Pump it down: why heat pump sales dropped in 2023

Brussels, April 2024.

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1. Overall heat pump sales trend in 16 European countries for 2023

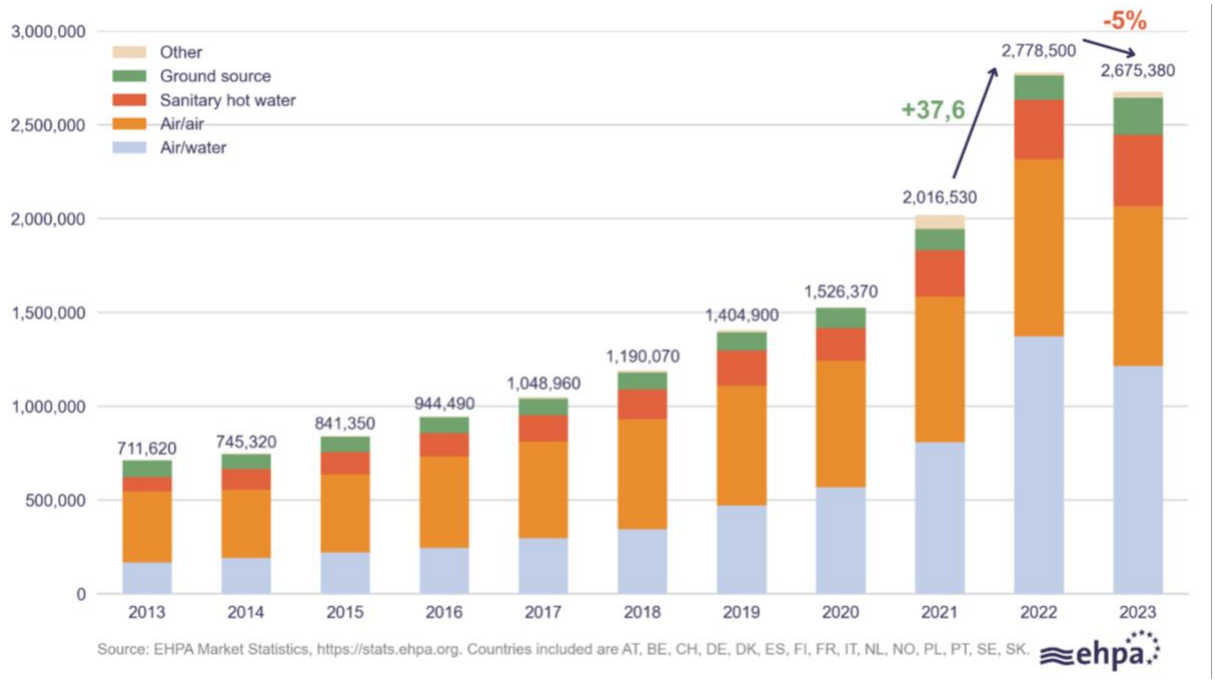

Figure 1: Annual sales of heat pumps in 15 European countries.

The European heat pump market saw a notable downturn in 2023, marking the first reverse in sales trends after a decade of continuous growth. **Across 16[1] European countries, which account for 90% of the market, heat pump sales fell by around 5% compared to the previous year**, from 2.77 million units to 2.64 million (Figure 1). This decline is particularly concerning as it disrupts the long-standing pattern of annual sales increases.

[1] The 16 countries analysed in this paper include Austria, Belgium, Denmark, Finland, France, Germany, Italy, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland and the UK. However, figures for the UK are not displayed in the graphs as they were not included in the overall calculations.

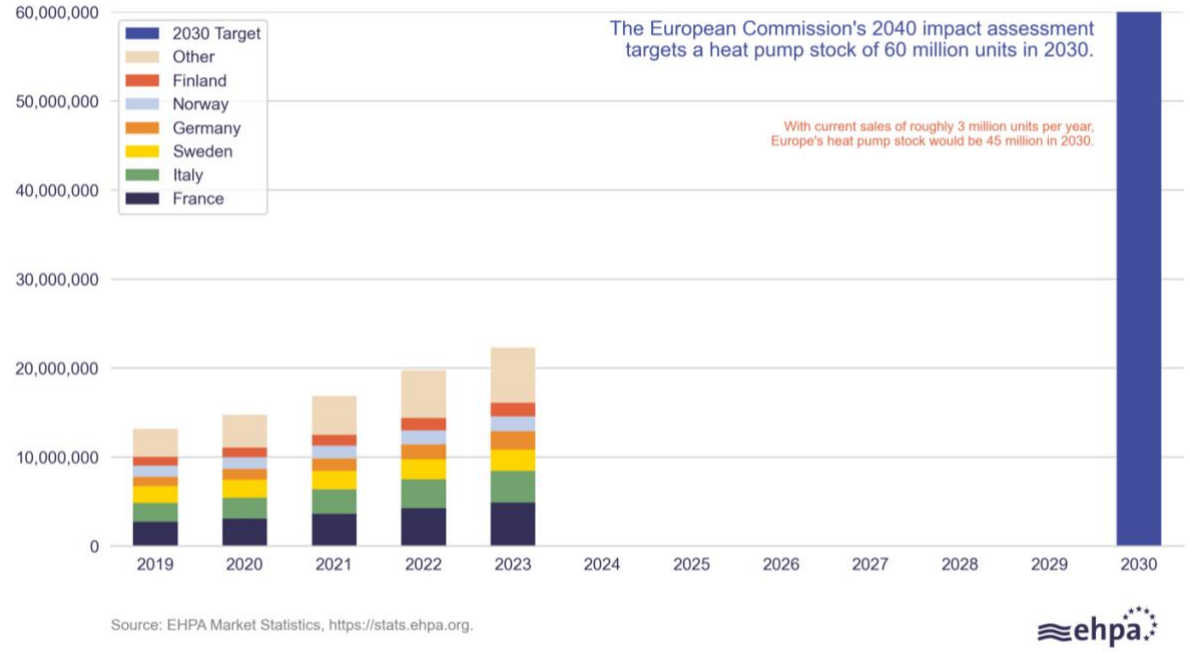

Figure 2: Heat pump stock by country and 2030 target.

The slowdown in sales has already prompted manufacturers to take measures such as **job cuts or restrictions, affecting nearly 3,000 employees so far.** This slowdown not only affects the industry, but also poses significant challenges to the EU's climate and energy goals. The decline in heat pump sales puts **key targets at risk**, including the 2030 target of 49% renewables in heating and the 60 million heat pumps to meet REPowerEU (Figure 2).

Breakdown of heat pump sales trend in 2023 per country

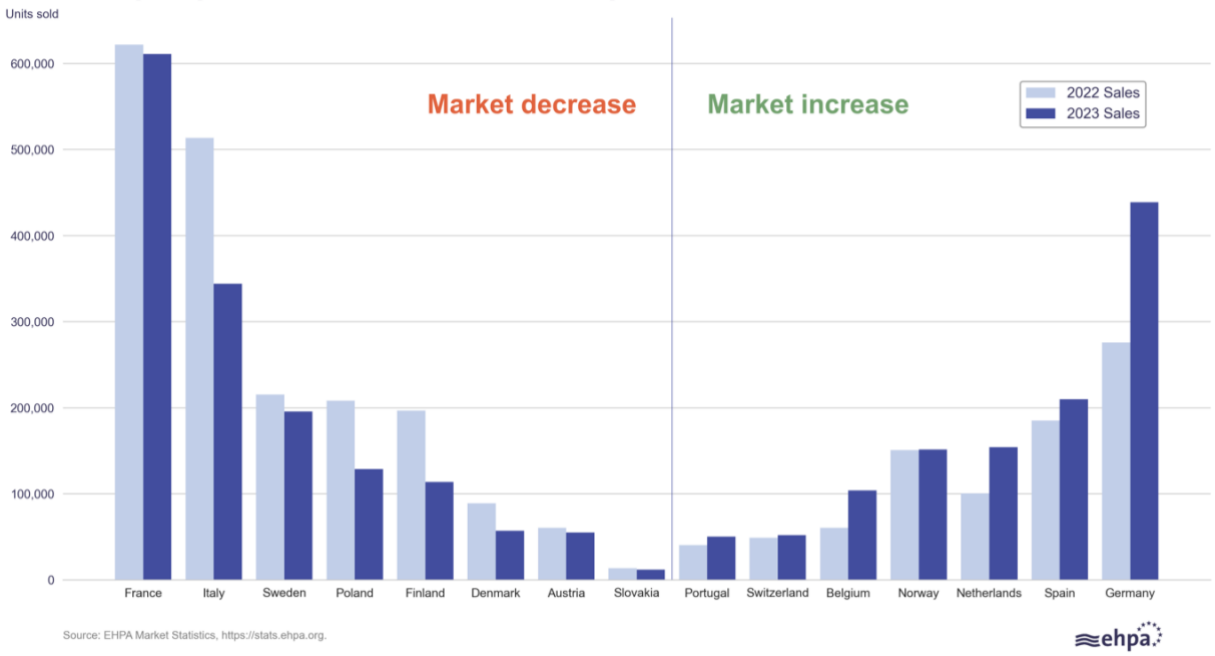

Figure 3: Heat pump sales decreased in most European markets in 2030.

France, Italy, Sweden, Finland, Poland, Denmark, Austria and Switzerland all experienced declines in heat pump sales, while **Portugal, Belgium, Norway, the Netherlands, Spain, Germany, Slovakia** and the **UK** saw modest growth, but not enough to offset the overall decline

(Figure 3). Even in countries with overall growth, quarterly sales declined toward the end of 2023, indicating a widespread downturn across the region (Figure 4).

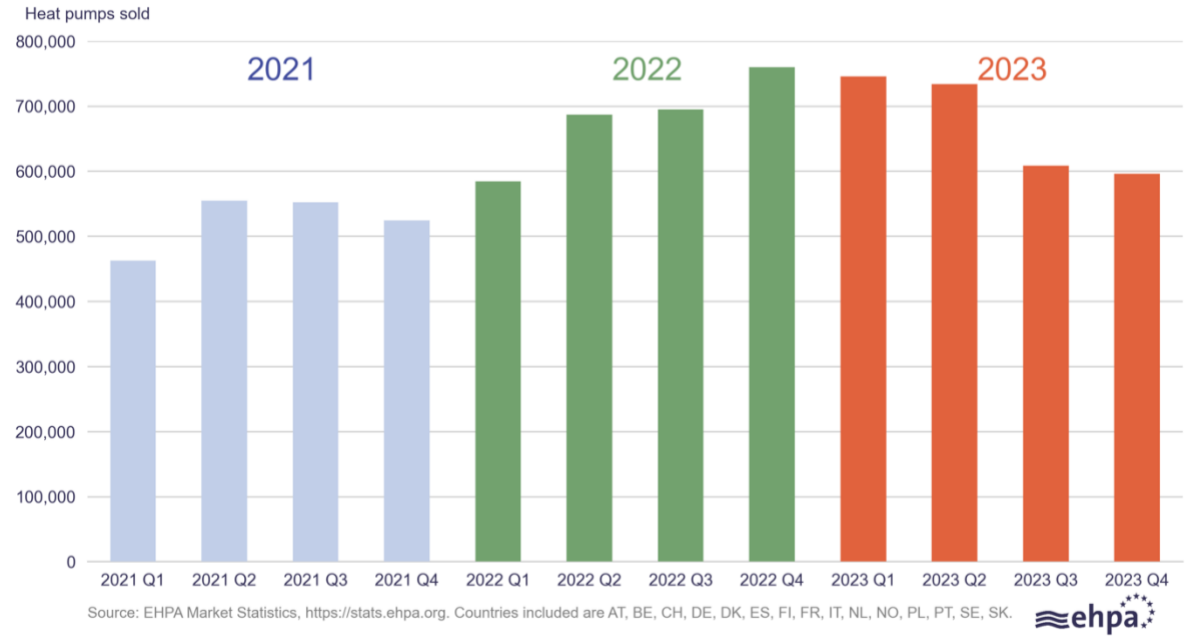

Figure 4: European heat pump sales declined each quarter in 2023.

Europe-wide factors contributing to the decline in heat pump sales

The decline in heat pump sales in Europe in 2023 is due to a combination of factors that have affected investors and consumers, resulting in a notable 5% decline after a decade of continuous growth:

- A major contributor to this decline is the **shift in energy prices.** After the very high gas prices following the Russian invasion in Ukraine in 2022, the gas prices dropped again in 2023[2], making electric heat pumps less financially attractive, especially in light of high electricity prices that persist. In 2022, when gas prices were high, electric heat pumps were more attractive, but the subsequent drop in gas prices reduced this advantage.

- The European economy has stagnated since the summer of 2022, with factors such as persistently high inflation, weak consumer demand, and tightening monetary policy contributing to the slowdown. Despite efforts to stimulate sectors such as tourism and manufacturing, GDP growth has stalled[3]. In this context of **high interest rates, inflation, and overall economic uncertainty**, investment in construction and renovation projects has been discouraged, impacting demand for heat pumps.

- Political debates have added to the uncertainty surrounding investment in heat pumps. The **backlash against green policies**, coupled with reduced ambition at both EU and national level, has further dampened confidence in the market. Uncertainty about subsidy schemes in some countries has also contributed to the decline in sales.

[2] "Statista - the Statistics Portal." *Statista*, https://www.statista.com/markets/408/topic/436/energy/#statistic5
[3] Rozkrut, Marek, and Maciej Stefański. "EY European Economic Outlook – October 2023." *Ernst & Young,* 26 Oct. 2023, www.ey.com/en_pl/economic-analysis-team/ey-european-economic-outlook-october-2023

Market dynamics are closely linked to the political landscape. In 2022, there was a spike in heat pump sales following the energy crisis triggered by Russia's invasion of Ukraine. At the time, the European Commission highlighted heat pumps as an important tool to reduce dependence on Russian fossil fuels and mitigate high gas prices within the REPowerEU Plan[4], which boosted confidence in the market. However, the European Commission's **postponement of the Heat Pump Action Plan**[5], along with similar shifts at the national level, has created further uncertainty and contributed to the decline in sales.

In this context, it is important to note the drop in gas boiler sales, including both condensing and non-condensing models, by around 12% in 2023[6]. Notably, the installation ratio of gas boilers (standalone) versus hydronic heat pumps (including air to water, ground source and hybrid heat pumps) has shifted significantly, from 14.2 boilers to one heat pump in 2017 to 3.2 boilers to one heat pump in 2023[7]. This illustrates the market's movement towards lower carbon technologies.

Stable policy support is essential to address this decline and revitalize the market. Measures such as **aligning electricity prices with gas prices** through carbon pricing and tax breaks can increase the financial attractiveness of heat pumps, drive end-user demand, and accelerate the decarbonization of the heating and cooling sector. By addressing these challenges and providing a supportive policy framework, the EU can promote greater energy independence and drive sustainable growth in the heat pump market.

Below we take a closer look at the development of heat pump sales in 2023 in 16 European countries -Austria, Belgium, Denmark, Finland, France, Germany, Italy, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland and the UK- and analyse the specific factors influencing market dynamics in each one of them.

[4] Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on the REPowerEU Plan, 18 May 2022, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A230%3AFIN&qid=1653033742483

[5] "EU Commission Slams Brakes on Heat Pump Action Plan." *European Heat Pump Association*, 20 Dec. 2023, www.ehpa.org/news-and-resources/press-releases/the-european-commission-has-postponed-its-heat-pump-action-plan-until-after-the-eu-elections-the-decision-comes-despite-the-commissions-repeated-assurances-that-the-action-plan-would-be-out

[6] Data from France, Italy, Germany, UK, Netherlands, Belgium, Poland, and Spain. Source: "Heat in Europe: 2023 Market Highlights and Predictions for 2024." *LCP Delta*, 6 Dec. 2023, https://delta.lcp.com/webinars/heat-in-europe-2023-market-highlights-and-predictions-for-2024/.

[7] Ibid.

2. Country-specific analysis of heat pump sales evolution in 2023

Austria

2023 heat pump sales: 9% fall on 2022.

In Austria, the number of units sold in 2022 was 60,360. In 2023, the number declined to 44,000, marking a decrease of 9% year on year.

The heat pump industry experienced a significant increase in sales during the first half of 2023, which were up 42% compared to the previous year.

This was primarily driven by catch-up effects from 2022, coupled with improved availability and a higher market share for heating replacements.

However, the drop in the second half of the year was significant enough to make overall 2023 sales 9% lower.

The overall decrease can be attributed to multiple factors. First, there was a significant decline in new construction, particularly in the single family home sector, leading to a noticeable slowdown in the heating market. Rising construction prices, coupled with declining purchasing power and capital spending, further exacerbate the situation.

In addition, discussions about the German heating law and the EU F-Gas regulation discouraged owners of gas and oil-fired heating systems from making the switch.

Furthermore, the announcement of significantly higher government subsidies in 2024 may have caused some consumers to postpone their heating system purchases in anticipation of better incentives in the following year, thereby impacting sales in 2023.

Belgium

2023 heat pump sales: 72% rise on 2022.

In Belgium, the number of units sold in 2022 was 60,250. In 2023, the units sold reached 103,720 and a year on year growth rate of 72%.

The post-pandemic period, coupled with the energy crisis and high fossil fuel prices, encouraged increased investment in heat pump technology as people sought more sustainable heating solutions.

These positive trends were largely driven by policies encouraging new constructions to opt for heat pumps as part of their heating solutions[8]. Manufacturers responded to the increasing demand by ramping up production earlier in 2023[9].

However, the market is currently experiencing a downturn due to rising inflation, higher interest rates and escalating electricity prices since September 2023, which have created a reluctance among builders and homeowners, impacting demand for heat pumps[10].

Denmark

2023 heat pump sales: 36% fall on 2022.

In Denmark, there were 88,830 heat pump units sold in 2022. In 2023, sales dropped to 56,810 units, representing a significant decrease of 36% compared to the previous year.

The main factor contributing to this decline is the fall in gas prices, which are lower than in 2022, when the heat pump market experienced substantial growth.

Inflation has also affected the market, with high rates of inflation leading to heat pumps being seen as an expensive alternative. Despite the availability of funding schemes that offer financial incentives for heat pump installations, many potential consumers are hesitant to take action due to the perceived high cost of heat pumps, especially when compared to traditional gas heating systems.

Finland

2023 heat pump sales: 42% fall on 2022.

In Finland, the heat pump market surged in 2022 with a total of 196,360 units sold. However, the momentum shifted in 2023, with just 113,720 units sold, a decrease of 42% compared to the previous year.

After the high growth in 2022, the subsequent decline in 2023 was largely due to the normalisation of sales after the exceptional peak year. In addition, a decline in construction activity, coupled with rising interest rates and a gloomier investment climate for both the economy and households, contributed to sales returning to 2021 levels.

[8] "Warmte365 - Ook in België Zit de Warmtepomp in de Lift: 68 Procent Groei in 2023." *Warmte365*, 19 Feb. 2024, www.warmte365.nl/nieuws/ook-in-belgi%C3%AB-zit-de-warmtepomp-in-de-lift-68-procent-groei-in-2023-65aaaeb2.html

[9] David Adriaen. "Productie Warmtepompen Bij Daikin: Van Plankgas Naar Alle Remmen Toe." *De Tijd*, De Tijd, 26 Sept. 2023, www.tijd.be/ondernemen/milieu-energie/productie-warmtepompen-bij-daikin-van-plankgas-naar-alle-remmen-toe/10495016.html.

[10] Ibid.

In particular, sales of air-to-air heat pumps and air-to-water heat pumps declined significantly, with only ground-source heat pumps maintaining the level of the previous peak year. The decline in the construction of new single-family homes affected exhaust-air heat pumps in particular, leading to a drop in their sales.

Despite the temporary setback, the heat pump sector in Finland has a promising prospects future. Factors such as rising and volatile energy prices and the demand for independent heating solutions are encouraging the use of heat pumps. With the rise in oil, gas, district heating and electricity prices, the profitability of heat pumps has improved, offering relief from escalating energy bills and concerns about energy poverty.

The shift towards electrification and heat pump heating is in line with efforts to combat climate change by reducing dependence on fossil fuels. In Finnish conditions, heat pumps are proving to be a practical and cost-effective alternative for transitioning away from combustion-based heating methods. The significant investments in heat pumps in Finland indicate a growing trend towards electrification, with heat pumps now contributing to about 20% of building heating in the country.

France

2023 heat pump sales: 2% rise on 2022.

In France, 621,780 heat pumps were sold in 2022. In 2023, the total was 610,830 units, marking a decrease of 2% year-on year.

Sales of air-to-water heat pumps experienced a significant decline of 14% in 2023, in sharp contrast to the continuous increase observed in previous years. Industry professionals expect this downward trend to continue until 2024, attributing it to several factors.

First, uncertain economic conditions and a crisis in new housing construction, characterized by a decline in housing starts, are key factors influencing the market.

In addition, the ambiguity and complexity of the new government incentives for renovation projects is further affecting the situation. The lack of clarity and the complicated nature of these incentives create doubts among homeowners and affect their willingness to invest in heat pumps. Furthermore, the instability of energy prices adds another layer of uncertainty for consumers.

Germany

2023 heat pump sales: 59% rise on 2022.

In Germany, heat pump sales increased in 2023 compared to 2022. While 275,700 units were sold in 2022, in 2023 the market reached sales of 438,800 units - a remarkable increase of 59%.

This significant growth was largely attributed to high demand triggered by Russia's war with Ukraine and rising gas prices, making the switch to clean and sustainable heat sources economically attractive. However, despite the initial momentum, the market faced challenges, particularly in the last quarter of 2023, with a particularly alarming drop of more than 40% in December 2023 compared to the previous year.

The ongoing debate on the Building Energy Act and funding uncertainties have contributed to consumer hesitancy, posing challenges for the industry in the first half of 2024. There have been discussions about heating legislation, and although a new subsidy scheme has been launched at the end of February 2024, the necessary online forms were not immediately available.

Despite the industry's readiness to meet the sector's targets, these uncertainties have reduced consumer confidence, threatening to stagnate or even reduce heat pump sales by 2024. To overcome these challenges, it is crucial to create an encouraging environment for the uptake of heat pumps, in particular by addressing electricity prices. Efforts to promote a level playing field and reduce taxes on heat pump electricity compared to fossil fuels are seen as critical steps to support market growth.

Italy

2023 heat pump sales: 33% fall on 2022.

In Italy, the heat pump market experienced a significant shift from 2022 to 2023. While 513,540 units were sold in 2022, there was a notable decline in 2023, with only 343,800 units sold, representing a year on year decrease of 33%. This result comes from two opposing trends in the air to water segments: a significant decline in the residential below 17 kW and strong double digit (+45%) growth in the commercial above 17 Kw. Air to air, residential and commercial, are roughly keeping the same sales level achieved in 2022.

The decline in the Italian residential heat pump market in 2023 can be attributed to the end of the free tax credit market, which had previously driven significant demand growth. The introduction of the Superbonus 110% in October 2020, which allowed the free circulation of tax credits and shortened repayment periods, led to a surge in demand as homeowners were able to renovate their homes essentially for free. However, in February 2023, the government decided to halt the tax credit market due to concerns about the escalating total tax credits being generated and their impact on the public accounts. This decision abruptly halted the market's momentum and caused a rapid decline in demand.

Manufacturers were unprepared for the sudden increase in demand, which peaked in the second half of 2021. While they managed to clear the backlog of orders by the end of 2022, wholesalers and installers continued to place orders for fear of product shortages. However, with the government's decision in February 2023, the market began to contract rapidly. As a result, there is now an oversupply of product in the market, which is further exacerbating the situation.

Looking ahead to 2024, it is expected to be a transitional year as the market awaits the impact of the next generation of incentives currently being developed by the authorities, which are expected to come into effect in the first quarter of 2025.

Netherlands

2023 heat pump sales: 53% rise on 2022.

In the Netherlands, the heat pump market continued its upward trajectory from 2022 to 2023. In 2022, 100,350 units were sold. In 2023, sales reached 153,980 units, showing a further increase of 53% year on year.

This increase can be explained by supply chain disruptions caused by material shortages until early 2023 due to the Covid-19 pandemic, which led to delays in heat pump deliveries. This was followed by a rise in sales as manufacturers restocked their inventories, which were then distributed to homeowners throughout 2023.

The forecast indicated even higher growth (170,000 expected versus 150,000 actually sold), but caution began to emerge in the market, influenced by rising interest rates, which made it more expensive for wholesalers to hold inventory. In addition, the declining urgency to switch to heat pumps following the resolution of the energy crisis and the subsequent drop in gas prices contributed to the slowdown in sales. In addition, political uncertainties arising from the fall of Mark Rutte's cabinet in mid-2023 adds to the cautiousness, as the coming government is not yet formed and its stance on the Dutch energy transition is uncertain.

Looking ahead to 2024, heat pump sales are expected to stabilise at around 150,000 units per year, with uncertainties surrounding factors such as grid constraints and industry capacity. While the heat pump industry remains committed to meeting policy targets for 2030, including the installation of one million heat pumps in existing homes, additional measures and continued regulatory standards are needed to accelerate adoption rates and meet ambitious targets.

Norway

2023 heat pump sales: 0% change on 2022.

Unlike many European countries, Norway has limited the use of gas for heating, with fossil fuel oil banned from 2020 and all fossil energy banned in new buildings

from 2016. In Norway, direct use of electricity is the primary heating source, making heat pumps a viable option, especially during periods of high electricity prices.

2021 and 2022 saw record high electricity prices, and this trend continued in 2023. Despite the high prices, demand for heat pumps remained steady, as evidenced by consistent sales figures. Heat pumps are often mentioned in newspaper articles advocating electricity saving, which contributes to their widespread awareness among the Norwegian population.

The stability of heat pump sales is closely linked to electricity prices; if prices fall, sales may slightly decline. The market for air-to-air heat pumps, however, remains robust since these heat pumps are very widespread, the price is affordable, the familiarity is great, and the repayment period is very short. Although it may decline slightly in 2024. In contrast, the market for air-to-water and brine-to-water heat pumps is weaker than in neighbouring countries such as Sweden and Finland, where water-source heating systems are more common. High mortgage interest rates may also affect the market for these types of heat pumps, as tighter finances may discourage potential buyers.

In addition, market performance in 2023 may have been affected by capacity constraints among installers at the end of 2022, coupled with delays in product availability from some importers.

Poland

2023 heat pump sales: 38% fall on 2022.

In Poland, heat pump sales surged in 2022 with 207,990 units sold. In 2023, sales experienced a significant decline, dropping to 128,580 units[11], representing a decrease of 38% compared to the previous year.

A major challenge the heat pump sector encountered and continues to face in Poland is the high ratio of electricity to gas prices, around 4:1. The rise in electricity prices, combined with falling prices for other heating fuels, made the cost comparison unfavourable for heat pump technology and deterred many homeowners from investing in heat pumps.

The uncertainty about energy prices has discouraged investors from initiating new projects or renovations. Notably, there was a significant downturn in residential construction, especially single-family homes. Compared to 2022, sales of heating equipment in Poland fell by more than a third overall and by around 40% for single family homes.

Additionally, the lack of clear and consistent information on future electricity prices also discouraged potential investors from choosing heat pumps. While gas prices were 'frozen' by law with no cap on consumption, there was no such protection for heat pump users.

[11] To reach a total of 128,580 units, EHPA counted around 4000 variable refrigerant flow heat pumps which are not accounted for in PORT PC's figures.

Another particularity of the 2023 situation is the higher than usual disparity between sell-in sales - meaning sales to wholesalers and distributors -, and sell-out sales meaning sales to the end customer, which makes it difficult to assess the actual number of heat pumps installed. Many wholesalers continued to reduce their last year stocks, selling off previously ordered units and reducing current orders.

It is also worth noting the significant number of new gas connections - around 60,000 - in 2023, in both existing and new buildings, which indicates the installation of gas boilers in new construction projects as well.

Overall, the main reason for the decline in heat pumps sales in Poland in 2023 should be attributed to the significant increase in electricity prices and the absence of coherent information from policy-makers regarding future price developments.

Portugal

2023 heat pump sales: 24% rise on 2022.

In Portugal, 40,310 units were sold in 2022. In 2023, sales increased slightly to 50,040 units, with a year on year growth rate of 24%. Despite this increase, the commercialisation of heat pumps in Portugal experienced a notable slowdown, particularly evident in the second half of 2023, with several factors contributing to this situation.

The high purchase price of heat pump equipment acted as a significant barrier to widespread adoption. Additionally, inventory policies of key sector operators led to an influx of equipment in the first quarter of 2023.

High inflation rates in Portugal and the eurozone, driven by energy price hikes, dampened consumer confidence and disposable income. This, coupled with rising inter-bank borrowing rates and interest rates, diminished families' ability to secure bank loans, thereby affecting purchasing power.

Consumers deferred purchasing decisions in anticipation of lower raw material costs and renewed support mechanisms for energy-efficient equipment. Furthermore, the shift back to traditional in-person work settings diminished the significance of comfort criteria within the residential sector.

Escalating installation costs and budget constraints across the supply chain further hindered market dynamics.

Intermittent public financial incentive programmes disrupted purchasing processes in the residential sector, and the limited impact of government recovery programs and structural funds on the heat pump sector added to the challenges faced.

Slovakia

2023 heat pump sales: 11% fall on 2022.

In Slovakia, 13,470 heat pumps were sold in 2022. In 2023, sales fell to 11,930 - of 11%. However, while sales decreased in 2023 compared to the record year of 2022, the overall trend of sales growth when the exceptional 2022 figures are excluded is upwards.

Several factors have impacted the sale of heat pumps in Slovakia, including the price of electricity, which is over three times higher than that of gas. Additionally, the consistently high and rising prices of heat pumps, contrasted with the relatively low prices of gas boilers, put off potential buyers. With the current energy and product price dynamics, the economic advantage of reducing CO2 emissions through heat pump adoption is often overshadowed by the possibility of exchanging traditional gas boilers for condensing boilers, particularly for middle and low-income groups connected to well-established gas networks. Gas boilers also have the potential to receive subsidies from gas distributors, further increasing their attractiveness.

Despite the slowdown experienced in 2023, the demand for heat pumps continues to grow, driven primarily by home renovation projects and the construction of ultra-low-energy homes. This growth persists even in areas with strong gas networks and central heat supply systems. However, to sustain and accelerate this growth, heat pumps require continued support through subsidies such as Renew the House and Green Homes, which were slowed down in 2023 and insufficient for growth.

Spain

2023 heat pump sales: 13% rise on 2022.

In Spain, 184,950 units were sold in 2022. In 2023, sales surged to 209,680 units, representing a year on year growth rate of 13%.

In terms of market trends, in Spain, the air to air heat pump segment experienced significant growth, while the air to water heat pump segment declined, contrary to the European trend. Water to water heat pumps also experienced a decline, possibly due to their higher cost compared to the alternatives. However, sales of domestic hot water heat pumps increased.

Overall, while there was an increase of 13% in heat pump sales in Spain in 2023, challenges such as competition from gas boilers, regional funding for boiler replacement, and the need for continued innovation in heat pump technology remain critical areas for improvement in the heat pump market.

Another key challenge is the low renovation rate, which is only about 0.1%, well below the target set by the National Energy and Climate Plan (NECP). This slow renovation rate hinders the replacement of outdated heating systems with more efficient heat pumps.

In addition, there are difficulties related to financing models and the slow pace of both public and private initiatives. Although there is commitment from financial institutions, there is a need to streamline procedures and increase awareness to facilitate access to financing for heat pump installations.

Regulatory challenges, such as those related to F-gases, pose further barriers to the heat pump market in Spain. Safety regulations also need to be reviewed, especially for multi-split heat pumps, which face risks that need to be addressed.

Furthermore, the economic situation in the country, characterised by increased fiscal pressure, creates additional barriers to the widespread adoption of heat pumps.

Sweden

2023 heat pump sales: 9% fall on 2022.

In Sweden, the heat pump market experienced a slight decline in 2023 compared to the previous year. In 2022, 215,340 units were sold. In 2023, however, sales decreased to 195,550 units, a 9% year on year decline.

In 2023, Sweden experienced a notable decline in air to water heat pump sales, in sharp contrast to the strong growth seen earlier in the year. The third quarter saw a turnaround, with a significant 26% decline in air to water heat pump sales compared to 2022. However, ground source heat pumps performed well throughout the year, contributing to a 20% increase in sales in the fourth quarter.

Several factors contributed to the decline in heat pump investment during the year. The normalisation of previously high energy prices, coupled with the economic recession and higher interest rates, discouraged investment. However, in July the Housing Board introduced an energy efficiency grant for single-family homes with electricity or gas heating, which provides a positive outlook for the heat pump market. In addition, Sweden's large installed base of heat pumps, which is in constant need of renewal, provided a solid basis for sales, with around 35% of investment being in replacements.

A comparison with the record year of 2022 is also noteworthy, when high energy prices and order backlogs due to component shortages contributed to increased sales. With the ongoing revision of EU environmental and energy directives and regulations, the Swedish refrigeration and heat pump industry expects a rapid transition to more climate-friendly heating solutions. Sustainability reporting initiatives such as the Corporate Sustainability Reporting Directive are expected to drive companies towards greener practices, creating interesting business opportunities for the industry.

Switzerland

2023 heat pump sales: 6% rise on 2022.

In Switzerland, 48,740 heat pumps were sold in 2022. In 2023, sales surged to 51,740: an increase of 6%.

This stabilisation of the market has allowed a gradual reduction of the backlog of heat pump orders accumulated in the previous year. Delivery times, which previously extended up to twelve months, are expected to normalise as supply chains stabilise. However, challenges remain due to the inability of some suppliers to keep up with increased demand, resulting in occasional shortages of specific components such as plate heat exchangers or water storage units[12].

Despite the slowdown, demand for heat pumps remains strong, driven by factors such as rising fossil fuel prices and ongoing energy transition efforts. However, the pace of growth is expected to slow in the coming years. This is due to a saturation point where many property owners have already switched to heat pumps, coupled with a notable increase in the use of district heating systems in urban areas[13].

UK

2023 heat pump sales: 4% rise on 2022.

In the UK, heat pump sales increased by 4% in 2023 compared to the previous year. However, this growth doesn't meet the government's goal of installing 600,000 heat pumps annually by 2028.

Several factors contribute to this limited growth. Stronger and more consistent policies are needed to encourage the adoption of heat pumps. Additionally, the price of electricity relative to gas plays a significant role, as low-carbon heating needs to be more affordable.

The implementation of Future Homes and Buildings Standards in 2025 can play a significant role in shaping the market landscape. Clear timelines for phasing out fossil fuels, coupled with initiatives to rebalance energy prices, are critical steps to accelerate the transition to electrification. Reforms in planning and grid connection procedures are also needed to facilitate the widespread adoption of heat pumps.

To sustain growth in the market, continued support for the development of a skilled and competent installer network is also needed. Ensuring that there are enough qualified professionals to install and maintain heat pumps is essential to meet growing demand and boost consumer confidence in the industry.

[12] "Angespannter Wärmepumpenmarkt Beruhigt Sich Langsam." *Baublatt*, 21 Aug. 2023, www.baublatt.ch/baubranche/angespannter-waermepumpenmarkt-beruhigt-sich-langsam-34748
[13] Ibid.

3. Conclusion

The European heat pump market experienced a significant downturn in 2023. This reversal in sales trends after a decade of continuous growth poses a challenge not only to industry stakeholders, but also to the EU's climate and energy goals.

Several factors contributed to this decline, including energy price volatility, economic stagnation, political uncertainty and regulatory challenges. The fluctuation in gas prices, combined with high electricity prices, affected the financial attractiveness of heat pumps for consumers. Economic uncertainties, together with political debates and delays, further dampened confidence in the market.

Country-specific analysis revealed that challenges such as high purchase prices, inflation, supply chain disruptions and regulatory complexity hampered market momentum across European countries.

Despite these setbacks, there are still opportunities to boost the heat pump market. Stable policy support, including measures to align electricity prices with gas prices and tax incentives, is crucial to stimulate demand and accelerate the transition to lower carbon heating solutions.

Addressing these challenges and promoting a supportive policy framework can not only revitalise the heat pump market, but also contribute to greater energy independence and sustainable growth in Europe's heating and cooling sector.

4. Appendix

Press release	Association
Rekordabsatz: Wärmepumpenbranche beweist Leistungsfähigkeit trotz unsicherer Aussichten	Bundesverband Wärmepumpe (BWP)
Czy rok 2024 przyniesie nowe otwarcie polskiemu rynkowi pomp ciepła? Podsumowanie 2023 roku i perspektywy dla branży	Polska Organizacja Rozwoju Technologii Pomp Ciepła (PORT PC)
Halbjahresbilanz 2023 am Wärmepumpenmarkt Nachholeffekte und bessere Verfügbarkeit bestimmen das erste Halbjahr	Waermepumpe Austria (WPA)
Heat Pump Association Reiterates Calls for Long Term Policy Certainty Following European Heat Pump Sales Decline	Heat Pump Association (HPA)
After a peak year, heat pump sales normalised to the level of previous years	Suomen lämpöpumppuyhdistys (SULPU)
Värmepumpsbranschen bromsar in men fortsätter växa	Svenska Kyl & Värmepumpföreningen (SKVP)

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The European Heat Pump Association (EHPA) represents the European heat pump sector. Our over 170 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.

We organise high level events and manage or partner in multiple projects.

We work to shape EU policy that allows the heat pump sector to flourish, and to become the number one heating and cooling choice by 2030. Heat pumps will be a central part of a renewable, sustainable and smart energy system in a future decarbonised Europe.