

BUDGET	APPLICATION PERIOD
EUR 1 000 000 000 80-100 °C, $\geq 5 \text{ MW}_{\text{th}}$: EUR 100 000 000 100-400 °C, $\geq 3 \text{ MW}_{\text{th}}$: EUR 600 000 000 $>400 \text{ °C}$, $\geq 3 \text{ MW}_{\text{th}}$: EUR 300 000 000 Auction-as-a-Service: The mechanism is open to all EEA countries. Participating countries and any additional eligibility conditions will be confirmed in the final call.	Planned opening: December 2026. Planned closure: February 2027. Exact dates pending publication of the call.
ELIGIBLE PERIOD	TYPE OF FUNDING
5 years after Entry into Operation	Grant (output-based fixed premium)
OBJECTIVE	
The objective of this topic is to reduce GHG emissions in industry by cost-effectively supporting the market uptake of electrified, direct-renewable and nuclear industrial process heat in Europe. This auction will support innovative projects: ○ Electrifying industrial process heat via technologies such as heat pumps, direct and indirect resistance heating, thermal energy storage, electromagnetic and dielectric heating, and plasma heating. ○ Using direct-renewable heat (solar thermal or geothermal) for industrial heat processes. ○ Deploying innovative nuclear technologies, including small modular reactors, for industrial heat generation. ○ Hybrid projects combining the above-mentioned technologies. The process heat must be produced by new thermal capacity (i.e. heating production units for which start of works has not taken place at the time of application) and installed in a single location. Virtual pooling of capacity is not permitted. There will be three topics ('auction baskets'): 1. Low-temperature heat (80-100 °C): projects $\geq 5 \text{ MW}_{\text{th}}$ using heat pumps (COP > 1.5), direct-renewable heat or nuclear heat. 2. Medium-temperature heat (100-400 °C): projects $\geq 3 \text{ MW}_{\text{th}}$. 3. High-temperature heat ($>400 \text{ °C}$): projects $\geq 3 \text{ MW}_{\text{th}}$. <u>Auction conditions</u> This call is awarded through a competitive bidding procedure (one-stage auction). For each topic: ○ Proposals will be first ranked according to their bid price (EUR/tCO₂ abated), from the lowest to highest, after application of any eligible bid bonus. ○ Only the proposals that fit within the available budget (plus any reserve list proposals) will be assessed against the award criteria of 'Relevance' and 'Quality' on a pass/fail basis. ○ Remaining proposals will be rejected without further evaluation. The last proposal exceeding the available budget will be placed on the reserve list.	

BENEFICIARIES AND CONDITIONS

Applicants must be **legal entities** (public or private bodies) and **projects must be located in the EEA countries** (EU Member States, Norway, Iceland and Liechtenstein). In addition, projects must:

- **Reach financial close within 2.5 years** after Grant Agreement signature.
- **Enter into operation within 5 years** after Grant Agreement signature.
- **Operate for 5 years** following Entry into Operation (maximum grant disbursement period).

The grant agreement may be terminated, or the grant reduced if the supported 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.

FUNDING CHARACTERISTICS

The grant will provide output-based support in the form of a **fixed premium per unit of process heat produced**, as stated in the bid ('pay as bid'). The support will not be indexed.

The grant will take the form of a fixed premium subsidy linked and **proportional to demonstrated CO₂ abatement for a maximum period of 5 years**. Bids will be ranked according to the requested support expressed in EUR/tCO₂ abated, after application of any applicable bid bonus.

Bid components

1. Subsidy requested per unit of produced heat (EUR/MWh_{th}).
2. Bid price (EUR/tCO₂ abated): Automatically calculated in the application form using a standard emissions factor of **0.224 tCO₂/MWh_{th}**.
3. Nominal thermal capacity (MW_{th}) of the heat production unit.
4. Expected average yearly volume of process heat produced (MWh_{th}).

Projects may benefit from a **25% bid bonus** (applied only for ranking purposes) if they deploy:

- New electricity or thermal storage for the purpose of the project sufficient to replace the project's electricity consumption from the grid or the heat demand of the process by 20%, for a duration of 4 hours and active within 1 hour. Onsite or offsite storage is acceptable; or
- Heat pump(s) with a COP of at least 1.5; or
- Direct renewable heat or nuclear heat.
- Specific conditions apply to hybrid projects and systems comprising several heat pumps.

Maximum grant amount

The maximum grant amount will be calculated as:

$$\text{Subsidy requested (€/MWh}_{th}) * \text{Expected average yearly heat production (MWh}_{th}/\text{year}) * 5 \text{ years}$$

A restriction on the maximum grant amount per bid applies:

- EUR 100 million for low-temperature and medium-temperature topics.
- EUR 250 million for the high-temperature heat topic.

By default, subsidised heat production is **limited to the equivalent of 70% of annual full-load hours at nominal capacity**. This limitation does not apply to projects qualifying for the bid bonus under the flexibility requirements.

Reporting and payment agreements

There is no pre-financing payment. Before Entry into Operation, projects will report annually on implementation progress.

After Entry into Operation, **payments will be made on the basis of independently verified heat production**. Payments will be annual by default, although consortia including at least one SME may request semi-annual payments.

ELIGIBLE COSTS

Innovation Fund support will take the form of a **fixed premium payment** linked and proportional to demonstrated CO₂ abatement for a **maximum period of 5 years**.

Projects must have a **minimum CAPEX of EUR 2.5 million**.

Projects must install new thermal capacity to produce industrial process heat through direct electrification, direct-renewable heat (solar thermal or geothermal), innovative nuclear technologies or hybrid combinations of these technologies. A minimum installed capacity of 3 MW_{th} or 5 MW_{th} is required, depending on the selected topic, and the installation must be located in a single location (virtual pooling is not permitted).

The following activities are not considered as eligible for funding:

- Heat production for space heating or sale to district heating.
- Biomass or hydrogen use for industrial heat production.
- Electrolysis processes (e.g. in the aluminium sector).
- Electric arc furnaces for steel making.
- Heat production for activities primarily aimed at fuel production based on non-recycled fossil feedstocks, excluding the production of low-carbon fuels.
- New fossil fuel-fired capacity within the same installation as the supported project, except where specific exemptions recognised in the Terms and Conditions apply.

OTHER CONSIDERATIONS

- Proposals will follow a one-stage submission and evaluation procedure. Eligible and admissible proposals will be ranked by bid price after application of any applicable bid bonus.

The award criteria are:

- Relevance (Pass/Fail): Contribution to the objectives of the call and consistency, quality, soundness and reliability of the information provided.
- Quality (Pass/Fail): Technical, financial and operational maturity, including the project's readiness to reach Financial Close and Entry into Operation within the applicable deadlines.
- Price: Bid price expressed in EUR / tCO₂. **Ceiling prices** apply after any applicable bid bonus:
 - EUR 400/tCO₂ for the low- and medium-temperature topics.
 - EUR 800/tCO₂ for the high-temperature topic.
- Projects must comply with the 'Do No Significant Harm' (DNSH) Technical Screening Criteria established in Commission Delegated Regulation (EU) 2021/2139 ('Climate Delegated Regulation').
- A completion guarantee covering 6% of the maximum grant amount will be requested from projects invited to Grant Agreement preparation. Applicants must submit, as part of the proposal, a letter

of intent from an approved bank or financial institution established in the EEA and meeting the minimum rating requirements.

- Combination with other public support for the project's CAPEX or OPEX is generally not allowed, except in the cases expressly permitted by the Terms and Conditions. Support for earlier development stages, such as research, feasibility or FEED studies, may be combined under the specified conditions.
- **Open and competitive call.**
- **Incentive effect:** The supported process heat must be produced by new thermal capacity for which start of works has not taken place at the time of application.

This sheet is provided for information purposes only and does not contain all the applicable conditions. The final call for proposals and its annexes should be consulted once published and will prevail in the event of any discrepancy.