

# EHPA feedback on the revision of the State aid rules on Services of General Economic Interest (SGEI)

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.

## *Executive Summary:*

EHPA welcomes the opportunity to provide feedback on the revision of the State aid rules on Services of General Economic Interest (hereinafter referred to as **SGEI**). This represents a unique opportunity for the heat pump sector to ensure that the new initiative encourages Member States to invest public funds in providing affordable housing that meets energy efficiency requirements by using clean technologies, such as heat pumps.

In particular, the initiative on affordable housing offers a clear opportunity for the heat pump sector to advocate for the following key points:

- 1) **Renovated or newly constructed buildings must meet strict energy efficiency standards.** Therefore, EHPA welcomes the definition on “affordable housing” provided by the European Commission that already establishes a clear link with the the minimum energy performance of the house. However, to avoid legal uncertainty that can lead to a fragmented implementation of the EU law, the European Commission should:
  - ensure that the definition of the “minimum energy performance” is linked and refers to the Energy Performance of Building Directive (here in after referred to as the **EPBD**). The EPBD sets the legal framework to develop the methodology to calculate the energy performance levels of the buildings. Moreover, in its Recital No 16, it calls for using harmonized instruments and in particular the testing and the calculation method developed under the Ecodesign Directive (2009/125/EC) and the Energy Labelling Frameworks Regulation (2017/1369). Therefore, it is essential that the Commission assigns a clear and consistent meaning to the definitions it provides and ensures that no alternative methods, calculations, or tests are used to assess the energy performance of affordable housing, beyond those established under the EPBD, the Ecodesign Directive, and the Energy Labelling Framework.

- Provide a definition of “affordable conditions” that also include the energy operating costs of the building over its life cycle to ensure that only energy efficient technologies, such as heat pumps, are included in the projects on the affordable housing.
- 2) **Minimum quality requirements for heating and cooling should be included and should explicitly encourage the use of clean technologies such as heat pumps and geothermal energy technologies that are already recognized in the Net Zero Industry Act (Article 4, Net Zero Industry Act).**
  - 3) **Public aid should cover the costs of purchasing and installing clean technologies (like heat pumps) used in affordable housing.**
  - 4) **Innovative business models and operators, such as Energy Service Companies (ESCOs) or Energy-as-a-Service (EaaS), should also be eligible to receive subsidies since they facilitate the deployment of these technologies.**
  - 5) **Energy efficiency first principle at the core of delivering affordable housing projects.**

In conclusion, affordable housing as SGEI initiative represents a concrete opportunity to fully respect and further implement the initiatives taken at EU level that already recognized heat pumps as a key technology to reach the EU climate target:

- **the revised Renewable Energy Directive (EU/2023/2413) already recognized** heat pumps as a technology that contributes to the overall renewable energy target and ensures energy supply security (Recital (43)).
- **The Repower EU plan** which calls for the accelerated deployment of heat pumps: *“The European Union should aim at doubling the current deployment rate of individual heat pumps, resulting in a cumulative 10 million units over the next 5 year”*.
- **The Net Zero Industry Act** which recognizes heat pumps and geothermal energy technologies as a key technology essential for achieving net-zero targets (Article 4).
- The **EPBD** which widely recognizes heat pumps as the available option to cover the energy need of a zero-emission buildings (Recital No (22)).
- 

EHPA therefore urges the European Commission to deliver on its policies and legislative acts. More details and further input are provided below.

## 1. On the definition ‘affordable housing’

EHPA welcomes the definition proposed by the European Commission on affordable housing which states «*Housing for households, who are not able, due to market outcomes and notably market failures, to access housing that meets minimum energy performance levels at affordable conditions*», and supports its inclusion in Article 2 of the SGEI Decision 2012/21/EU<sup>1</sup>, as well as in other relevant EU legislation.

In particular, EHPA strongly supports the link between affordability and minimum energy performance standards (here in after referred as to **MEPS**), as this connection is not only appropriate but essential: it is widely recognized that the EU building stock holds significant potential for energy efficiency improvements<sup>2</sup>. Consequently, it is critical that affordable housing as SGEI contributes to the development of a Union-wide energy-efficient housing stock.

However, to avoid legal uncertainty, misinterpretation, or fragmented implementation across Member States, the definition must be precise and fully aligned with existing EU legislation.

Therefore, EHPA recommends:

- **Linking the definition of MEPS to the existing EU Regulation.** Namely, the European Commission should **clarify that energy performance levels must be calculated using the methodologies established under the Energy Performance of Building Directive** (here in after referred as to the **EPBD**) **and, where applicable, those under the Ecodesign Directives and Energy Labelling frameworks**. In particular, the EPBD provides a harmonized EU framework for setting minimum energy performance standards, calculating energy performance of buildings, and guiding building renovation. Additionally, Recital 16 of the EPBD emphasizes that energy performance should be assessed using the existing calculation methods and the energy efficiency classes developed under the Ecodesign Directive (2009/125/EC) and Regulation (EU) 2017/1369 on energy labelling. Referencing the EPBD explicitly will ensure coherence with EU legislation and prevent fragmentation. Explicitly referencing the EPBD and related legislation will help ensure coherence across EU policy, legal clarity, and avoid the risk of fragmented implementation. To this end, the Commission should ensure that the definition of “minimum energy performance level” is not left ambiguous, but rather anchored in the existing EU legislative framework that already provides the necessary methodologies and standards
- **Provide a definition of “affordable conditions”.** Currently, the term “affordable condition” is not linked to any definition or specification on its meaning. **To avoid legal gaps that can create inconsistent application across the EU, a definition on what**

---

<sup>1</sup> Commission Decision of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest (notified under document C(2011) 9380

<sup>2</sup> [https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive\\_en#:~:text=85%25%20of%20EU%20buildings%20were,decarbonised%20building%20stock%20by%202050.](https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en#:~:text=85%25%20of%20EU%20buildings%20were,decarbonised%20building%20stock%20by%202050.)

constitutes “affordable condition” should be provided and should explicitly refer to the energy operating costs associated with living in the building. Therefore, “affordable conditions” should be understood not only in terms of rent or purchase price but also the long-term costs associated with energy consumption over a building’s lifecycle. A house may appear affordable to rent or buy, but if it relies on inefficient fossil fuel systems (e.g. gas boilers), the occupant may face high energy bills – a burden that disproportionately affects low-income households. Such inefficiencies risk locking residents into energy poverty, undermining the social objectives of affordable housing. By contrast, heat pumps offer a viable, energy-efficient alternative. They are 3–5 times more efficient than fossil fuel systems and can reduce energy consumption and related costs, making them a key technology for achieving truly affordable living conditions. Including energy operating costs in the definition of “affordable conditions” would thus incentivize the installation of efficient technologies, such as heat pumps.

This approach ensures that State aid is targeted at buildings that are not only affordable to acquire but also affordable to live in – contributing to a climate-resilient, socially fair housing stock.

Therefore, EHPA suggests the following definition to be adopted: **“Affordable conditions” means housing that is not only low in rent or purchase price but also ensures low energy operating costs (e.g., not exceeding 30%<sup>3</sup> of the tenant’s or owner’s net annual income) which can be achieved by adopting clean technologies, such as heat pumps or geothermal energy technologies”**

Finally, affordable housing SGEIs should **not** be geographically limited only to areas currently experiencing housing shortages. There are several reasons for this:

- The affordability crisis is widespread across the EU.
- Energy efficiency challenges are not geographically restricted.
- Limiting SGEIs to specific “shortage zones” would create inequities and ignore broader affordability and energy poverty issues.
- It would also miss a crucial opportunity to support the uptake of clean, efficient technologies – such as heat pumps – throughout all regions of Europe.

---

<sup>3</sup> The percentage mentioned is intended purely as an example to illustrate a possible way of interpreting and giving practical meaning to the concept of “low energy operating costs.” EHPA suggests that the Commission provide a clear and consistent definition of this concept to ensure effective application, comparability across different settings, and consistent interpretation among Member States.

Restricting affordable housing SGEIs based on location risks excluding many areas where poor energy performance and high energy costs are key drivers of energy poverty. A broader, more inclusive approach is necessary to achieve the EU's social and climate goals.

## 2. On the principles to adopt for the affordable housing projects

**EHPA recommends that the European Commission includes the Energy Efficiency First principle** (hereinafter referred to as **EE1**) - as set out in the Regulation on Governance of the Energy Union and Climate Action (EU/2018/1999) and in the Energy Efficiency Directive (EU/2018/2002) and its recast (EU/2023/1791) – as the principle that should be respected in the developing affordable housing projects.

The EE1 principle is a horizontal guiding principle that ensures energy-efficient solutions are systematically prioritized in planning, policy, and investment decisions – both within the energy system and across relevant non-energy sectors.

**Therefore, EHPA recommends that the European Commission:**

- **Explicitly integrates the EE1 into the Affordable Housing as SGEI initiative, making energy performance a core criterion in defining affordability and allocating public funding.**
- **Requires that SGEI compensation and project eligibility criteria be explicitly linked to the achievement of the compliance of the EE1.**

## 3. On the minimum requirements for affordable housing projects

It is essential that affordable housing meets minimum quality standards, particularly regarding energy performance. **Minimum quality requirements should explicitly encourage the use of clean technologies that are already recognized in the Net Zero Industry Act, such as heat pumps and geothermal energy technologies (Article 4, Net Zero Industry Act).**

**By promoting minimum energy efficiency requirements for heating and cooling systems in affordable housing projects**, the European Commission will drive the decarbonization, which is central to achieving the EU's energy and climate objectives. Replacing fossil fuel-based systems with renewable solutions such as heat pumps is key to this transition.

Heat pumps can offer both heating and cooling capabilities. Additionally, heat pump systems can capture waste heat generated during cooling or ventilation and reuse it for heating purposes, including space heating and hot water supply. This integrated approach enables

full decarbonization and lowers electricity costs due to the high energy efficiency of these technologies.

**EHPA recommends the Commission to explicitly link minimum energy performance standards with the mandatory installation of clean technologies such as heat pump and geothermal energy technologies, in affordable housing projects.** This approach aligns with and supports the goals set out in:

- **the revised Renewable Energy Directive (EU/2023/2413):** heat pumps contribute to the overall energy renewable target and ensure energy supply security (Recital (43)).
- **Repower EU plan** which targets the accelerated deployment of heat pumps: *“The European Union should aim at doubling the current deployment rate of individual heat pumps, resulting in a cumulative 10 million units over the next 5 year”* (Section 2.3 SWD (2022) 230 final).
- **The Net Zero Industry Act:** which recognizes heat pumps and geothermal energy technologies as a key technology essential for achieving net-zero targets (Article 4).
- The **EPBD** which widely recognizes heat pumps as the available option to cover the energy need of a zero-emission buildings (Recital No (22)).

EHPA therefore urges the European Commission to respect and fully implement the existing initiatives and legislative frameworks, as the affordable housing initiative represents a **concrete** opportunity to deliver on the EU legislation mentioned above.

#### 4. On the renovation or new construction for affordable housing projects

**Affordable housing SGEIs should be allocated to both the renovation of existing buildings and the construction of new ones.** Both approaches are essential to support Europe’s transition to a climate neutral building stock, **in line with the Renovation Wave Communication**<sup>4</sup>.

**Renovation offers a major opportunity to improve the energy performance of existing buildings, which can lower household energy bills and speed up the adoption of renewable heating technologies such as residential heat pumps.** A significant portion of Europe’s housing stock is still energy-inefficient and dependent on fossil fuel boilers. Targeted investments to improve the energy efficiency of existing buildings can generate social, economic, and environmental benefits. Replacing fossil fuel heating in existing buildings with clean technologies such as heat pumps – which provide both cooling and heating – can

---

<sup>4</sup>[https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/renovation-wave\\_en?utm\\_source=chatgpt.com](https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/renovation-wave_en?utm_source=chatgpt.com)

empower households to have access to affordable housing - by ensuring stable and lower energy costs.

At the same time, **new construction** should also be included in the affordable housing initiatives. New buildings should be designed to meet good energy performance standards from the outset. Integrating clean technologies like heat pumps and geothermal energy technologies in the construction of new affordable housing projects ensures the good energy performance and the long-term affordability of the building: heat pumps **are 3–5 times more efficient than fossil-based systems and** lead to significantly lower energy consumption and costs and therefore promoting affordable housing.

As already recognized from the Joint Research Center, residential heat pumps would knock down energy consumptions and emissions<sup>5</sup> and will also ensure energy security: heat pumps can reduce the EU's dependency on imported fossil fuels<sup>6</sup> and can help to achieve the REPowerEU goals.

**Therefore, the European commission should ensure that both the existing buildings and new ones are included in the affordable housing projects and that the clean technologies such as heat pumps are included in the design of the projects.**

## 5. On the types of operators eligible for subsidies on affordable housing

The European Commission should support an **open housing system** that allows a wide range of providers to access subsidies for delivering affordable housing services.

In particular, the Commission should explicitly include Energy Communities, Energy Services Companies (**ESCOs**) and Energy-as-a-Service (**EaaS**) providers among the entities eligible for subsidies related to affordable housing. These emerging business models play a pivotal role in improving access to efficient energy and heating solutions while reducing upfront costs of installation of clean technology solution like heat pumps.

ESCOs typically collaborate with utilities to deliver comprehensive energy efficiency projects, including heat pump installations, under Energy Performance Contracts (EPCs). Under these contracts, the ESCO guarantees energy savings that finance the improvements, ensuring minimal financial risk for the end user.

EaaS models, on the other hand, enable residents to pay a service fee based on their energy consumption, without the need to own or maintain energy infrastructure. This model is particularly beneficial for low- or mid-income households as, first it provides predictable

---

<sup>5</sup> [https://joint-research-centre.ec.europa.eu/jrc-news-and-updates/residential-heating-heat-pumps-would-knock-down-energy-consumption-and-emissions-2023-06-21\\_en](https://joint-research-centre.ec.europa.eu/jrc-news-and-updates/residential-heating-heat-pumps-would-knock-down-energy-consumption-and-emissions-2023-06-21_en)

<sup>6</sup> [https://energy.ec.europa.eu/topics/energy-efficiency/heat-pumps\\_en](https://energy.ec.europa.eu/topics/energy-efficiency/heat-pumps_en)



energy costs and secondly, it lowers financial barriers linked to the high upfront costs of the heat pump installation. Indeed, in the context of the heat pump sector, the EaaS providers offer heat pump installation as a service, allowing building owners or tenants to pay for the heating and cooling services rather than for the equipment itself.

To ensure these benefits are fully realized, subsidies to these providers should be delivered in the form of direct grants. Direct grants are essential to enable these emerging business models to manage the financial burden effectively linked to the business schemes and support.

In conclusion, by officially recognizing and including ESCOs and EaaS providers as eligible operators for affordable housing projects, the Commission will:

- foster the development of a housing stock that meets energy efficiency standards and that it is affordable in the long term.
- facilitate cleaner and more effective heating and cooling solutions for residents.
- create long-term value for households through sustained energy savings and reduced emissions.
- ensure that household energy bills become more sustainable and affordable in the long term.

## 6. On the amount of compensation limit for affordable housing

EHPA recommends **not setting a maximum compensation limit** for affordable housing SGEIs projects.

Budget constraints and spending limits per housing unit may disadvantage the installation of energy-efficient technologies such as **heat pumps or geothermal energy technologies** which can have high upfront cost of installation.

## 7. Other changes

**EHPA recommends that the limit be adjusted in line with inflation.** Affordable housing projects require adequate budgets, and the Commission should ensure that budget constraints do not compromise the energy efficiency of the building that can be realized by clean technologies such as heat pumps.



**Author:**

Maria Spanò

[maria.spano@ehpa.org](mailto:maria.spano@ehpa.org)

+32 048 88 20 841



**European Heat Pump Association (EHPA)**

Avenue de Cortenbergh 120

1000 Brussels – Belgium



[info@ehpa.org](mailto:info@ehpa.org)



[www.ehpa.org](http://www.ehpa.org)



**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.