Brussels, Friday 3 October 2025

EHPA feedback on the revision the General Block Exemption Regulation (GBER)

The European Heat Pump Association (EHPA) represents the voice of the European heat pump sector in Brussels. Our mission over the next five years is to ensure sustainable, stable growth in the domestic, commercial and industrial heat pump market in order to make heat pumps the number one heating and cooling technology in Europe and achieve a competitive, resilient European sector.

Introduction

The European Heat Pump Association (EHPA) welcomes the European Commission's initiative to simplify and update the State aid rules, particularly with respect to the General Block Exemption Regulation (hereinafter referred to as ***GBER***). This revision represents a valuable opportunity to make full use of state aid instruments to direct national subsidies toward priority industries.

In this context, the EHPA recommends that the European Commission ensure that the revised GBER is fully integrated within the broader State Aid reforms and supports the Union's transition towards climate neutrality, energy security, and economic resilience.

The relevance of the GBER for the heat pump sector

The GBER matters to the heat pump sector because it defines how Member States can channel public money into this technology. For residential markets, it allows subsidies that cut the upfront cost of installing heat pumps in buildings. For industry, it provides a framework to support large-scale electrification of process heat, where investment costs are high. It also covers projects that integrate heat pumps with renewable electricity or waste heat recovery, and it opens the door to innovative financing models such as Energy Service Companies. In short, the regulation is the legal backbone that makes targeted national support schemes for heat pumps possible.

What can be improved:

1. Simplification

The GBER is a cornerstone of EU State aid policy, as it enables Member States to grant aid swiftly by exempting certain categories from prior notification to the Commission, provided that the measures comply with the conditions set out in the Regulation.

Given this pivotal role, it is essential that the GBER be designed and drafted in a manner that is clear, easy to implement, and able to anticipate the full range of opportunities available to Member States for accelerating electrification. Experience with its application has shown, however, that the current text is overly complex, with provisions that are difficult to interpret or apply, including for public administration experts at national and regional level.

This lack of clarity, and in particular the absence of explicit and tailored provisions for heating electrification, reduces the uptake of the GBER and slows down Member States' capacity to mobilise funds across the policy areas covered by the Regulation.

It is therefore critical that the revised GBER be drafted in clear, accessible, and unambiguous language. Straightforward legal wording will minimise interpretive discrepancies and ensure consistent application across Member States.

2. Support for ESCO and EaaS business model

Article 38b of the GBER, which provides aid for the facilitation of energy performance contracting (EPC), is an important starting point for supporting innovative business models such as Energy Service Companies (ESCOs) and Energy-as-a-Service (EaaS). These models are central to scaling up clean technologies like heat pumps, because they remove the need for significant upfront investment and transfer technical and financial risk from the consumer to the service provider.

However, the current scope of Article 38b is too narrow and **two amendments are needed to unlock the full potential of the EPC.**

First, Article 38b should explicitly allow aid in the form of direct grants, as such support provides the necessary flexibility for ESCOs and EaaS providers to pass financial benefits directly to end-users, while leveraging their capacity to aggregate demand, manage technical risk, and implement complex projects under EPC schemes. **Secondly**, the current restriction of eligibility to SMEs and small mid-caps should be lifted to also **include large enterprises**, which possess the resources and capacity to scale up deployment and accelerate impact.

Expanding Article 38b in this way would make energy performance contracting **an effective tool under the GBER**.

3. CAPEX and OPEX Support for Heat Electrification

The GBER's rules for operational aid are designed for electricity producers, not consumers. Article 42 covers renewable electricity generation, while Article 43 limits operating aid for heat and electricity to 1 MW projects (with a few exceptions). This excludes almost all industrial heat pumps, which typically exceed this threshold, and forces them into schemes designed for generators such as competitive tenders and two-way contracts for difference.

To enable heat electrification, Article 43(2) should be revised to cover projects up to 30 MW and to explicitly reference heat pumps, allowing Member States to combine CAPEX and OPEX support in a single scheme.

4. Cutting Red Tape: reforming Article 38 to Accelerate Heat Electrification

Industrial heat pump projects often involve both renewable heat production (Article 41) and process optimisation or efficiency measures (Article 38). Once Article 38 applies, projects face strict counterfactual, funding-gap, and NPV requirements (Article 38(3)). These procedures are designed for incremental retrofits but create disproportionate complexity for transformative electrification projects. Article 38 should be adapted to allow simplified funding methods or exemptions for industrial heat pumps with clear decarbonisation benefits.

5. Include Carbon Contracts for Difference in the GBER

Rising volatility in energy and carbon prices poses major risks for energy-intensive and industrial sectors looking to invest in low-carbon technologies. While Carbon Contracts for Difference (CCfDs) are permitted under the Guidelines on State aid for climate, environmental protection, and energy (CEEAG), they are not currently covered by the GBER. The ongoing GBER revision is a timely opportunity to expand its scope to include direct price support mechanisms such as CCfDs. Allowing Member States to grant direct price support via CCfDs under the GBER would provide greater investment certainty for projects exposed to operating cost volatility.

CCfDs are a critical financial tool for decarbonizing Europe's industrial sectors. They help address a major barrier to large-scale decarbonization: the unpredictability of operating costs due to fluctuating energy and carbon prices.

6. Specify the definitions of industrial research and experimental development

EHPA recommends an adjustment to the definitions of aid for research, development and innovation in the GBER. The current distinction between "industrial research" (Article 2(85)) and "experimental development" (Article 2(86)) is not sufficiently clear. For instance, experimental development may involve "prototyping", but industrial research can also include the "construction of prototypes in a laboratory environment". This overlap creates uncertainty in practice and difficulties for applicants in national funding procedures. As producers of heat pumps frequently applying for R&D funding, our sector would particularly welcome such

clarification. A practical solution would be to align the definitions with the Technology Readiness Level (TRL) framework used in EU programmes such as Horizon Europe, which offers a clearer categorisation of R&D&I activities.
In addition, the explicit reference to certain digital industries and technologies, such as "super-computing, quantum technologies, blockchain, artificial intelligence, cyber security, big data and cloud technologies" should be deleted. R&D&I can take place in all industries, and the GBER should reflect this openness.

7. On the Article 4(1)(i): notification thresholds for R&D&I to be simplified

The variety of the current Notification thresholds is too high and shall be decreased. For example, why is there a differentiation between "industrial research" and "experimental development" (35 million EUR vs. 25 million EUR). "Experimental development" is in many cases more cost intensive as it includes field tests, major equipment investments etc. Therefore, the threshold of "Experimental development" should be also 35 million EUR.

Generally, the variety of the current Notification thresholds in the entire article 4 is too high and can be significantly reduced to decrease complexity of the GBER.

8. Depreciation requirements to be reduced or eliminated

Currently, Article 14(7) is stating that eligible costs shall exceed the depreciation of the assets linked to the activity to be modernised over the preceding 3 fiscal years. This requirement is counterproductive when it comes to investment in sites / facilities that might have had major investments in the past 3 years and would therefore be not eligible for funding. Therefore, this requirement should be reduced or eliminated.

9. On Article 25a and Article 25e: Need for simplification

The Article 25a - Article 25e are an expression of the increasing complexity of GBER in general with a lot of special provisions. This should be simplified.

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The European Heat Pump Association (EHPA) represents the European heat pump sector. Our over 230 members include heat pump and component manufacturers, research institutes, universities, testing labs and energy agencies. EHPA advocates, communicates and provides policy, technical and economic expertise to European, national and local authorities, and to our members.

Our vision for is to be the leading authority and trusted partner in the path to fully enable the decarbonisation of buildings and industry in Europe.

Our mission over the next five years is to ensure sustainable, stable growth in the domestic, commercial and industrial heat pump market in order to make heat pumps the number one heating and cooling technology in Europe and achieve a competitive, resilient European sector.