

IF Heat Auction



INNOVATION FUND

Driving clean innovative technologies towards the market

IF26 HEAT AUCTION

Scope

The [Innovation Fund](#) (IF) is one of the world's largest funding programmes for the demonstration of innovative low-carbon technologies. It supports the EU climate-neutrality objectives by financing projects that decarbonise energy-intensive industries, financed by revenues from the EU [Emissions Trading System](#) (EU ETS). Following the successful First Pilot Heat Auction, the Second Pilot Heat Auction has been announced for H2 2025.

Topic and Funding

Proposals must focus on the deployment of industrial process **heat via electrification** (through e.g. heat pumps, electric boilers, direct and indirect resistance heating, electromagnetic and dielectric heating, plasma heating), **direct-renewable heat** (through solar thermal or geothermal systems), **small modular nuclear fission reactors for industrial heat generation only**, or **hybrid projects**. Projects must reach a minimum temperature of 80°C, 100°C or size of 3 MW_{th}.

Funding is awarded competitively based on the **lowest bid for a subsidy per tonne of CO₂ avoided** ([Auction-as-Service](#) mechanism). The total available **budget is EUR 1 billion**.

- Medium-temperature heat (100°C-400°C), with a maximum grant of EUR 100M and a maximum bid price of 400 EUR/tCO₂e - Small projects (100°C-400°C, >3 MW_{th}) and large project (80°C-100°C, >10 MW_{th}): heat pumps with COP >1.5, direct renewables or nuclear heat.
- High-temperature heat (≥ 400°C) – Total budget EUR 300M. Maximum project grant EUR 250 million. Max bid price of 800 EUR/tCO₂e: All projects (≥3 MW_{th}).

Grant Calculation

Applicants must state (i) the subsidy requested per unit of produced heat (EUR/MWh_{th}) based on the fixed premium to be received per tonne of CO₂ abated (EUR/tCO₂), and (ii) the volume of expected average yearly heat production (MWh_{th}). The subsidy will last **up to 5 years** of verified operation and is calculated as follows:

$$\text{Grant} = \left[\text{Bid Price in } \frac{\text{€}}{\text{tCO}_2} \right] \cdot \left[\text{Expected average yearly volume of GHG abated in } \frac{\text{tCO}_2}{\text{year}} \right] \cdot 5 \text{ years}$$

Projects must calculate avoided emissions by multiplying the produced process heat with the phase 4 ETS heat benchmark emission factor (0.170 tCO₂/MWh).

Projects that include electricity or thermal storage, deploy very efficient heat pump(s), install direct renewable heat or use nuclear heat will receive a 25% bid bonus.

Only projects with this bonus will not have a cap of 70% on the number of hours per year. The flexibility clause is removed since IF26 HA. Grant can be paid every 6 or 12 months since IF26 HA.

Contact Us

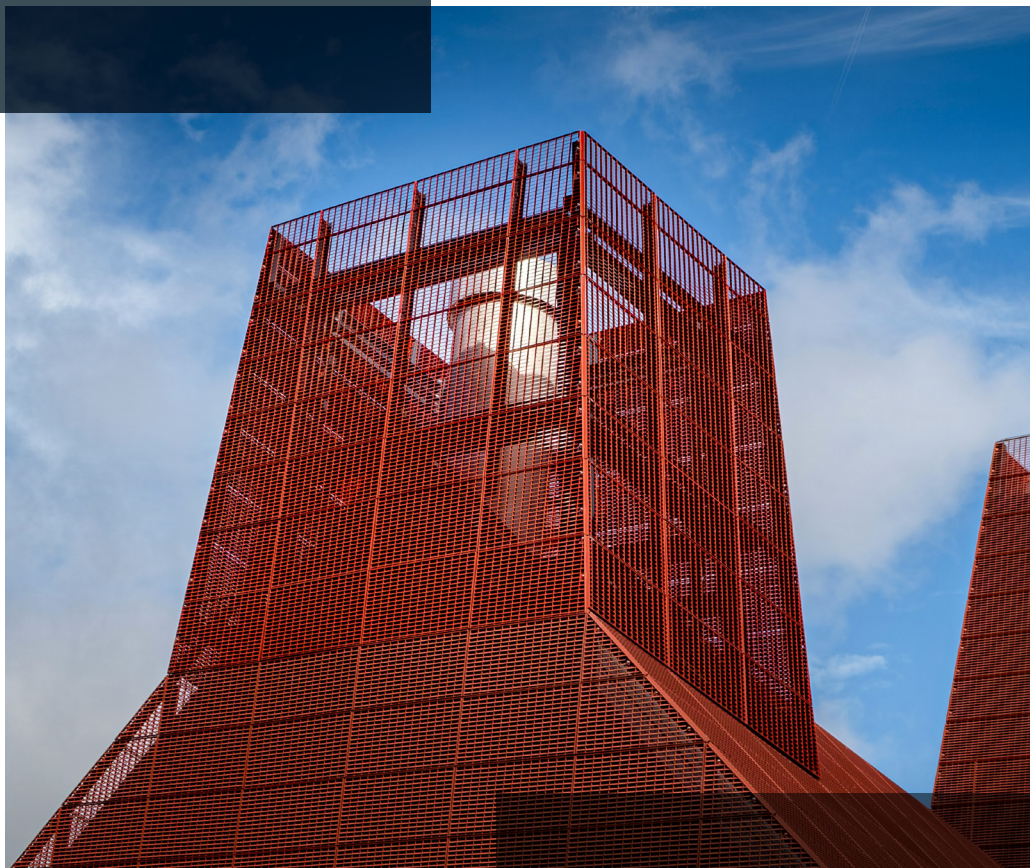
Tony Haske
Mobile: +45 4169 8790
ths@nordicinnovators.dk

Alejandro Varas Gálvez
avg@nordicinnovators.dk
+34 645 894705

Filippo Contenti
fmc@nordicinnovators.dk
+34 663 795 286

Call Open Date & Expected Deadline

Deadline has not been announced yet. The final terms and conditions are expected in September, shortly followed by the opening of the auction process.



Qualification Criteria

Eligible proposals are ranked by **lowest bid price** (EUR/tCO₂ abated) until the topic budget is exhausted; only those fitting within the budget are evaluated on a pass/fail basis for **Relevance** (clearly fitting the Auction objectives) and **Quality** (i.e. technical, financial and operational maturity).

Projects should **demonstrate high maturity level** by including the following documentation:

- Feasibility study with the project description and objectives, technology readiness, project organisation and risk analysis.
- Comprehensive timetable or Gantt chart.
- Detailed permitting strategy, including environmental and construction permits and grid-connection.
- Financial Information File with the detailed budget (CAPEX and OPEX).
- Completion-guarantee LoI from a bank or financial institution, consisting of 6% of the maximum grant value.
- Other LoIs or MoUs from equipment providers, suppliers and off-takers.

Terms and Conditions

- Projects must be located in the EEA (EU Member States, Iceland, and Norway).
- Financial close (FC) in less than 2 years or 2.5 years for high temperature after the Grant Agreement (GA) signature.
- Entry into Operation (EiO) in less than 4 years or 5 years for high temperature after the GA signature.
- Projects must install new thermal capacity for their heat needs.
- Non-eligible activities: biomass combustion, electrolysis processes, electric arc furnaces for steelmaking, space heating and district heating.
- Fossil fuel producers are not allowed offtakers.
- Subsidy is limited to 70% of the annual operating hours at nominal capacity, unless at Entry into Operation the bidder demonstrates either a flexible ramping schedule, usage of direct-renewable heat, electricity/thermal storage or heat pumps with COP ≥ 2.0 .
- Grant may be reduced or the GA terminated if heat production falls below <30% for 3 consecutive years.
- Heat production shall be directly measured, when not possible electricity consumption can be measured and a 95% conversion efficiency factor applied.
- Combination with public support, including previous Innovation Fund calls or compensation of indirect emission costs, is not allowed.



EU IF Heat Auction Process

Nordic Innovators takes the lead in the preparation and submission of a high-quality online application and preparing the technical and financial project documentation. Our collaborative approach ensures **timely delivery of a strong application** for the EU IF Heat Auction.

In addition, we also provide hourly-based services to support you on specific tasks like e.g. market research, drafting of whole documents, or review and quality control.

