrial Deal building on the European Green Deal (EGD) and achieving a reduction in greenhouse gas emissions of at least 90% by 2040.

We concur with Commission President von der Leyen's political guidelines in seeing the following elements as the core of the Clean Industrial Deal (CID):

1. Decarbonisation of the economy
2. Affordability for the residential and private sector
3. Quality jobs
4. Industrial competitiveness
5. Staying the course for 2030 and beyond

We agree that the success of the CID relies on an unwavering commitment to the European Green Deal and urgently implementing the 2030 legal framework. We would like to take this opportunity to provide input on how this initiative can ensure continuity with the EGD and achieve these objectives in the heating and cooling (H&C) sector. We believe that for the heating and cooling sector, the following points are essential:

1. Support cleantech and electrification for decarbonisation
2. Directly target households, not just the industry for affordability
3. Social and environmental conditionalities for quality jobs and citizen-led projects
4. Correct the electricity-to-gas price ratio and more public investment for competitiveness
5. Ambitious implementation, a dedicated multilayered funding stream aimed at citizens and communities, no weakening of environmental and social protections to stay the course.

1. Decarbonisation of the economy

Heating and Cooling Decarbonisation Action Plan: H&C account for half of the EU's final energy consumption and about a quarter of CO² emissions. Accelerating action in this sector is a significant step towards decarbonising the EU economy and reducing energy use, supporting a sector where EU industry is currently leading while making the EU



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industries relying on H&C more competitive. The Commission must develop a Heating and Cooling Action Plan (HCAP) with ambitious market signals to ensure the sector is based on clean renewable energy (RE) sources and energy efficiency (EE) measures like renovations. This would contribute to meeting the EU's RE and EE targets and achieving the Net-Zero Industry Act's (NZIA) objectives. The CID can only be considered clean if it is based on RE and explicitly closes the door to all fossil fuels, contributing to the EU's energy security and independence. The priority should be to meet 100% of the EU's reduced energy demand through renewable energy by 2040.

We must accelerate the uptake of heat pumps, building renovations, and the development of RE-based district heating as well as other clean H&C technologies. The EU already has established manufacturing industries with quality jobs for these technologies. The CID and HCAP should foster demand for clean heating and cooling solutions to the benefit of citizens and industry – particularly those that do not contain HFCs, a group of potent greenhouse gases. EU and national authorities support direct electrification, geothermal, solar thermal, domestic storage, district heating, and energy efficiency measures instead of promoting non-competitive "low-carbon" heating solutions. Importantly, the CID needs to ensure investment in future-proof sectors and decarbonisation projects where the benefits are shared among the local population. To support the CID, a review of Ecodesign requirements to push energy-inefficient technologies like gas boilers off the market should happen as soon as possible.

No false solutions: we urge the Commission not to promote false solutions that prolong fossil gas use like "low-carbon gases" and refrain from the significant upscaling of prohibitively expensive technologies like Carbon Capture (Usage) and Storage (CC(U)S). Member States should not aim to decarbonise H&C by blending hydrogen into gas networks as this is the least cost-effective solution in almost all use cases and much needed to decarbonise other sectors.

Electrification Action Plan: Industrial electrification, too, can address multiple EU concerns including the decarbonisation of buildings. Progress in electrification has, however, stalled, with a share between 22%-23% over the past years. We welcome the prospect of an Electrification Action Plan as a pillar of the Clean Industrial Deal. This should be a comprehensive supportive framework addressing persistent barriers and providing investment incentives grounded in the Energy Efficiency First principle. It could include aspirational electrification targets in industrial processes to encourage investment or electrification indicators in the NECPs for long-term strategic alignment for RE-based electricity.



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An Industrial Electrification Alliance for collaboration among policymakers, industry, social partners, civil society, and the R&D community should support creating the right enabling conditions for competitive, renewable energy-based electrification of European industry. This should focus on H&C processes still largely relying on fossil fuels, which account for over half of the final industrial energy consumption.

Growing electrification requires rapid investment and scaling up electricity-based technologies also for high-temperature process heat. Dedicated support schemes to de-risk and support operating costs can support this. Monitoring structures should be established to track how qualified and available the workforce is for manufacturing, installation, and maintenance. Funding instruments like the Innovation Fund should support SMEs in their transition.

The electricity grid needs substantial investment and careful management of current capacity to avoid congestion. A coordinated and ambitious implementation of the EPBD with the legislation on the Electricity Market Design can help unlock the flexibility potential of buildings toward the grid. A legislative framework rather than a voluntary code of conduct is needed to unlock consumer power through residential demand-side flexibility, where devices support the grid in a future-proof and interoperable manner. The European Customer Energy Management Data Model (S2) standard EN50491-12-2 is the most desirable way to communicate the flexibility potential of all devices to a central energy management system (EMS).

2. Affordability for the residential and private sector

Heating and cooling is a major expenditure for European households, accounting for 80% of their energy usage. Decarbonising H&C is an opportunity to reduce energy bills, increase citizens' health, and reinvigorate local economies next to reducing energy demand. While the EU cleantech industry certainly needs support and policy certainty to ensure its continued success against international competition, the best way to do so differs for each sector. **For the heating and cooling sector in particular, financial support for households to purchase clean technologies with a strong European manufacturing basis, like heat pumps and solar heat, is a way to achieve durable affordability gains.** With production capacity more than sufficient, the H&C industry's needs lie more in driving demand than in strengthening manufacturing. Accessing clean H&C solutions remains difficult for many due to high upfront costs, leaving them unable to enjoy the financial benefits of long-term energy savings. Demand-side measures aimed at reducing up-front and running costs are a precondition to lowering household energy bills and increasing uptake.



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Electricity is currently heavily taxed, with taxes 3.5 times higher for industrial consumers on electricity than on gas. Price signals should be corrected as part of the Action Plan for Affordable Energy to favour clean technologies over fossil-fuelled ones. Member States should give citizens access to dynamic electricity contracts,¹ enabling them to benefit from the electrification of H&C. Europeans are already entitled to dynamic price contracts, but these offers are not always available; “hybrid” electricity contracts combining fixed and dynamic elements could alternatively be promoted too. Revising the Mortgage Credit Directive would also help households by making green investments more financially attractive, incentivizing private sector involvement.

Revenues from the extension of the Emissions Trading System to road transport and buildings (ETS2) should be fully targeted to citizens, especially through measures that empower and shield them from abuse of stronger carbon pricing on energy bills to enable the transition to energy-efficient housing and clean H&C.

3. Quality jobs

To mobilise all stakeholders for the Clean Industrial Deal, as referred to in Von der Leyen’s political guidelines, both workers and citizens can own and participate in the transition. **Civil society organisations and social partners like trade unions, should be an integral part of the CID’s governance.** A failure to include diverse voices will result in an initiative that might be industrial but will be neither clean nor a deal. If partial views gain an outsized influence over the CID, it will not succeed in growing quality jobs and its success will be undermined.

Member States should roll out ambitious training programmes for installers and retrofit workers and develop quality certification schemes to increase consumer confidence in installations. For example, low-GWP natural refrigerants would ensure that the decarbonisation of H&C continues at pace as heat pump manufacturers transition away from HFCs. **Companies should be incentivised to meet social criteria**, such as:

- Creating quality permanent jobs with fair wages and working conditions;
- Targeting support to social enterprises and other social economy actors, such as cooperatives and energy communities;
- Reinvesting profits into productive activity such as R&D;
- Fair benefit-sharing with local communities, e.g. in RE projects and new jobs;

¹ Under dynamic electricity contracts, prices fluctuate, with lower tariffs during off-peak hours and higher tariffs during peak hours.



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- Employing people facing discrimination in the labour market (e.g. long-term unemployed, people with disabilities, ethnic or racialized communities).

4. Industrial competitiveness

To preserve the EU's long-term competitiveness, the bloc's industrial strategy must centre on the European Green Deal to stimulate the production of and demand for net-zero technologies, end our fossil fuel dependence, and increase energy and material efficiency. While it requires upfront investments, non-EU competitors are also deploying cleantech at a breakneck pace. The EU needs to maintain its lead to stay competitive. Boosting cleantech demand requires the right enabling conditions, like easing Europeans' access to financing and correcting contradictory price signals.

Electrification of industry and residential heating and cooling requires a competitive renewable electricity supply across regions, and competitive compared to other energy resources like gas. Ahead of an agreement in the Council on the Energy Taxation Directive's revision, the European Commission should already issue guidance on addressing high electricity charges and levies by removing unnecessary levies from bills and ensuring preferential treatment for RE-based electricity as part of the Action Plan for Affordable Energy. Additionally, the Commission should lead a concerted action with those Member States willing to lower the taxation on electricity used for heating and cooling to the current minimum to stimulate change.

As argued in the Draghi report, there is a substantial need for both public and private investment. **EU financial instruments, particularly a potential new EU fund for competitiveness, must come with strong social and environmental conditionalities** and must allow for cities and regions to receive direct support as public investment has a responsibility to bring returns for society at large.

Europe-wide minimal harmonised conditions tied to tangible benefits for people, workers, and the environment would establish a level-playing field between Member States. The EU should develop a profit-sharing mechanism in case of excess profits by firms benefiting from public support similar to the requirements included in the US Chips and Science Act. A temporary ban or limits on dividend payments and/or share buybacks should likewise be considered under certain conditions to incentivize reinvesting profits in operations, innovation, or the workforce.



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5. Staying the course for 2030 and beyond

The Clean Industrial Deal should continue on the path set out by the European Green Deal and the Fit-for-55 Package. The Commission should provide guidance to Member States where needed, such as the development of local heating and cooling plans, support financing initiatives and sharing best practices to accelerate the uptake of clean H&C systems. The Commission must work to fully implement the F-Gas Regulation to ensure the transition to clean H&C delivers the greatest possible reduction in greenhouse gas emissions.

Sufficient funds must be allocated to H&C decarbonisation under the MFF to unlock the sector's energy security, climate and health benefits. This would be supported through the realisation of ambitious National Building Renovation Plans. **A streamlined, multilayered dedicated fund stream for heating and cooling could be matched by national and private finance to benefit citizens and communities alike, greatly improving the image of the European institutions and conveying a positive message around the Clean Industrial Deal.** Spending should be socially targeted to cover decarbonisation costs for citizens for whom individual and private investments are not an option.

The new Commission has emphasised the need for regulatory simplification. This should be achieved with parsimony, i.e. helping businesses meeting requirements efficiently without compromising on environmental and social protections. **Simplification should not, however, become a euphemism for regulatory rollback. Businesses need stability and clarity to invest. Flip-flopping provides the opposite and so is not simplification.** Worse, it could keep EU industry reliant on old technologies that will become stranded assets quickly.

The CID can increase cohesion and build tomorrow's economy by aligning minimum social and environmental conditions for public procurement, state aid, and EU grants, loans and de-risking tools. Examples of minimum criteria for public support for companies are:

- Strict respect for the do no significant harm (DNSH) principle;
- Publicly available transformation plans at the installation level (as per the Industrial Emissions Directive), to increase energy and resources efficiency, phase out fossil fuels by switching to renewable energy sources;
- Compliance with minimum social and labour standards (as with the CAP), in particular:
 - Engagement in collective bargaining, respecting collective agreements;
 - Support upskilling and reskilling of workers;



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- No relocations to third countries with lower standards.

6. About the Cool Heating Coalition

CHC is an umbrella organisation of 16 NGOs and think tanks working to realise decarbonised, renewable, and affordable heating and cooling across the EU by 2040. Our H&C needs must be met in a way that advances affordability, security, health, and climate action.