

# Stakeholder consultation on the Draft Terms and Conditions (“Draft T&Cs”) for the 2026 Innovation Fund auction for industrial process heat decarbonization (electrification and use of direct renewable heat)

## Feedback table

---

### Instructions

Thank you for taking the time to provide written feedback on the **Draft Terms and Conditions (“Draft T&Cs”) of the 2026 Innovation Fund auction for industrial process heat electrification**. We would also like to invite you to our workshop on **7 July 2026**, where we will present the draft T&Cs and answer questions you may have.

We invite you to provide your structured feedback in the below table on the different design elements of the auction. Your feedback will be taken into account for the publication of the final T&Cs. We are asking you also some additional questions in the below table to seek your feedback on specific design elements. Given the high number of interested stakeholders and our ambition to review all relevant feedback in very short time, please mind the following:

- Short, concise feedback, e.g. in bullet points is sought. If you have overall, high-level feedback, please provide it at the beginning restricting yourself to a few paragraphs.
- Please substantiate your feedback with evidence, wherever possible.
- Don't feel obliged to provide feedback on all points in the table.
- Please indicate what type of stakeholder you are and whether you intend to bid

**Please send your feedback via email to [clima-auctions@ec.europa.eu](mailto:clima-auctions@ec.europa.eu) by 2 July 2026.**

## **Table of contents**

Information about the respondent and general feedback.....	3
I. General auction design elements.....	6
II. Qualification requirements .....	11
III. Design elements defining the auction procedure .....	14
IV. Design elements defining rights and obligations.....	15
V. Mandatory documents necessary for the assessment of qualification requirements..	20

## Information about the respondent and general feedback

**Name:** Arianna Avallone

**Position:** Policy Advisor Energy Systems

**Company / Institution / Member State:** Bellona Europa

**Type of Stakeholder (e.g. “industrial company using process heat”, “industrial process heat technology provider” (e.g. heat pumps, electric boilers, direct renewable heat solutions, etc.), “Member State”, etc.):** NGO

**Intention to bid in IF26 decarbonized heat auction (yes/no):** No

### **General feedback (optional):**

**Bellona Europa welcomes this auction for the second year as it is pivotal to decarbonise the electrification of industrial processes.** This is fundamental to achieving the EU’s climate neutrality target by 2050, as well as making European industry more competitive. We agree on the urgent need to help industry reduce CO<sub>2</sub> emissions and energy consumption through the use of electrified or direct renewable process heat technologies.

It is crucial that electrification continues to be promoted beyond this auction. We call on the Commission to continue encouraging Member States to adopt similar support mechanisms. Supporting the installation of new technologies with public funding helps industries to achieve reduce investment risk and contributes to a just transition by promoting green employment.

**However, we would like to highlight some changes that would enable us to set a stronger, more ambitious target for this auction.**

1. **The consideration of indirect emissions is crucial to ensure this auction delivers a reduction in greenhouse gas emissions.** Calculating CO<sub>2</sub> abated without considering indirect emissions from electricity risks defeating the purpose of the auction. This is because in some bidding zones with carbon-intensive electricity its use to replace gas may result in higher overall emissions for a given project.

In the Excel file hereto attached, we provide a quantitative analysis to show the amount of indirect emissions produced by the alternative technologies included in the auctions. The calculations are made on the basis that an industrial process would be electrified by replacing their gas boiler with another technology. The alternatives we considered are heat pumps, electric boilers, resistance heating and induction heating.

As shown in the tables below, in some EU countries, replacing gas boilers with electric boilers can lead to an increase in the carbon emissions when taking into account the carbon intensity of national grids. This proves the importance of considering indirect emissions in the context of this auction.

**Table 1: emissions reduction potential from replacing gas boilers with different technologies (negative values indicate the emissions would increase by replacing a gas boiler by the mentioned technology)**

	Reduction potential with different technologies [CO <sub>2</sub> eq/MJ]		
	Heat Pumps	Electric boilers	Induction Heating
Germany	35,60	-33,60	-45,13
France	65,07	54,80	53,09
Italy	40,90	-17,70	-27,47
Poland	11,93	-104,60	-124,02
Spain	54,43	22,90	17,64
Netherlands	44,27	-7,60	-16,24
Czechia	27,67	-57,40	-71,58
Belgium	54,13	22,00	16,64
Romania	45,83	-2,90	-11,02
Austria	55,60	26,40	21,53

Source: own research (data sources referenced in attached spreadsheet).

**Table 2: Emissions with different technologies in the ten Member States with higher emissions**

	Emissions with different technologies [CO2eq/MJ]			
	Gas boilers	Heat Pumps	Electric boilers	Induction Heating
Germany	70,20	34,60	103,80	115,33
France	70,20	5,13	15,40	17,11
Italy	70,20	29,30	87,90	97,67
Poland	70,20	58,27	174,80	194,22
Spain	70,20	15,77	47,30	52,56
Netherlands	70,20	25,93	77,80	86,44
Czechia	70,20	42,53	127,60	141,78
Belgium	70,20	16,07	48,20	53,56
Romania	70,20	24,37	73,10	81,22
Austria	70,20	14,60	43,80	48,67

Source: own research (data sources referenced in attached spreadsheet).

2. **Fossil fuel capacity should be decommissioned** and replaced with electrified capacity by industries participating in this auction. Alternatively, at the very least, strict and enforceable safeguards should be implemented over any remaining fossil fuel capacity to ensure it is only accessory and has a clear pathway towards decommissioning, such as limits in terms of emissions, hours of use, and equipment lifetime.
3. **Energy efficiency, digitalisation, and flexibility can also contribute to emissions reduction.** In line with the 'energy efficiency first' principle, efficiency should be the first consideration when making policy and investment decisions, such as the promotion and deployment of certain decarbonisation technologies in this auction. In the context of this consultation, we propose that savings in greenhouse gas emissions derived from energy efficiency measures should also be considered when awarding funds.

## I. General auction design elements

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
1.0	Objective of the auction	To reduce GHG emissions in industry by cost-effectively supporting the market uptake of electrified, direct-renewable and nuclear industrial process heat.		
1.1	Auctioned good	<p>Fixed premium subsidy for direct GHG abatement (expressed in EUR / t CO<sub>2</sub> abated) achieved through technologies using electricity, nuclear heat, direct-renewable (solar thermal or geothermal) heat sources or hybrid solutions thereof to produce industrial process heat.</p> <p>The achieved abatement will be calculated by multiplying the volume of produced process heat (in MWh<sub>th</sub>) with the phase 4 ETS heat benchmark emission factor (0.170 tCO<sub>2</sub>/MWh).</p> <p>See point 4.6 ‘Monitoring, reporting and verification’ for details on monitoring, verifying and reporting the volume of process heat.</p> <p><b><u>Question to stakeholders: Should projects which commit to a greater proportion of electrification be ranked differently than projects retaining fossil fuel capacity? If so, what rules should govern this – considering also the need for backup capacity, complexity in monitoring and that new entrants may have less fossil capacity to decommission.</u></b></p>	<p>Projects committing to removing fossil fuel capacity should be prioritised in the ranking. We suggest introducing a “de-fossilisation factor” that adjusts the bid price for ranking purposes.</p> <p>This would entail (i) defining a baseline fossil share of process heat (e.g. average of the last 3 years) against which changes are would be measured at installation level, and (ii) requiring applicants to declare the expected fossil share after project completion and to commit to a schedule for decommissioning or mothballing redundant fossil assets.</p>	
1.2	Budget as constraining value	<p>The total available Innovation Fund budget for each topic is the constraining value of the auction. The Innovation Fund budget is known in advance and will be EUR 1 billion, and each of the two topics will have a dedicated budget (see point 1.9 ‘Auction topics/baskets’).</p> <p>There is also a possibility of ‘Auction-as-a-Service’ (see also point 1.12 ‘Auction-as-a-Service’).</p> <p>The auction will be cleared where the budget is exhausted.</p> <p>The number of projects and production of process heat supported/GHG abatement will be derived from the total available budget and the individual bids with their respective bid prices and volumes.</p>		

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
		In the event of under-utilisation of budget within a given topic, budget may be transferred to another topic.		
1.3	Support type	Output-based support (payment per MWh of heat produced/GHG abatement achieved). See also point 1.1 'Auctioned good'.	We recommend that the support provided under this auction is calculated based on emissions avoided through the replacement of the use of fuel with electricity (while considering indirect emissions associated with the electricity consumed).	
1.4	Support form	Fixed premium.		
1.5	Indexation of support	No indexation.		
1.6	Grant duration (disbursement period)	The grant duration will end 5 years after the Entry into Operation of the project. See also point 4.3 'Sanctions in case of non-compliance with support requirements'.	Bellona suggests that the option to request an extension of the period from five to seven years should be made available to certain industries. The Commission could then evaluate the applications on a case-by-case basis. This is because applicants may require different grant durations to fully implement their projects, depending on the sectors and technologies involved.	
1.7	Ranking of bids	Price-only ranking in EUR/tCO <sub>2</sub> .		
1.8	Bid components	Applicants will state: <b>(1) the subsidy requested per unit of produced heat</b> (expressed in EUR / MWh <sub>th</sub> ) An automatic formula in the application form will translate (1) into <b>(2) the bid price, i.e. the subsidy requested per tonne of CO<sub>2</sub> abated</b> using the phase 4 ETS heat benchmark, expressed with two digits after the comma. <b>(3) the nominal thermal capacity</b> in MW <sub>th</sub> of the heat production unit that produces electrified industrial process heat, nuclear heat or direct-renewable process heat that will be installed and verified as being operational by the time of entry into operation. <b>(4) the volume of expected average yearly process heat</b> produced (see point 1.1 'Auctioned Good'), expressed in MWh <sub>th</sub> .	Bellona recommends the following additional elements to facilitate the selection of projects that contribute to climate mitigation:  1. <b>Energy efficiency.</b> As set out in the current draft Terms and Conditions, the formulas disregard energy efficiency. The difference in energy consumption before and after an efficiency upgrade should be considered and converted into a reduction in CO <sub>2</sub> emissions, taking into account the emission factor of the energy used.  2. <b>The total amount of CO<sub>2</sub> abatement resulting from the decommissioning of fossil fuel capacity</b>	

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
		<p>Please note that already at the application stage, subsidised heat production will be limited <b>to the equivalent of 70% of hours per year</b> at nominal capacity unless the project applies for a ‘indirect emissions/flexibility’ bonus (see point 1.10 ‘Indirect emissions/flexibility requirements’).</p> <p>The <b>maximum grant amount</b> is therefore calculated as:</p> <p>An automatic formula in the application form will translate (4) into <b>(5) expected average yearly volume of GHG abated (expressed in t_CO2)</b>, using the phase 4 ETS heat benchmark (as explained in Point 1.1 ‘Auctioned good’).</p>	<p><b>replaced by electrified processes should also be considered.</b></p>	
1.9	Auction topics/baskets	<p>There will be two topics (‘auctions baskets’):</p> <ol style="list-style-type: none"> <li>a medium-temperature heat topic that covers heat produced at a metered temperature of 100-400 for with a minimum size of &gt; 3 MW.</li> </ol> <p>In addition, projects with a temperature of 80-100 degrees <u>and</u> capacity above 10 MW <u>and</u> which utilise heat pumps with COP &gt;1.5, direct renewables or nuclear heat are also eligible in this topic.</p> <p>With a budget of EUR 700 million.</p> <ol style="list-style-type: none"> <li>a high-temperature heat topic that covers heat produced at a metered temperature of above 400°C by projects that have a size equal to or higher than 3MWth with a budget of EUR 300 million.</li> </ol> <p>Temperatures need to be metered according to the measurement system specified in Point 4.6 ‘Monitoring, verification and reporting’.</p> <p>If there are budget remainders, the Commission may redistribute them between the call topics.</p>	<p>As the results of the 2025 auction show that the majority of applications come from medium-temperature industries, we understand the decision to adjust the distribution of funds, allocating a larger amount to this category.</p> <p>However, we would like to highlight that decarbonisation through direct renewable solutions in heavy industries such as steel and iron is still in the pilot phase. This is an area where support schemes such as the Innovation Fund could be beneficial. Direct electrification options are highly promising, as they could eliminate almost all emissions if powered by 100% renewable energy. Furthermore, last year's results show that the short timeframe and the structural absence of heavy industries in some countries are the main reasons for the lack of winning applications in this category.</p>	<p>Please refer to our report: <a href="#">Net-Zero Pathways for European Steel</a>. This report analyses decarbonisation options across various steel production routes and the challenges they present, accounting for variation in the GHG intensity of electricity and gas input.</p>

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information																																															
1.10	Indirect emissions & flexibility considerations	<p>While power sector emissions overall are covered by the EU ETS, in many bidding zones, electricity consumption during peak hours is linked to high emissions from electricity generation, as well as increased system costs, such as additional capacity, grid or redispatch costs.</p> <p>The auction therefore aims to avoid incentivising consumption of electricity from the grid that leads to high emissions from electricity generation and higher system costs (i.e. consumption of electricity during peak hours).</p> <p>This is why there is a bid bonus of 25% (i.e. reduction of the bid price for the purpose of ranking only) for the projects that can prove:</p> <ul style="list-style-type: none"> <li>o they <b>deploy electricity or thermal storage</b> for the purpose of the project sufficient to replace the project's electricity consumption from the grid or the heat demand of the process for 4h by 20% within 1h</li> <li>or</li> <li>o they <b>deploy heat pump(s) with Coefficient of Performance (COP) of at least 1.5</b></li> <li>or</li> <li>o they <b>deploy direct renewable heat or nuclear heat.</b></li> </ul> <p>In addition, projects that claim this bid bonus can receive subsidy for up to 100% of hours per year * nominal thermal capacity.</p> <p>Conversely, projects that do not claim this bid bonus cannot receive a subsidy for produced heat volumes above the equivalent of 70% of hours per year * nominal thermal capacity.</p> <p>Claiming the bid bonus for indirect emissions/flexibility must be decided by the applicant already at the bidding stage (see point 1.8 'Bid components').</p> <p>If a project claims the bid bonus but fails at the Entry into Operation to prove it implemented storage solution or a heat pump(s) with Coefficient of Performance (COP) of at least 1.5 or direct renewable heat solution or nuclear heat, it will be terminated.</p>	<p><b>INDIRECT EMISSIONS:</b></p> <p><b>Bellona stresses the need to include safeguards in the terms and conditions of the auction to ensure that indirect emissions do not outweigh emissions abatement, and to assess projects based on net emissions savings.</b></p> <p>While we welcome the consideration of flexibility in the auction, we do not believe that indirect emissions can be fully offset by flexibility considerations alone. As part of the bid, we propose that projects include an estimation of the emissions savings derived from the proposed investment, including indirect emissions associated with the electricity consumed. Furthermore, we propose that realistic estimations of the future are used when calculating grid carbon intensity.</p> <p>It is unrealistic to expect the effect of the ETS on the electricity mix to decarbonise electricity within the expected lifetime of the projects in every Member State. Safeguards should be included to consider the effect of indirect emissions and ensure that they do not undermine the purpose of the auction. In other words, safeguards should be included to prevent support being provided to projects that actually increase greenhouse gas emissions due to the consumption of electricity with a high carbon footprint.</p>	<p>In the Excel file attached, we provide a quantitative analysis to illustrate the risk of indirect emissions affecting the capacity of this auction to deliver decarbonisation. The calculations are made assuming an industrial process would electrify by replacing their gas boiler with another technology. The alternatives we considered are heat pumps, electric boilers, resistance heating and induction heating.</p> <p>For the emissions intensity of electricity in different countries we have used the data in the recently adopted Low-carbon Hydrogen Delegated Act (see very last table of the Annex): <a href="https://webgate.ec.europa.eu/regdel/#/delegatedActs/2687?lang=en">https://webgate.ec.europa.eu/regdel/#/delegatedActs/2687?lang=en</a></p> <p>The negative values in the 'Reduction Potential' table indicate the emissions would increase by replacing a gas boiler by the mentioned technology.</p> <table border="1" data-bbox="1473 699 1980 1066"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Reduction potential with [CO2eq/MJ]</th> </tr> <tr> <th>HP</th> <th>Electric boilers</th> <th>Induction Heating</th> </tr> </thead> <tbody> <tr> <td>Germany</td> <td>35,6000</td> <td>-33,6000</td> <td>-45,1333</td> </tr> <tr> <td>France</td> <td>65,0667</td> <td>54,8000</td> <td>53,0889</td> </tr> <tr> <td>Italy</td> <td>40,9000</td> <td>-17,7000</td> <td>-27,4867</td> </tr> <tr> <td>Poland</td> <td>11,9333</td> <td>-104,6000</td> <td>-124,0222</td> </tr> <tr> <td>Spain</td> <td>54,4333</td> <td>22,9000</td> <td>17,6444</td> </tr> <tr> <td>Netherlands</td> <td>44,2667</td> <td>-7,6000</td> <td>-16,2444</td> </tr> <tr> <td>Czechia</td> <td>27,6667</td> <td>-57,4000</td> <td>-71,5778</td> </tr> <tr> <td>Belgium</td> <td>54,1333</td> <td>22,0000</td> <td>16,6444</td> </tr> <tr> <td>Romania</td> <td>45,8333</td> <td>-2,9000</td> <td>-11,0222</td> </tr> <tr> <td>Austria</td> <td>55,6000</td> <td>26,4000</td> <td>21,5333</td> </tr> </tbody> </table> <p>The results show that in some Member States replacing gas boilers with electric boilers can lead to an increase in the carbon emissions when considering the carbon intensity of national grids. This proves the importance of considering indirect emissions in the context of this auction.</p>		Reduction potential with [CO2eq/MJ]			HP	Electric boilers	Induction Heating	Germany	35,6000	-33,6000	-45,1333	France	65,0667	54,8000	53,0889	Italy	40,9000	-17,7000	-27,4867	Poland	11,9333	-104,6000	-124,0222	Spain	54,4333	22,9000	17,6444	Netherlands	44,2667	-7,6000	-16,2444	Czechia	27,6667	-57,4000	-71,5778	Belgium	54,1333	22,0000	16,6444	Romania	45,8333	-2,9000	-11,0222	Austria	55,6000	26,4000	21,5333
	Reduction potential with [CO2eq/MJ]																																																		
	HP	Electric boilers	Induction Heating																																																
Germany	35,6000	-33,6000	-45,1333																																																
France	65,0667	54,8000	53,0889																																																
Italy	40,9000	-17,7000	-27,4867																																																
Poland	11,9333	-104,6000	-124,0222																																																
Spain	54,4333	22,9000	17,6444																																																
Netherlands	44,2667	-7,6000	-16,2444																																																
Czechia	27,6667	-57,4000	-71,5778																																																
Belgium	54,1333	22,0000	16,6444																																																
Romania	45,8333	-2,9000	-11,0222																																																
Austria	55,6000	26,4000	21,5333																																																

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information																																																												
		<p>See also point 4.3 ‘Sanctions in case of non-compliance with support requirements’</p> <p>Beyond this indirect emissions/flexibility requirement, indirect emissions do not need to be accounted for abatement (see also point 1.1 ‘Auctioned good’).</p>		<table border="1"> <thead> <tr> <th colspan="5">Emissions with different technologies [CO2eq/MJ]</th> </tr> <tr> <th></th> <th>Gas boilers</th> <th>Heat Pumps</th> <th>Electric boilers</th> <th>Induction Heating</th> </tr> </thead> <tbody> <tr> <td>Germany</td> <td>70,20</td> <td>34,60</td> <td>103,80</td> <td>115,33</td> </tr> <tr> <td>France</td> <td>70,20</td> <td>5,13</td> <td>15,40</td> <td>17,11</td> </tr> <tr> <td>Italy</td> <td>70,20</td> <td>29,30</td> <td>87,90</td> <td>97,67</td> </tr> <tr> <td>Poland</td> <td>70,20</td> <td>58,27</td> <td>174,80</td> <td>194,22</td> </tr> <tr> <td>Spain</td> <td>70,20</td> <td>15,77</td> <td>47,30</td> <td>52,56</td> </tr> <tr> <td>Netherlands</td> <td>70,20</td> <td>25,93</td> <td>77,80</td> <td>86,44</td> </tr> <tr> <td>Czechia</td> <td>70,20</td> <td>42,53</td> <td>127,60</td> <td>141,78</td> </tr> <tr> <td>Belgium</td> <td>70,20</td> <td>16,07</td> <td>48,20</td> <td>53,56</td> </tr> <tr> <td>Romania</td> <td>70,20</td> <td>24,37</td> <td>73,10</td> <td>81,22</td> </tr> <tr> <td>Austria</td> <td>70,20</td> <td>14,60</td> <td>43,80</td> <td>48,67</td> </tr> </tbody> </table>	Emissions with different technologies [CO2eq/MJ]						Gas boilers	Heat Pumps	Electric boilers	Induction Heating	Germany	70,20	34,60	103,80	115,33	France	70,20	5,13	15,40	17,11	Italy	70,20	29,30	87,90	97,67	Poland	70,20	58,27	174,80	194,22	Spain	70,20	15,77	47,30	52,56	Netherlands	70,20	25,93	77,80	86,44	Czechia	70,20	42,53	127,60	141,78	Belgium	70,20	16,07	48,20	53,56	Romania	70,20	24,37	73,10	81,22	Austria	70,20	14,60	43,80	48,67
Emissions with different technologies [CO2eq/MJ]																																																																
	Gas boilers	Heat Pumps	Electric boilers	Induction Heating																																																												
Germany	70,20	34,60	103,80	115,33																																																												
France	70,20	5,13	15,40	17,11																																																												
Italy	70,20	29,30	87,90	97,67																																																												
Poland	70,20	58,27	174,80	194,22																																																												
Spain	70,20	15,77	47,30	52,56																																																												
Netherlands	70,20	25,93	77,80	86,44																																																												
Czechia	70,20	42,53	127,60	141,78																																																												
Belgium	70,20	16,07	48,20	53,56																																																												
Romania	70,20	24,37	73,10	81,22																																																												
Austria	70,20	14,60	43,80	48,67																																																												
1.11	Safeguards against over-subsidisation	<p>Ensuring competition through market testing, total available budget and feedback on the level of competition from one round to another. See also the rules on combined public support in Annex IV.</p> <p>No claw backs.</p>																																																														
1.12	Auction-as-a-Service	<p>The Auction-as-a-Service mechanism is open to all EEA countries. Additional safeguards might be needed concerning nuclear heat or to ensure that the subsidized projects lead to net emissions savings, taking into account indirect emissions from electricity.</p>																																																														

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
		Any exemptions to the requirements on not installing new fossil fuel-fired capacity as part of the same installation (see possible exemptions in point 2.1 'Eligibility') would need to be closely examined and monitored.		
1.13	Granting authority	Climate, Infrastructure and Environment Executive Agency (CINEA) or national granting authority in case of Auction-as-a-Service.		

## II. Qualification requirements

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
2.0	Admissibility	Strict respect of submission deadlines, use of forms provided through the Funding and Tenders Portal, and compliance with presenting all required documentation (Application Forms and self-declarations contained therein), together with mandatory documents and supporting documents (see section III).		
2.1	Eligibility	<ul style="list-style-type: none"> <li>• Proposals must be for projects located in the EEA. There is no limitation on the origin or type (e.g. energy company, project developer, industrial player etc.) of members of the consortium.</li> <li>• Proposals must concern the deployment of industrial process heat: <ul style="list-style-type: none"> <li>○ electrification technologies (e.g. heat pumps, direct and indirect resistance heating, electromagnetic and dielectric heating, plasma heating) or direct-renewable (solar thermal or geothermal) heat technologies</li> <li>○ Small modular nuclear fission reactors for heat generation only (nuclear heat)</li> <li>○ or hybrid projects of the above-mentioned technologies.</li> </ul> </li> <li>• Electrolysis processes (e.g. in the aluminium sector) are not eligible.</li> <li>• Electric arc furnaces for steel making are not eligible.</li> </ul>		

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
		<ul style="list-style-type: none"> <li>• Heat production for space heating or sale to district heating is not eligible.</li> <li>• Heat production for activities primarily aimed at fuel production based on non-recycled fossil feedstocks is not eligible, excluding the production of low-carbon fuels.</li> <li>• Projects must not install new fossil fuel-fired capacity as part of the same installation as concerns the project. Glass furnaces are exempt from this rule, as technical/safety barriers to full electrification exist. Other applications that show similar technical/safety restrictions need to provide evidence of such barriers as well as a transformation path from fossil-fuel to climate neutral fuel.</li> <li>• The electrified or direct-renewable process heat needs to be produced by new thermal capacity (i.e. heating production units for which at the time of application start of works did not yet take place), in order to ensure an incentive effect of the subsidy.</li> <li>• A restriction on the maximum grant amount per bid applies: EUR 100 million in the medium temperature heat topic and EUR 250 million in the high temperature heat topic (see point 1.9 'Auction topics/baskets')</li> <li>• Minimum project size requirement applies: 3 MW<sub>th</sub> (thermal output capacity of the heat production unit(s)). The newly installed capacity must be in a single location (several units can be combined together in a single location); virtual pooling of capacity is not permitted.</li> <li>• Minimum eligible temperature level requirements apply: Process heat below 80°, 100°C or 400°C depending on the auction topic/basket (see point 1.9 'Auction topics/baskets'), determined as the temperature of heat generated following the rules set out in point 4.6 'Monitoring, Verification and Reporting' is not eligible in this auction.</li> </ul>		
2.2	Relevance and Quality	<ul style="list-style-type: none"> <li>• The proposals will be evaluated on a pass/fail basis on relevance.</li> <li>• Quality, consisting of technical, financial, and operational maturity is assessed based on the documents listed in section III of the Terms &amp; Conditions and Application Form B.</li> <li>• Projects must comply with the applicable 'Do No Significant Harm' technical screening criteria outlined in Commission Delegated Regulations (EU) 2021/2139 ('Climate Delegated Act').</li> </ul> <p>After the evaluation but before grant agreement signature, for projects invited to grant agreement preparation a financial capacity and legal entity check will be made to ensure that successful applicants have stable and sufficient resources to successfully implement all proposed projects</p>		

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
		and comply with EU exclusion situation limitations (default, prosecution, etc.).		
2.3	Completion guarantee	<p>A completion guarantee covering 6% of the maximum grant amount (see point 1.8 'Bid components') will be requested from projects invited to prepare grant agreement.</p> <p>A letter of intent from a bank or financial institution to issue a completion guarantee will be required as part of the proposal. A template will be made available and will have to be used (no changes to the template are allowed).</p> <p>The completion guarantee should be in euro and issued by an approved bank/financial institution (with the following minimum rating from at least one of these rating agencies: BBB- from S&amp;P or Fitch, Baa3 from Moody's or BBB (low) from DBRS) established in an EEA. This completion guarantee must be able to be called on first demand by the granting authority if the project (i) does not reach approved financial close within 2 years for medium temperature or 2.5 years for high temperature, or (ii) does not reach approved entry into operation within 4 years after signing the grant agreement for medium temperature or 5 years for high temperature (see point 4.0 'Maximum time to reach financial close and entry into operation').</p> <p>The completion guarantee shall be issued at the latest two months after receiving the evaluation result letter inviting the selected applicants for grant agreement preparation. It shall be valid from the date of issuance until six months after the maximum time to entry into operation (see point 4.0 'Maximum time to reach Financial Close and Entry into Operation'). The duration of the completion guarantee is expected to be at least 4 years and 11 months for the medium temperature topic and 5 years and 11 months for the high-temperature topic. A template will be made available and will be mandatory.</p> <p>If entry into operation is reached earlier, the guarantee can be released earlier.</p> <p>The enforcement of completion guarantees is further explained in point 4.3 'Sanctions in case of non-compliance with support requirements.'</p>		

### III. Design elements defining the auction procedure

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
3.0	Competitiveness of the process	<p>The key rules ensuring competitiveness of the process are:</p> <ul style="list-style-type: none"> <li>• No discrimination against participants in auction.</li> <li>• Transparency on requirements and sufficient lead times to prepare bids.</li> </ul> <p>No ex-post adjustments of auction rules or results.</p>		
3.1	One-stage or two-stage auction	One-stage.		
3.2	Auction type	Static auction.		
3.3	Pricing rules	Pay-as-bid.		
3.4	Minimum prices	No minimum price.		
3.5	Ceiling prices	<p>Ceiling price of 400 EUR/tCO<sub>2</sub> proposed in the medium temperature baskets</p> <p>Ceiling prices of 800 EUR/tCO<sub>2</sub> proposed in the high temperature basket</p> <p>Ceiling prices apply before bid bonuses have been applied.</p>		
3.6	Clearing mechanism and marginal bid	<p>For each topic, proposals that pass eligibility and admissibility assessment will be first ranked according to their bid price from lowest to highest. Bid bonus can be claimed for solution on indirect emissions/flexibility.</p> <p>Those proposals whose maximum grant amounts fit within the Innovation Fund basket/topic budgets (see point 1.9 ‘Auction topics/baskets’), and the proposals necessary to fill the reserve list, if any, will be assessed against the award criteria of ‘Relevance’ and ‘Quality’, on a pass/fail basis.</p> <p>Remaining proposals will be rejected. They will not be evaluated against the ‘Relevance’ and ‘Quality’ award criteria.</p> <p>The last proposal that exceeds the call budget will be added to the reserve list.</p>		

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
3.7	Tie-breaking rules	<p>For proposals with the same bid price after application of the bid bonus (within a topic), a priority order will be determined according to the following approach:</p> <p>Successively for every group of ex-aequo proposals, starting with the lowest bid price group, and continuing in ascending order:</p> <ol style="list-style-type: none"> <li>1) Proposals with the overall smaller maximum grant amount will be preferred.</li> <li>2) If this does not allow to determine the priority, proposals which have at least one SME in their consortium will be preferred.</li> <li>3) If this does not allow to determine the priority, proposals located in the country with fewer funds awarded (EUR) previously under the Innovation Fund will be preferred.</li> </ol>		
3.8	Minimum number of bidders	<p>The auction volume will not be adapted to the observed participation.</p> <p>Each topic of the auction may be cancelled if less than two proposals are submitted.</p>		

#### IV. Design elements defining rights and obligations

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auctions	Feedback	Substantiating evidence, data sources, background information
4.0	Maximum time to reach financial close and entry into operation	<p>A project reaching Financial Close (FC) should be able to demonstrate that all contracts are signed and conditions in them fulfilled. The financial close needs to be approved by the granting authority.</p> <ul style="list-style-type: none"> <li>o Maximum time to reach FC from Grant Agreement signature: 2 years after signing the grant agreement in the medium temperature basket and 2.5 years in the high temperature basket</li> </ul> <p>A project reaching an Entry into Operation (EiO) should be able to demonstrate as operational a nameplate thermal capacity and eligible temperature levels for its electrified/direct-renewable heat production</p>		

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auctions	Feedback	Substantiating evidence, data sources, background information
		<p>unit of at least 100% of that expressed in the bid. The entry into operation needs to be approved by the granting authority.</p> <p>Maximum time to reach EiO from Grant Agreement signature: 4 years after signing the grant agreement in the medium temperature basket and 5 years in the high temperature basket.</p>		
4.1	Heat production flexibility rules	Projects that do not claim the ‘bid bonus’ have to observe 70% of hours per year * nominal thermal capacity restrictions as per point 1.10 ‘Indirect emissions/flexibility requirements’.		
4.2	Rules on combined support	<p>Please see Section IV</p> <p><b><u>Question to Stakeholders: A number of State aid schemes targeting electricity consumption is currently in place. Are you aware of:</u></b></p> <ul style="list-style-type: none"> <li>• <b><u>schemes that have a relatively low impact on the bid and could be – in the final Terms and Conditions allowed to be combined with the IF auction grant while still keeping level playing field amongst the bidders? If yes, which ones?</u></b></li> <li>• <b><u>schemes that have a strong impact on the bid, are not necessarily available in all Member States and could give an advantage to competing bids, so that the cumulation should continue not to be allowed to be combined with the IF auction grant. If yes, which ones?</u></b></li> </ul>		
4.3	Sanctions in case of non-compliance with support requirements	<p>If at application stage, a project claims to implement a storage or to deploy a heat pump with required Coefficient of Performance (COP) or direct renewable heat or nuclear heat but by Entry into Operation does not prove it is implemented, the project will be terminated and the grant amount will be recovered, as its bid expressed in EUR/t_CO2 avoided would be no longer valid.</p> <p>If the maximum time to reach Financial Close or Entry into Operation is exceeded, the grant agreement will be terminated, and the granting authority will call the completion guarantee see point 2.3 ‘Completion guarantee’.</p> <p>The grant agreement may be terminated, or the grant reduced if the electrified/direct-renewable industrial heat production (and consequently the GHG abatement) falls on average below 30% of the expected yearly average volume as stated in the bid for three consecutive years. This average will be calculated over a rolling 3-year period.</p>		

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auctions	Feedback	Substantiating evidence, data sources, background information
4.4	Payment schedules	Semi-annual or annual according to choice of applicant (every 6 or 12 months after entry into of operation) based on metered electrified/direct-renewable industrial heat production from the new installation described in the proposal (see point 4.5 'Reporting requirements').	We recommend a specific approach for SMEs: making more frequent payments may help smaller companies maintain stable cash flow.	
4.5	Reporting requirements	<ul style="list-style-type: none"> <li>• To fulfil the call objective of price discovery and contribution to market formation, the following information will be published: (i) for successful bidders: identified bid price, name of the project and coordinator, total volume electrified/direct-renewable heat produced, total volume of carbon abatement to be achieved, nominal capacity of the electrified/direct-renewable heat production unit(s), product of the use of heat and sector where heat is applied and possible other information, (ii) for unsuccessful bidders, anonymized overview of statistics such as: bid price, total volume electrified/direct-renewable heat produced, total volume of carbon abatement to be achieved and nominal capacity of the electrified/direct-renewable heat production unit(s), products of the use of heat and sectors where heat is applied. Additional data and analysis may be published where anonymization is guaranteed.</li> <li>• Until entry into operation projects will have to report annually on their progress in project implementation.</li> <li>• After entry into operation, projects will report periodically alongside their requests for payment (i.e. for every 6 or 12 months of operation). Reports will concern the electrified/nuclear/direct-renewable heat production and resulting abatement, see point 1.1 'Auctioned good', as well as the temperature level of the produced heat. <ul style="list-style-type: none"> <li>◦ In these reports, projects will also have to confirm that rules on combination of support are respected.</li> </ul> </li> <li>• If relevant, proof of installation of energy storage, sufficient coefficient of performance for heat pump, direct renewables or nuclear heat if claiming a bid bonus (see point 1.10 'Indirect emissions/flexibility requirements') will be required at Entry into Operation. <ul style="list-style-type: none"> <li>• Reporting on DNSH principle application at the end of project's monitoring period.</li> </ul> </li> </ul>	<p><b>We strongly support greater transparency and accessibility in industry funding programmes.</b> This would make successful projects more accountable, provide companies considering future submissions with clearer and more reliable information, and allow the public to contribute more meaningfully to consultations on upcoming auctions.</p> <p>We recommend establishing clearer rules regarding the reporting requirements mentioned in this section. Regular reporting would ensure that the conditions set out in the auction (for example, flexibility obligations) are met. This reporting should be based on data verified by an independent third party with the necessary expertise and resources.</p>	
4.6	Monitoring, verification and reporting of process heat volume and temperature	<p>(Industrial) process heat production needs to be monitored, reported, verified by an independent third party every six months or 12 months (see section 4.4) after Entry into Operation so that grant payments can be made.</p> <p>Payments are proportional to volume of process heat produced. Therefore, the correct monitoring, reporting and verification of produced process heat is crucial.</p>	See comments on reporting in Section 4.5 above.	

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auctions	Feedback	Substantiating evidence, data sources, background information
		<p>To claim payments under this auction, projects must monitor and measure the produced process heat with an EMAS or ISO50001 compliant management system. Meters such as heat flow meters and thermometers need to be calibrated accordingly.</p> <p>There are two possible measurement approaches:</p> <ul style="list-style-type: none"> <li>• Direct measurement of process heat or</li> <li>• Indirect measurement of process heat.</li> </ul> <p>All technologies are required to follow one of the two approaches as specified below.</p> <p>Both process heat volume and temperature levels will have to be measured.</p> <p><b><i>Approach 1: Direct measurement of process heat</i></b></p> <ul style="list-style-type: none"> <li>• If the heat production volume can be measured directly by monitoring a heat flow, projects are required to do so. All applications of heat pumps, and direct-renewable heat technologies are required to follow this approach.</li> <li>• The heat flow must be measured by a heat meter in a heat transfer medium such as steam, hot air, water, oil, liquid metals or salts, transported through identifiable pipelines or ducts. The temperature level of the process heat is determined by a temperature measurement of the heat transfer medium after it has passed the source of heat increasing the temperature of the heat transfer medium, such as the heat exchanger of the heat pump. The temperature level needs to be monitored simultaneously with or as part of the measurement of the heat flow.</li> </ul> <p>Process heat production of one reporting cycle can be funded if the weighted average temperature lies within the limits of the corresponding temperature basket (see points 1.9 ‘Auction topics/baskets’ and 2.1 ‘Eligibility’). To calculate the weighted average temperature, the average temperature of every hour is multiplied with the average heat flow of every hour. The sum of products of all hours is divided by the total heat flow in the monitoring period. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate.</p> <p><b><i>Approach 2: Indirect measurement of process heat</i></b></p> <ul style="list-style-type: none"> <li>• If heat flow cannot be measured directly, projects must determine heat production based on the electricity consumption of the heat production unit. All applications of</li> </ul>		

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auctions	Feedback	Substantiating evidence, data sources, background information
		<p>resistance heating (e.g. furnaces, boilers), electromagnetic and dielectric heating (e.g. melters, ovens), shockwave heating and plasma heating are required to follow this approach. The process heat production is determined by multiplying the hourly average electricity consumption by 100% for all applications. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate.</p> <ul style="list-style-type: none"> <li>• The temperature level of the process heat must be measured with an adequate measurement approach. Thermometers already used for process monitoring and process control can be used. The temperature level needs to be monitored simultaneously with the electricity consumption.</li> </ul> <p>Process heat production of one reporting cycle can be funded if the weighted average temperature of all such measurements lies within the limits of the corresponding temperature basket (see points 1.9 'Auction topics/baskets' and 2.1 'Eligibility'). To calculate the weighted average temperature, the average temperature of all such measurements of every hour is multiplied with the average electricity consumption of every hour. The sum of products of all hours is divided by the total electricity consumption in the monitoring period. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate.</p>		

## V. Mandatory documents necessary for the assessment of qualification requirements

No.	Design Element	Feedback	Substantiating evidence, data sources, background information
5.1	<p>Mandatory documents necessary for the assessment of qualification requirements:</p> <ul style="list-style-type: none"> <li>• Application forms A, B and C/extended form C</li> <li>• Detailed budget table/calculator ('financial information file' with the bid calculation)</li> <li>• Participant information</li> <li>• Timetable/ Gantt chart</li> <li>• Feasibility study</li> <li>• Completion guarantee letter of intent (template will be provided and will be mandatory to use)</li> <li>• Other annexes: Equity supporting evidence, Equipment procurement supporting evidence, Electricity sourcing strategy, Heat off-taker strategy.</li> </ul>		