The next MFF must keep Europeans warm

POSITION PAPER

Cool Heating Coalition

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Decarbonised, renewable and affordable
heating and cooling for all.

The next MFF must keep Europeans warm

Decarbonise heating and cooling while boosting security, competitiveness and affordability

The **Cool Heating Coalition**, the civil society voice on the heating and cooling transition, believes the 2028-34 **Multiannual Financial Framework** (MFF) should set the path for a decarbonised, prosperous and resilient Europe and support the targets of the European Climate Law, Fit for 55 legislation and the European Pillar of Social Rights. While recent years showed the EU budget's power in responding to multiple challenges, it also stretched the budget to its limits. **Such increasing expectations for EU action also imply a need for improving and expanding the budget.**

Current challenges, from climate change to energy poverty, are primarily not addressed by the MFF, but directly affect European citizens. They too are being stretched to their limits. However, in the face of geopolitical turmoil, there is a temptation to centre high politics and industry in the next MFF. **The biggest mistake to make right now would be an EU budget tailored to board rooms while losing sight of living rooms. The next EU budget must be close to citizens.**

Without adequate financial means, the transition to a climate-neutral, secure, and healthy society will be little more than good intentions. While the EU has put considerable means behind climate action, the estimated EU's climate investment deficit to meet the 2030 EU climate targets remains €344 billion per year. For buildings specifically, the Commission previously identified the need of additional annual investments of EUR 275 billion to adhere to the 2030 climate target.[1] The cumulative investment gap needed for climate neutral buildings has been increasingly growing, falling short of required amounts.[2] This underlines the need for the MFF to streamline climate finance and to allocate specific funds to support the transition for citizens, including **a successor to effectively continue national climate investments once the Recovery and Resilience Facility ends in 2026**. The Social Climate Fund can only partially fill the gap for the most vulnerable households. For achieving a socially fair transition, lowest-income households living in worst-performing buildings should receive dedicated funding for the renovation of their homes. Residential energy saving and other measures should be implemented in priority or at least proportionally among vulnerable households.

Support for warmer and better buildings can bring social benefits, including improved health from better indoor environmental quality, as well as large economic benefits to the EU, such as an

[1] Renovation Wave (COM(2020) 662 final), 3.2. Reinforced, accessible and more targeted funding.
[2] BPIE (2024), Building Climate Tracker 3rd Edition identified the required total of cumulative investments for the 2015-2022 period is only covered up to 60.6%. By 2022, investments reached just €2,629 billion (in 2015 EUR), falling far short of the €4,335 billion target.

increase in productivity in workspaces, amounting to EUR 40 billion a year.[3] Additionally, better buildings can contribute to reduced fossil fuel use and imports, helping the EU in achieving the strategic goal of energy security.[4]

The European Competitiveness Fund and the National and Regional Partnership Plans should finance investments in the transition targeting energy renovations and the uptake of renewable heating and cooling solutions. The MFF should **prioritise households which are low-income and lack access to private finance**, via strong ring-fencing mechanisms and social safeguards. Additionally, the MFF needs to ensure a general transition to decarbonised and renewable heating and cooling solutions with a **dedicated Keep Europeans Warm Facility**. This facility should cover investments from closing skill gaps to leveraging more private investment into the transition thereby serving all three aims of EU energy policy: affordability, security, and sustainability.

Increased expectations for EU action, the funding gap for the transition, and the repayments for NextGenerationEU call for an increase of the EU budget. **We call for an increase of the €2 trillion[5] EU budget and for earmarking at least half the budget to climate action to deliver on the European Climate Law and Fit for 55 legislation.**

I. Recommendations for the 2028–34 MFF

1. **Dedicate at least 50% of the future MFF to climate and nature-related investments** for sufficient financing to reach net zero by 2050. Under the current proposal, €700 billion out of the €2 trillion-strong EU budget would be earmarked for green investments which, adjusted for inflation, represents a reduction compared to the past EU budget period.[6]
2. **Provide robust access to cities and regions.** The Competitiveness Fund, and Horizon Europe should remain accessible to cities and regions supporting the administrative and technical capacity of sub-national administrations. If action against national authorities is needed, such as under the rule of law conditionality, regional and local governments should still access EU funding, in respect to their roles and responsibilities, to maintain progress on the EU's long-term strategic priorities and goals.

[3] BPIE (2024), Healthy Building Barometer.
[4] BPIE (2023), How to stay warm and save energy.
[5] €2 trillion in current prices amounts to only EUR 1.763 trillion in 2025 constant prices, equal to 1.26 % of EU GNI, with 0.11 % being allocated to NGEU repayments. This results in a token increase for EU programmes of less than 0.01 percentage points of GNI, effectively freezing the budget in real terms, as argued in the EP's draft interim report.
[6] In 2018 prices, the 2021-2027 budget, with the post-COVID-19 recovery fund Next Generation EU, has earmarked a total of €577.5 billion for green objectives, which in 2025 prices translates into €750.2 billion. In short, despite headline figures, the current proposal fails to increase available finance for climate and other environmental objectives.

3. **Keep the Just Transition Fund.** Its merger into 'National and Regional Partnership Plans' doesn't do justice to the specific needs of the regions, sectors and workers most-affected by the transition. To ensure the continuation and expansion of just transition efforts in existing and newly identified just transition regions, regional and territorial chapters within the NRPPs should be mandatory.
4. **Make multilevel governance requirements mandatory** for effective implementation and resilient public governance structures. Support community-based, citizens-led approaches to enhancing the effectiveness, legitimacy, and territorial cohesion of EU actions. Ensure that every Member State establishes a multi-level energy and climate dialogue as a place for stakeholder participation in drafting the National and Regional Partnership Plans.
5. **Use the 'Do No Significant Harm' principle effectively** to have the EU budget focus on mitigation or adaptation measures, effectively ensuring long-term viability of expenditure. The approach proposed by the Commission entails significant risks of greenwashing, double accounting, and "exemptions" which open the door to fossil fuel subsidies through loopholes. Stricter definitions for "green investments", such as through an exclusion list of activities that can never be supported can address this.

II. Recommendations for the European Competitiveness Fund

1. **Create a dedicated €34 billion Heating and Cooling Facility within the Competitiveness Fund.** The heating and cooling (H&C) sector accounts for half of Europe's energy use and 27% of CO_2 emissions, and is one of Europe's biggest untapped decarbonisation opportunities. Our latest study shows that an additional €78 billion of public and private annual financing would enable a fully clean residential H&C sector by 2050. Clearly, a €26 billion window for the Clean Transition and Industrial Decarbonisation would not be enough to boost European leadership in the clean tech industry. Instead, we recommend dedicating €34 billion[7] to a Heating and Cooling Facility with additional investment from the National and Regional Partnership Plans. Public finance should be used to leverage private investments.
2. **Provide effective support for clean tech with a €50 billion ECF InvestEU Instrument, and a €10 billion 'Clean tech Guarantee Facility'.** This will result in more funding for strategic net-zero technologies.[8] The Commission has estimated that to scale just six critical clean

[7] Applying a 20/80 ratio of public to private investment to the annual financing gap of € 78bn results in a €16bn additional annual public finance or €112bn over 7 yrs. As e ECF amounts to about ⅓ of the combined budget of the ECF and NRPPs, €34 billion should be dedicated to H&C under the ECF.

[8] The commission estimates €92 billion over the period 2023-2030 investment needs associated with boosting EU manufacturing capacity for a part of strategic net-zero technologies, focusing on wind, solar PV, heat pumps, batteries, and electrolysers.

technologies[9] made in Europe, a total of €16 to €18 billion in public support would be needed by 2030. For 10 critical technologies,[10] the public funding gap is at least €37.8 billion by 2030. This gap could double when other technologies needed to deliver a net-zero emissions economy are included.[11]

3. **Create predictability by setting a binding budget for** the Clean Transition window under the Competitiveness Fund, sending a positive signal to manufacturers and citizens.
4. **Strengthen the role of end-consumers in the Competitiveness Fund.** To deliver an effective growth strategy for European clean tech and support mass commercialisation, the Competitiveness Fund should focus more on end-consumers. The Fund should offer low-cost, asset-specific, retail financial instruments that cover decarbonisation and energy efficiency gaps, particularly in housing, heating, and cooling. Funding spent on supporting the European clean tech industry will be wasted if end-consumers, households, or energy communities, are not incentivised, or able, to buy European clean products. Retail instruments can be kickstarted with some contributions from the Clean Transition window, and should be enhanced with national contributions from National and Regional Partnership Plans or national budgets, while guaranteeing a fair distribution across income groups and preparing homes for clean tech uptake by dedicated funding and sharing benefits generated through EU funding in clean tech industry.
5. **Exclude fossil fuel projects from public funding.** The Competitiveness Fund should only finance clean technology as defined by the NZIA. In regard to H&C appliances, geothermal, solar thermal, non-polluting district heating networks and heat pumps should be eligible for financial support. Public procurement should prioritise clean tech made in Europe. We urge the Commission to put a halt to all subsidies for fossil fuels and instead redirect these subsidies to support clean technologies that people benefit from both in terms of their health and their energy bills.
6. **Fund the Social Economy.** In 2021 the Social Economy in the EU had a turnover of €912.9 billion, almost as much as the automotive sector. From housing associations to ethical banks and energy communities, social economy actors can drive strong and locally rooted economic growth (for example community energy projects have a leverage factor of x30-60). The Competitiveness Fund should explicitly provide support directly to social economy actors, as well as facilitate collaborations with traditional industry.

[9] For wind, solar PV, heat pumps, batteries, electrolysers and CCS.
[10] For on-shore wind, solar PV, heat pumps, hydropower, battery cells, electrolysers, biomethane, CCS e-SAF and maritime e-fuel.
[11] Such as long duration energy storage, grid upgrades, green steel, alternative cement, carbon removals, etc.