



PRESS RELEASE

It is time to give renewables a tax break

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Heat pump technologies are the most efficient heating and cooling solution using renewable energy. They contribute to indoor and outdoor environmental quality in buildings and cities and help stabilize the electric grid by providing demand side flexibility. Despite the significant energy savings, heat pump operating costs can still be higher compared to fossil energy-based solutions. This is the result of an imbalance in taxation levels and levies often favouring fossil energy and giving a disadvantage to electricity-based solutions.

In a [report](#) that the European Heat Pump Association (EHPA) published today, crucial information emerges from monitoring energy taxation schemes and techniques in Europe. With the support and data of our national associations, EHPA reveals that energy taxation is key to creating a level playing field for renewable technologies in the heating sector. Sweden and Finland were the first countries to introduce a carbon tax in Europe, in 1991 and 1990, respectively. Sweden is also the country with the highest standard carbon tax rate (120 EUR per t/CO₂) followed by Switzerland (87 EUR per t/CO₂), Finland (62 EUR per t/CO₂), and Norway (54 EUR per t/CO₂).

Since the introduction of the tax, Sweden has seen a decrease in household energy use by 2.1 % and a phase-out of fuel oil that was replaced up to 75% by district heating and 25% by heat pumps. These countries are faster in phasing out fossil fuels and decarbonizing their heating sector because it is possible to bridge the price gap between renewable and fossil fuel-based technologies via carbon pricing.

The report aims to provide EU institutions and national governments with an overview of where high taxation levels of electricity as well as lack of a carbon price signal affect investments in electricity-based technologies. It also provides information on best practice examples of CO₂ taxes in Europe and a list of countries that already implement carbon pricing.

The European Heat Pump Association is convinced that the transition to renewable-based heating and cooling solutions requires a coherent market framework that makes these solutions economically plausible. Once renewable heating solutions are cheaper, they will receive a much stronger consumer interest. Consequently, the Energy Taxation Directive and the EU ETS (Emissions Trading System) should address the taxation imbalance of different technologies and remove barriers that make these solutions not attractive to consumers.

Thomas Nowak, EHPA's Secretary General states that *"Distorted energy prices are misleading consumers because the least sustainable heating technologies are perceived cheaper. The actual*



cost of burning fossil energy is however not disappearing, it is instead, covered by society at large. We should make sure that consumers are guided to clean and sustainable heating solutions by making them more economically attractive and by introducing a price incentive to switch to renewables, for instance through a CO₂ [or carbon] price signal and the rebalancing of taxation levels.”

For questions and press enquiries, please contact Eirini Litina at eirini.litina@ehpa.org.



About EHPA

The European Heat Pump Association (EHPA) promotes awareness and deployment of heat pump technology in Europe. All activities aim at creating a market environment that facilitates a faster deployment of heat pump technology to unleash its benefits on a European level: efficient heating and cooling using renewable energy. EHPA also coordinates the Heat Pump Keymark – a European certification scheme for all heat pumps, combination heat pumps and hot water heater.