Press release from the German Heat Pump Association (BWP)

Heating subsidies: Funding cuts pose challenges for the heat pump sector

Berlin, 7 July 2026. The Federal Government has agreed on key points for the reform of heating subsidies. The plan involves half-yearly reductions in the eligible investment costs and the climate acceleration bonus, whilst retaining the basic framework. The German Heat Pump Association (BWP) warns that the changes could cause many consumers to postpone their investment decisions in favour of supposedly cheaper fossil fuel heating systems.

An initial reduction of 2,000 euros in eligible costs and a cut of four percentage points to the Climate Acceleration Bonus are already planned in the short term. BWP Managing Director Dr Martin Sabel explains: “These cuts are pushing the limits of what the heat pump market can cope with. At the same time, it sends an important signal that the basic framework of the Federal Funding for Efficient Buildings (BEG) remains in place. For many households, a heat pump remains the best choice. However, in view of the simultaneous changes brought about by the Building Modernisation Act, the BEG should provide stronger incentives in favour of renewable heating options. Electricity and carbon prices must now play an even greater role in creating these incentives.”

Electricity prices will play a crucial role

Sabel recalls the pledge made in the coalition agreement to reduce electricity prices for consumers by five cents per kilowatt-hour: “The coalition’s plan to phase out subsidies gradually can only succeed if, at the same time, it fulfils its pledge from the coalition agreement and provides tangible relief on electricity prices. The first step must be to reduce the electricity tax. At the same time, $C0_2$ pricing must be consistently maintained to ensure that heating technologies that provide a secure and climate-friendly energy supply remain economically attractive in the long term.”

Funding should support value creation in Europe

The BWP expressly supports the introduction of a subsidy for heat pumps manufactured within the European Economic Area and associated markets. “This is about preserving value creation and jobs in Europe. The Federal Government has rightly recognised that heat pumps are the future of the German heating industry,” comments Sabel.

Practical solutions needed for refrigerants and geothermal energy

The efficiency bonus currently granted for heat pumps using natural refrigerants and for the use of geothermal energy as a heat source is to be abolished in future. Natural refrigerants have long been established on the market.

However, according to Sabel, the planned exclusion from funding for heat pumps using other refrigerants should not come into effect until 2028: “The industry has aligned itself with the

timetable of the current BEG when developing solutions using natural refrigerants. It should continue to be given this planning certainty."

The BWP managing director is also calling on the federal government to retain the efficiency bonus, at least for geothermal energy: "Geothermal energy makes a significant contribution to efficiency and grid stability, and should therefore continue to receive targeted support."

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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