

Press release from the German Heat Pump Association (BWP)

## **Building Modernisation Act: Heat Pump Association warns against funding cuts**

**Berlin, 15 June 2026.** The German Heat Pump Association (BWP) calls on the coalition government to build on the current momentum in the heating market and support the transition to sustainable heating. The disputed emphasis of the Building Modernisation Act (GModG) on the proposed green-gas quota system, the so-called “bio-step”, takes the focus away from more urgent priorities. Investments in heat pumps strengthen the domestic heating industry whilst simultaneously reducing Germany’s dependence on gas and oil imports.

“With the Building Modernisation Act, the Federal Government risks causing a major setback in the heating transition. What is being sold as more freedom actually leads to less clarity and guidance and, in case of doubt, will unsettle many people and deter them from investing in a new heating system at this time. We deeply regret this, but expect further parliamentary debate to refine key aspects of the bill and make it more consumer-friendly,” emphasises BWP Managing Director Dr Martin Sabel.

Sabel argues that consumers must also see a clear end date for the use of fossil fuels in the new law: “Germany has committed to achieving climate neutrality by 2045. If the draft bill fails to provide this simple clarification and the corresponding consequences for the operation of heating systems, it borders on misleading consumers. After all, anyone buying a heating system today will still be using it twenty years from now.”

Furthermore, the association criticises the fact that the draft bill does not set out any requirements for the sizing of a heat pump when it is installed in a detached or semi-detached house in addition to a new gas or oil heating system: “A heat pump must not be misused as a fig leaf to make a fossil fuel heating system appear green.” To avoid undermining the purpose of the law, the legislation must therefore stipulate that heat pumps, as part of hybrid solutions, must contribute at least the same proportion of renewable energy as required by the “Bio step” at the relevant time. According to Sabel, the technology is capable of achieving this in all cases.

### **Industry Calls for Continuation of Proven Heating Incentive**

In February, the governing parties agreed to continue the BEG heating subsidy scheme with adequate funding until at least 2029. Nevertheless, the BWP fears that the stable continuation of the subsidy scheme could be called into question during the deliberations on the next federal budget.

Dr Richard Lucht, Vice President of Brand, Communications & Public Affairs at BWP member Thermondo, explains: “Every week, we hold around a thousand consultations with building owners at their kitchen tables. The decision is often made on the spot. For almost everyone, the bottom line is that investments in heat pumps must pay for themselves within a few years. Without subsidies, there is a real risk that people will quickly turn to fossil fuel alternatives, leading to a cost trap for hundreds of thousands of voters. Austria shows just how quickly sales can collapse without subsidies.”

“For the heating industry, it makes a significant difference that there is not only general support for the technology, but that actual investment is taking place,” adds Dr Hendrik Ehrhardt, Head of Public Affairs at heat pump manufacturer Stiebel Eltron in Holzminden. “In many cases, the modernisation rate will only increase if heat generators are replaced ahead of schedule – in other words, before the old heat generator has reached the end of its service life. A tailored subsidy based on a percentage of the investment sum makes sense, as the investment required varies greatly depending on the specific house, building type and year of construction. Flat-rate subsidies, on the other hand, carry the risk of a race to the bottom to find the cheapest supplier, leading to a loss of local value creation and jobs. A low income threshold for the subsidy – such as an annual income of 90,000 euros – would lead to consumer reluctance to purchase.”

### **Grants have a positive impact on the economic situation**

The evaluation reports on the subsidy programme regularly highlighted that the investment is worthwhile for the state, according to Sabel: “Every euro of subsidy generates four euros of private capital.” There are also positive effects for public finances: “On the one hand, the heating subsidy programme contributes to Germany’s targets for energy independence and climate protection. Much of this spending stays in Germany, supporting around 100,000 employees in the heating industry and skilled trades. On top of this, part of the investment always flows back to the federal and state governments in the form of VAT”

The industry nevertheless considers it justified that the subsidy is structured on a degressive basis and that the climate bonus will gradually be phased out from 2029 onwards, emphasises Sabel: “What matters is that market growth continues and stabilises, allowing economies of scale to kick in. The cost-effectiveness of heat pumps ultimately depends on a combination of subsidies and energy prices. The federal government can itself reduce the need for subsidies by delivering on its coalition agreement pledge to cut electricity prices for all consumers by five cents per kilowatt-hour.”

Further information is available at <https://www.waermepumpe.de/presse/pressemitteilungen/> .

### **About the German Heat Pump Association (BWP)**

The German Heat Pump Association – Bundesverband Wärmepumpe (BWP) e. V. is an industry association based in Berlin that covers the entire value chain relating to heat pumps. The BWP brings together just under 1,400 companies from the heating industry, trades firms, planning and architectural practices, drilling companies and energy suppliers, all of which are committed to promoting the increased use of efficient heat pumps.

The German heat pump sector employs around 100,000 people and generates an annual turnover of around 3.5 billion euros. There are currently just under two million heat pumps in use in Germany. Around 95 per cent of the systems installed here are manufactured by BWP member companies.

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