# How Czechia can unlock the capital its clean heat transition needs

Czechia can fully decarbonise its heating system by 2050 and come out €5.1 billion better off.

Close to 80% of Czech homes still rely on fossil fuels today, and 27% will still be by 2050 on the current trajectory.

Getting Czechia onto a fully decarbonised pathway means closing an annual financing gap of €1.5 billion.

Closing that gap requires

- Narrowing the "spark gap": the unfavourable electricity-to-gas price ratio
- Committing district heating to a fossil-free future
- Unlocking new capital through measures including a first sovereign green bond
- Making sure 2025's reforms to the green subsidy scheme are actually working, and intervening if not

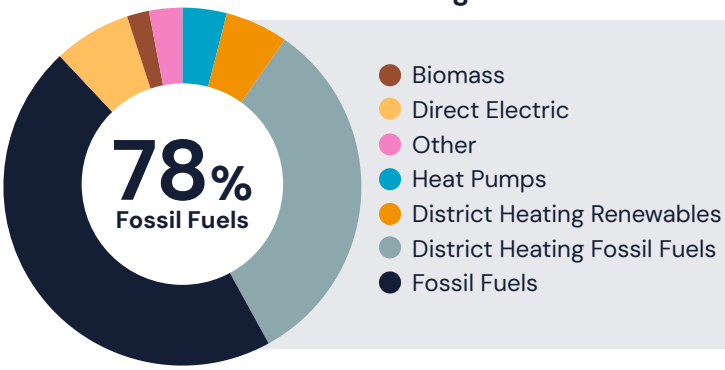
## From fossil fuels to a decarbonised district heating system

Close to 80% of Czech homes are fossil-heated, while heat pumps remain a small share.

District heating plays a major role partly because of the formerly centrally planned economies and residences, including that many people live in high-rise apartments with no room for a heat pump.

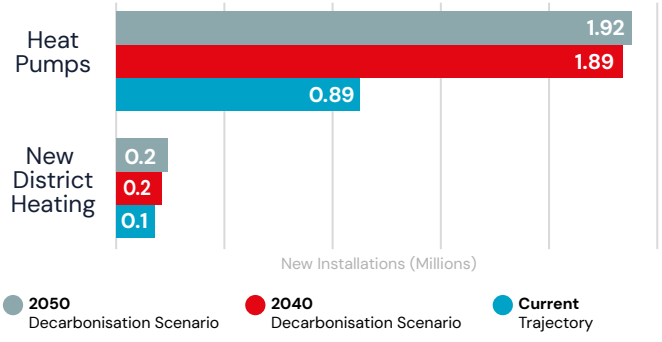
Decarbonising the networks themselves, not just households, is crucial to Czechia's path.

### 2024 heating mix in Czechia




## The scale of opportunity in Czechia

### Heat pump and district heating installations needed to hit 2040 and 2050 targets



If Czechia ramps up its home heat pump installations – from 0.89 million on its current trajectory to 1.92 million by 2050 – it can achieve full decarbonisation of its heating system.

Within the Czech context, funding for district heating networks to move away from fossil fuels will prove essential to hitting the 2050 target.

## The switch to clean heat unlocks €5.1 billion by 2050

Once investment and running costs are counted together, Czechia ends up **€5.1 billion** net ahead by 2050, even before health and climate benefits are included.

- Gas boilers cost 18% more to run than heat pumps, and old fossil fuel equipment needs replacing anyway.
- Czechia's transition will cost €50 billion by 2050, or roughly €1.8 billion a year.

# Unlocking the capital for Czechia's clean heat transition

To close its financing gap and realise the savings from a full transition in heating and cooling by 2050, Czechia should:

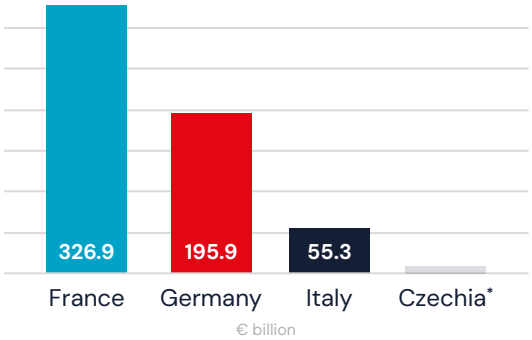
1. **Close a €1.5 billion annual gap** between current public-private financing and what full decarbonisation requires.

2. **Find genuinely new funding.** Redirecting Czechia's fossil fuel subsidies would cover roughly two-thirds of the public financing needed but fully closing the gap requires genuinely new capital.

# Green bonds: an untapped source of capital for Czechia's clean heat transition

Czechia has financial levers available, including carbon-allowance revenue, targeted household subsidies, and the bond market.

## Green bonds issued by public entities




Czechia is the only one of the seven member states studied that has yet to issue a government green bond, while peers have collectively raised significant capital this way.

A first issuance would build investor confidence and help unlock the private capital needed to close the financing gap.

*Czechia has not issued significant green bonds to date.

# Recommendations for Czechia

- **Commit to a long-term policy of district heating decarbonisation,** giving investors the certainty to fund it at scale.
- **Fix the funding gap with new capital,** including sovereign green bonds.
- **Cut VAT on household electricity from 21% to 5% for heat pump users** as already allowed under EU law to make clean heating a genuine price competitor to gas.
- **Assess the New Green Savings Programme early:** Czechia streamlined this household energy-upgrade subsidy in 2025. Verify soon whether it's actually easing the burden on households, and adjust quickly if not.

Decarbonising residential heating and cooling (H&C) is vital to achieve EU energy security and climate goals. The financing of upfront costs is key to its success. Right now, there is a financing gap. At the EU level, an additional €78bn of annual funding is required for Europe to decarbonise its H&C by 2050. At the same time, Europe continues to subsidise fossil fuels. In 2023 alone, this amounted to €111bn. Europe can afford to reprioritise and support clean heating.

The Cool Heating Coalition commissioned the study 'How to finance Europe's heating and cooling transition', carried out by LCP Delta, to map how Czechia, France, Germany, Italy, the Netherlands, Poland, and Spain can decarbonise residential heating and cooling by 2050. Modelled transition costs use 2025 prices, while fossil-fuel subsidy figures use 2023 prices.

Cool Heating Coalition

LCP Delta

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