

Stakeholder consultation on the Draft Terms and Conditions (“Draft T&Cs”) for the 2026 Innovation Fund auction for industrial process heat decarbonization (electrification and use of direct renewable heat)

Feedback table

Instructions

Thank you for taking the time to provide written feedback on the **Draft Terms and Conditions (“Draft T&Cs”) of the 2026 Innovation Fund auction for industrial process heat electrification**. We would also like to invite you to our workshop on **7 July 2026**, where we will present the draft T&Cs and answer questions you may have.

We invite you to provide your structured feedback in the below table on the different design elements of the auction. Your feedback will be taken into account for the publication of the final T&Cs. We are asking you also some additional questions in the below table to seek your feedback on specific design elements. Given the high number of interested stakeholders and our ambition to review all relevant feedback in very short time, please mind the following:

- Short, concise feedback, e.g. in bullet points is sought. If you have overall, high-level feedback, please provide it at the beginning restricting yourself to a few paragraphs.
- Please substantiate your feedback with evidence, wherever possible.
- Don't feel obliged to provide feedback on all points in the table.
- Please indicate what type of stakeholder you are and whether you intend to bid

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Information about the respondent and general feedback

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Position: Policy Officer

Company / Institution / Member State: Energy Storage Europe

Type of Stakeholder (e.g. "industrial company using process heat", "industrial process heat technology provider" (e.g. heat pumps, electric boilers, direct renewable heat solutions, etc.), "Member State", etc.): energy storage association

Intention to bid in IF26 decarbonized heat auction (yes/no): N/A

General feedback (optional):

Energy Storage Europe (ESE) welcomes the publication of the Draft Terms and Conditions for the IF26 Heat Auction and the European Commission's commitment to supporting industrial electrification through the Innovation Fund. It represents a very positive step forward in building on the experience of the IF25 Heat Auction and consolidating a predictable EU framework to support the decarbonisation of industrial process heat. Ensuring continuity and recurrence of this type of instrument is critical to provide visibility to investors and industrial stakeholders. A stable and recurring auction-based approach should therefore be prioritised as the backbone instrument for industrial heat decarbonisation in the EU. ESE broadly supports the design simplifications introduced in IF26, in particular the adoption of a single emission factor, the introduction of a bid bonus for flexible solutions, the reduction of the completion guarantee threshold, and the removal of letters of intent from electricity providers and heat off-takers.

However, ESE highlights two priorities that remain unaddressed and that are essential to ensuring the auction achieves EU decarbonisation goals:

- 1) Thermal energy storage (TES) is still not explicitly listed as an eligible primary technology. Projects combining electric charging with thermal storage are currently forced to identify under proxy categories such as resistance heating, thus creating classification ambiguity and competitive disadvantage at the eligibility stage. This structural gap was visible in the IF25 results: only 2 out of 65 selected projects were from TES providers.

Acknowledging that the European Commission must consider the principle of non-discrimination regarding the origin of heat, while also recognising the added value of flexibility, ESE urges the Commission to include "combined electric heating and thermal storage

solutions" as a named technology in the eligibility list, and to ensure that the bid bonus design differentiates or even rewards solutions that decouple electricity demand for the industrial off-takers' needs.

- 2) Several structural barriers to broad participation remain in place (e.g.: the grant duration of five years, which is insufficient to bridge the payback period of capital-intensive projects and/or First-of-a-Kind technologies and/or high-OPEX projects; or the difficulties in the applicants to provide the bank letter of intent for the completion guarantee, which remains a mandatory application document thus limiting project's bankability).

ESE calls on the Commission to address these points in the final Terms and Conditions.

I. General auction design elements

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
1.0	Objective of the auction	To reduce GHG emissions in industry by cost-effectively supporting the market uptake of electrified, direct-renewable and nuclear industrial process heat.	Energy Storage Europe strongly supports this objective. ESE notes that the auction definition should explicitly recognise combined electric heating and storage solutions, including industrial thermal energy storage (TES), as eligible primary technologies.	ESE IF25 Feedback (2025), General section: 'the section that defines supported projects should include outright thermal storage, using the term: combined electric heating and storage solutions.' IF25 Heat Auction results (22 May 2026): 65 projects selected, of which only 2 (ENERGYNEST, Rondo Energy) are TES providers, both classified under resistance heating in the taxonomy.
1.1	Auctioned good	Fixed premium subsidy for direct GHG abatement (expressed in EUR / t CO ₂ abated) achieved through technologies using electricity, nuclear heat, direct-renewable (solar thermal or geothermal) heat sources or hybrid solutions thereof to produce industrial process heat. The achieved abatement will be calculated by multiplying the volume of produced process heat (in MWh _{th}) with the phase 4 ETS heat benchmark emission factor (0.170 tCO ₂ /MWh).	Energy Storage Europe welcomes the simplification of the auctioned good calculation in IF26, which adopts a single uniform emission factor (the Phase 4 ETS heat benchmark) for all projects. This is fully consistent with ESE's IF25 position, which recommended removing the option to calculate abatement based on the actual emission factor of the fuel being replaced. On the EC question regarding ranking differentiation: ESE approves the proposal for a differentiated ranking since projects should not be ranked solely on the electrification proportion. Indeed, the ranking	ESE IF25 Feedback (2025), stressed the focus should be on specific industrial processes rather than entire facilities, and that hybridisation must remain eligible as a cost-effective short-term pathway. As example of Co ₂ annual reduction calculation: https://www.kyotogroup.no/customers/kall-ingredients#fact-and-figures

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		See point 4.6 ‘Monitoring, reporting and verification’ for details on monitoring, verifying and reporting the volume of process heat. <u>Question to stakeholders: Should projects which commit to a greater proportion of electrification be ranked differently than projects retaining fossil fuel capacity? If so, what rules should govern this – considering also the need for backup capacity, complexity in monitoring and that new entrants may have less fossil capacity to decommission.</u>	should focus on realistic, verifiable emissions reductions and the ability to operate primarily on electrified heat under normal conditions. Industrial TES projects can provide measurable direct abatement (through electrification of processes). This should be done by estimating the CO2 annual reduction in the project management phase. The estimate at the project management level reduced monitoring complexity and already considers the back-up capacity needed.	
1.2	Budget as constraining value	The total available Innovation Fund budget for each topic is the constraining value of the auction. The Innovation Fund budget is known in advance and will be EUR 1 billion, and each of the two topics will have a dedicated budget (see point 1.9 ‘Auction topics/baskets’). There is also a possibility of ‘Auction-as-a-Service’ (see also point 1.12 ‘Auction-as-a-Service’). The auction will be cleared where the budget is exhausted. The number of projects and production of process heat supported/GHG abatement will be derived from the total available budget and the individual bids with their respective bid prices and volumes. In the event of under-utilisation of budget within a given topic, budget may be transferred to another topic.	Energy Storage Europe supports this approach. ESE notes that the total budget of EUR 1 billion, while well over twice the EUR 397 million ultimately awarded in IF25, should not be redistributed discretionally: the IF25 results showed all individual topics were oversubscribed at bid stage, confirming that project maturity and eligibility constraints (not budget availability) were the defining factor. Design measures to improve accessibility (e.g.: minimum size, eligibility breadth, application simplification) should therefore be prioritised alongside budget management.	ESE IF25 Feedback (2025), Point 1.2: ‘EASE supports this approach. In addition, for each basket, a cap should be set on the share of the total auction/basket budget that can be allocated to a single industrial sector (e.g. limit to 25%).’ IF25 Heat Auction results (22 May 2026): 85 bids totalling EUR 1.4 billion received; all three topics oversubscribed at bid stage (e.g. EUR 519M requested vs EUR 500M budget for high-temperature); only EUR 397M ultimately awarded to 65 selected projects, reflecting project maturity constraints. Source: https://climate.ec.europa.eu/eu-action/eu-funding-climate-action/innovation-fund/calls-proposals/if25-heat-auction_en
1.3	Support type	Output-based support (payment per MWh of heat produced/GHG abatement achieved). See also point 1.1 ‘Auctioned good’.	Energy Storage Europe supports the output-based fixed premium approach. This correctly aligns the subsidy with verified decarbonisation performance indicators and avoids over-compensation. ESE notes that TES projects which provide heat on a temporally flexible basis should be recognised as delivering equivalent output to continuously operating technologies.	ESE IF25 Feedback (2025), Point 1.3: ‘EASE supports this approach.’ IEA, Renewables for Industry (2025): thermal storage enhances cost-competitiveness of e-boilers by reducing exposure to peak power prices, while improving operational flexibility. Source: https://www.iea.org/reports/renewables-for-industry

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1.4	Support form	Fixed premium.	Energy Storage Europe supports the fixed premium support form as it provides revenue certainty for project developers and is compatible with the output-based payment structure. ESE notes, however, that, in the absence of indexation (see 1.5), the fixed premium design increases exposure to energy price risk over the 5-year support period, particularly for capital-intensive first-of-a-kind technologies.	ESE IF25 Feedback (2025), Point 1.4: supported the fixed premium support form.
1.5	Indexation of support	No indexation.	Energy Storage Europe reiterates its position that the absence of indexation represents a substantial barrier to long-duration projects. Given the expected trajectory of ETS prices until 2035 and the ongoing spread between fossil fuel and electricity prices, a fixed non-indexed premium may be insufficient to maintain the competitiveness of electrification investments, particularly in the second half of the 5-year support period. ESE recommends the European Commission consider introducing, at a minimum, a dynamic safeguard mechanism that adjusts the premium in response to significant deviations in the electricity-to-gas price volatility, to protect project bankability without creating fiscal unpredictability.	ESE IF25 Feedback (2025), Point 1.5: 'an additional safeguard measure could allow for mitigating the risk of a high increase of electricity prices while mitigating the related uncertainty on financial and budgetary planning.' ESE IF25 Feedback (2025), Point 1.5: noted that a fixed premium without indexation increases exposure to energy price risk over the support period. Fraunhofer ISI (2024): CO2-neutral process heat using electrification and hydrogen, https://www.isi.fraunhofer.de
1.6	Grant duration (disbursement period)	The grant duration will end 5 years after the Entry into Operation of the project. See also point 4.3 'Sanctions in case of non-compliance with support requirements'.	Energy Storage Europe reiterates its IF25 position that the grant duration should be extended to at least 10 years. The IF26 T&C proposes no change from IF25 (5 years), which ESE considers insufficient given the expected trajectory of the fossil fuel-electricity price volatility until 2035. For newer electrification and storage technologies where production capacities are not yet at scale, or where there is no standard manufacturing process but highly individualised plant layouts, the initial payback period is structurally longer than for mature technologies. Therefore, a 5-year disbursement window does not adequately bridge this gap and risks excluding precisely the most innovative solutions. ESE recommends extending the grant duration to a minimum of 10 years for projects deploying technologies in early commercial deployment.	ESE IF25 Feedback (2025), Point 1.6 'EASE considers the maximum duration of the aid should be extended at least to 10 years to effectively cover the spread between fossil fuel and electricity prices.'
1.7	Ranking of bids	Price-only ranking in EUR/tCO ₂ .	Energy Storage Europe supports price-only ranking (if levelized-cost of heat is considered) as the primary selection criterion, ensuring cost-efficiency in the allocation of public funds. ESE recalls its position from IF25 that the bid adjustment for regulated costs and taxes across	ESE IF25 Feedback (2025), Point 1.7: supported price-only ranking.

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			Member States (network charges, levies) should be considered to ensure the most genuinely cost-competitive projects across the EU are selected, and not those in countries with the most favourable energy tariff regimes. The bid bonus mechanism for flexibility (1.10) is a welcome addition to price-only ranking and should be strengthened for technologies supporting demand decoupling.	
1.8	Bid components	Applicants will state: (1) the subsidy requested per unit of produced heat (expressed in EUR / MWh_{th}) An automatic formula in the application form will translate (1) into (2) the bid price, i.e. the subsidy requested per tonne of CO2 abated using the phase 4 ETS heat benchmark, expressed with two digits after the comma. (3) the nominal thermal capacity in MW_{th} of the heat production unit that produces electrified industrial process heat, nuclear heat or direct-renewable process heat that will be installed and verified as being operational by the time of entry into operation. (4) the volume of expected average yearly process heat produced (see point 1.1 'Auctioned Good'), expressed in MWh_{th}. Please note that already at the application stage, subsidised heat production will be limited to the equivalent of 70% of hours per year at nominal capacity unless the project applies for a 'indirect emissions/flexibility' bonus (see point 1.10 'Indirect emissions/flexibility requirements'). The maximum grant amount is therefore calculated as: An automatic formula in the application form will translate (4) into (5) expected average yearly volume of GHG abated (expressed in t_CO2), using the phase 4 ETS heat benchmark (as explained in Point 1.1 'Auctioned good').	Energy Storage Europe considers the 70% yearly hours cap insufficiently restrictive for inflexible solutions. In many industrial sectors, 70% of yearly hours corresponds to 100% or more of actual process operating hours, meaning the cap provides no effective constraint. ESE recommends setting the cap for inflexible solutions at approximately 25% of actual process operating hours a figure consistent with periods of high renewable energy availability, and calculating it against verified actual operating hours of the relevant process rather than theoretical annual hours. ESE also reiterates its IF25 recommendation to rename 'nominal thermal capacity' to 'nominal electrical (input) capacity' in the bid components, to ensure technical accuracy and consistency with the electrification objective of the auction. The IF26 T&C retains the 'thermal capacity' formulation, which ESE considers should be corrected in the final T&Cs.	ESE IF25 Feedback (2025), Point 1.8: recommended renaming 'thermal capacity' to 'electrical capacity' for technical accuracy; recommended including a bid adjustment for differences in regulated costs (network tariffs, charges and levies, system services) and taxes included in the electricity and gas bill across Member States, to ensure the most cost-efficient EU-level projects are selected. ESE IF25 Feedback (2025), also recommended that the 70% cap be complemented by an additional overall emissions reduction criterion. Fraunhofer ISI / Agora Industry (2024): Direct electrification of industrial process heat, https://www.agora-industry.org/fileadmin/Projects/2023/2023-20_IND_Electrification_Industrial_Heat/A-IND_329_04_Electrification_Industrial_Heat_WEB.pdf
1.9	Auction topics/baskets	There will be two topics ('auctions baskets'): a medium-temperature heat topic that covers heat produced at a metered temperature of 100–400 for with a minimum size of > 3 MW. In addition, projects with a temperature of 80-100	Energy Storage Europe welcomes the consolidation into two baskets and the extension of the medium-temperature basket to cover projects from 80°C. However, ESE raises a substantive concern about the minimum efficiency threshold set as the condition for accessing the extended 80–100°C temperature range. This threshold is met by virtually every installation of the relevant technology, including those operating under standard or unfavourable conditions. It therefore provides no meaningful differentiation and no guarantee that electricity	ESE IF25 Feedback (2025), Point 1.9: recommended that temperature metering reference a comprehensive energy management system (EnMS) such as ISO 50001, so as not to exclude other relevant European or international standards. Commission Recommendation (EU) 2024/2002

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		degrees <u>and</u> capacity above 10 MW <u>and</u> which utilise heat pumps with COP >1.5, direct renewables or nuclear heat are also eligible in this topic. With a budget of EUR 700 million. 2. a high-temperature heat topic that covers heat produced at a metered temperature of above 400°C by projects that have a size equal to or higher than 3MW with a budget of EUR 300 million. Temperatures need to be metered according to the measurement system specified in Point 4.6 'Monitoring, verification and reporting'. If there are budget remainders, the Commission may redistribute them between the call topics.	consumption will shift to hours of grid benefit. ESE urges the Commission to revise this threshold to a level that reflects best practices, and to explicitly include combined electric heating and thermal energy storage solutions as eligible for the extended temperature range. ESE also reiterates its IF25 recommendation that temperature metering requirements reference a comprehensive energy management system (EnMS) encompassing relevant European and international standards alongside ISO 50001, consistent with Commission Recommendation (EU) 2024/2002 of 24 July 2024. Nonetheless, improvements in baskets' sub-division should be considered: 1. The current temperature limit of 400 °C creates an unnecessary barrier for large-scale electrification projects. Raising the limit to 500 °C would better reflect real industrial heat needs and allow high-impact ETS installations to participate on equal terms. 2. The newly considered first basket, mixes different industrial applications, by setting a low-capacity threshold for high temperatures (3 MW) and a high-capacity threshold for low temperatures (>10MW). The 10 MW threshold risks excluding several decentralized projects. This is because low-temperature applications (80–100 °C) at >10MW typically represent massive, centralized district heating networks or large-scale multi-site waste heat recovery schemes. As a consequence, the low-temp assets will absorb the entire budget, leaving hard-to-abate medium-temperature industrial processes completely unsupported, thus penalising the exact type of cutting-edge industrial innovation the fund was created for risk-sharing purposes. 3. The introduction of differentiated auction baskets based on exposure to the EU ETS (ETS vs non-ETS sectors). Separate baskets for ETS and non-ETS industries would help ensure a level playing field and reflect different carbon cost exposures.	of 24 July 2024 on energy management systems and energy audits: recognises EN 16247-1 (Energy Audits) and EN ISO 14000 (Environmental Management Systems) as relevant standards alongside ISO 50001. IRENA, Innovation Outlook: Thermal Energy Storage (2020): documents industrial TES operating temperatures from 80°C to over 1,500°C. Source: https://www.irena.org/publications/2020/Nov/Innovation-outlook-Thermal-energy-storage Many industrial processes covered by the EU ETS operate at temperatures above this threshold, and restricting eligibility to 400 °C excludes precisely the segments where electrification can deliver the highest emissions reductions. ETS and non-ETS sectors face structurally different carbon cost signals, which directly affect project economics and bidding behaviour. Differentiating baskets would improve comparability and competition within each segment.
1.10	Indirect emissions & flexibility considerations	While power sector emissions overall are covered by the EU ETS, in many bidding zones, electricity consumption during peak hours is linked to high emissions from electricity generation, as well as increased system costs, such as additional capacity, grid or redispatch costs. The auction therefore aims to avoid incentivising consumption of electricity from the grid that leads to high emissions	Energy Storage Europe highly appreciates the 25% bid bonus for flexible solutions. However, ESE raises a concern about the breadth of the qualifying criteria: one of the eligibility pathways sets a minimum efficiency threshold that is met by virtually every installation of the relevant technology, regardless of whether it operates flexibly or not. This makes that pathway effectively universal and does not constitute a substantial flexibility requirement. This is because the technology	ESE IF25 Feedback (2025), Point 1.10: stated that none of the proposed flexibility approaches were preferable in principle, as the measure itself was considered wrongly formulated; the EU ETS price was deemed sufficient to incentivise peak avoidance.

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		from electricity generation and higher system costs (i.e. consumption of electricity during peak hours). This is why there is a bid bonus of 25% (i.e. reduction of the bid price for the purpose of ranking only) for the projects that can prove: - o they deploy electricity or thermal storage for the purpose of the project sufficient to replace the project's electricity consumption from the grid or the heat demand of the process for 4h by 20% within 1h - or - o they deploy heat pump(s) with Coefficient of Performance (COP) of at least 1.5 - or - o they deploy direct renewable heat or nuclear heat. In addition, projects that claim this bid bonus can receive subsidy for up to 100% of hours per year * nominal thermal capacity. Conversely, projects that do not claim this bid bonus cannot receive a subsidy for produced heat volumes above the equivalent of 70% of hours per year * nominal thermal capacity. Claiming the bid bonus for indirect emissions/flexibility must be decided by the applicant already at the bidding stage (see point 1.8 'Bid components'). If a project claims the bid bonus but fails at the Entry into Operation to prove it implemented storage solution or a heat pump(s) with Coefficient of Performance (COP) of at least 1.5 or direct renewable heat solution or nuclear heat, it will be terminated. See also point 4.3 'Sanctions in case of non-compliance with support requirements' Beyond this indirect emissions/flexibility requirement, indirect emissions do not need to be accounted for abatement (see also point 1.1 'Auctioned good').	continues to operate when process heat is required, not when it is optimal for the grid's price conditions. ESE urges the Commission to verify whether this threshold is correctly specified, as it may not reflect the policy design. Furthermore, the flexibility bonus must be reserved for solutions that demonstrably decouple electricity demand from operational necessity through active temporal management. Industrial TES projects are uniquely positioned to deliver this: they charge during periods of high renewable availability and dispatch heat on demand, systematically shifting load away from peak grid stress. ESE therefore recommends that the bid bonus for storage solutions delivering measurable flexibility to the grid is increased to 35–40% to reflect the full system value delivered by the TES solution. Moreover, clarification is needed on the storage requirement definition. It is currently unclear whether the requirement implies storage capacity equivalent to 80% of the thermal capacity (i.e. $4 \times 20\%$ over 4 hours). For example, it is not clear whether a project with 13MWe/50MWh/5MWth of capacity would only need to provide 20% of 5MWt for 4 hours (such as 4 MWhth) or if those 4 hours should be consecutive. Finally, Industrial electrification projects often rely on hybrid configurations to optimise efficiency and flexibility. Assessing eligibility based only on individual technologies rather than overall system performance may exclude cost-effective solutions delivering equivalent decarbonisation outcomes.	If a flexibility condition were to be implemented, the ex-ante investment-based approach (Approach 2) was preferred over the ex-post consumption check. Moreover, the power price signal was considered sufficient to incentivise actual use of flexibility. IF25 results (22 May 2026): only 2 dedicated TES projects selected, suggesting the flexibility bonus design did not sufficiently attract storage-first solutions. Source: https://climate.ec.europa.eu/eu-action/eu-funding-climate-action/innovation-fund/calls-proposals/if25-heat-auction_en

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1.11	Safeguards against over-subsidisation	Ensuring competition through market testing, total available budget and feedback on the level of competition from one round to another. See also the rules on combined public support in Annex IV. No claw backs.	Energy Storage Europe supports this approach. ESE notes that, to maximise auction impact, the maximum grant amount per bid should be calculated to avoid concentration of funding among a small number of large projects, ensuring the budget supports a diverse portfolio across sectors and technologies.	ESE IF25 Feedback (2025), Point 1.11: recommended reducing the maximum grant amount per bid to avoid concentrating funding in a small number of large projects, and called for analysis of pilot results to fine-tune the grant ceiling in future rounds.
1.12	Auction-as-a-Service	The Auction-as-a-Service mechanism is open to all EEA countries. Additional safeguards might be needed concerning nuclear heat or to ensure that the subsidized projects lead to net emissions savings, taking into account indirect emissions from electricity. Any exemptions to the requirements on not installing new fossil fuel-fired capacity as part of the same installation (see possible exemptions in point 2.1 'Eligibility') would need to be closely examined and monitored.	Energy Storage Europe strongly supports the Auction-as-a-Service mechanism as a tool to broaden geographic reach and leverage national co-financing. ESE welcomes the Commission's note that additional safeguards may be needed for certain technologies under AaaS, and recommends these safeguards be technology-neutral and not create additional barriers for emerging solutions such as industrial TES.	ESE IF25 Feedback (2025), Point 1.12: supported the Auction-as-a-Service mechanism.
1.13	Granting authority	Climate, Infrastructure and Environment Executive Agency (CINEA) or national granting authority in case of Auction-as-a-Service.	Energy Storage Europe supports this approach.	

II. Qualification requirements

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
2.0	Admissibility	Strict respect of submission deadlines, use of forms provided through the Funding and Tenders Portal, and compliance with presenting all required documentation (Application Forms and self-declarations contained therein), together with mandatory documents and supporting documents (see section III).	Energy Storage Europe supports this approach. ESE reiterates its recommendation that the timeline for document submission be sufficient to allow project developers to gather the required documentation, including for bespoke industrial TES configurations where supplier documentation may require longer lead times.	ESE IF25 Feedback (2025), General section: acknowledged the need for sufficient time for project developers to prepare bids, and called for further simplification of the application process, particularly regarding the timing of mandatory documents such as the bank letter of intent.

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2.1	Eligibility	- Proposals must be for projects located in the EEA. There is no limitation on the origin or type (e.g. energy company, project developer, industrial player etc.) of members of the consortium. - Proposals must concern the deployment of industrial process heat: - electrification technologies (e.g. heat pumps, direct and indirect resistance heating, electromagnetic and dielectric heating, plasma heating) or - direct-renewable (solar thermal or geothermal) heat technologies - Small modular nuclear fission reactors for heat generation only (nuclear heat) - or hybrid projects of the above-mentioned technologies. - Electrolysis processes (e.g. in the aluminium sector) are not eligible. - Electric arc furnaces for steel making are not eligible. - Heat production for space heating or sale to district heating is not eligible. - Heat production for activities primarily aimed at fuel production based on non-recycled fossil feedstocks is not eligible, excluding the production of low-carbon fuels. - Projects must not install new fossil fuel-fired capacity as part of the same installation as concerns the project. Glass furnaces are exempt from this rule, as technical/safety barriers to full electrification exist. Other applications that show similar technical/safety restrictions need to provide evidence of such barriers as well as a transformation path from fossil-fuel to climate neutral fuel. - The electrified or direct-renewable process heat needs to be produced by new thermal capacity (i.e. heating production units for which at the time of application start of works did not yet take place), in order to ensure an incentive effect of the subsidy. - A restriction on the maximum grant amount per bid applies: EUR 100 million in the medium temperature heat topic and EUR 250 million in the	Energy Storage Europe urges the Commission to explicitly include thermal energy storage (TES) as a named eligible technology in the eligibility list under Point 2.1. The current formulation lists electrification technologies (e.g. resistance heating, plasma heating) but does not explicitly recognise standalone TES as a primary eligible project type. As a result, TES projects are forced to identify under a proxy category (typically resistance heating), creating classification ambiguity that may disadvantage TES developers at the eligibility assessment stage. This gap was reflected in the IF25 results: only 2 of 65 selected projects (3%) were dedicated TES providers, both classified under resistance heating. ESE recommends the eligibility list be amended to read: ‘electrification technologies (e.g. resistance heating, combined electric heating and thermal storage solutions) or direct-renewable heat technologies.’ On the minimum project size: ESE reiterates that the 3 MWth threshold still excludes viable industrial TES applications in sectors such as food and beverage, textiles, and paper. ESE recommends reducing this to 1 MWth. Moreover, the current 400 °C temperature limit creates an unnecessary barrier to large-scale electrification. Raising it to 500 °C would better reflect industrial heat needs and enable high-impact ETS installations to participate, unlocking greater emissions reductions in hard-to-abate processes.	ESE IF25 Feedback (2025), General section: ‘the section that defines supported projects should include outright thermal storage, using the term: combined electric heating and storage solutions.’ ESE IF25 Feedback (2025), Point 2.1: ‘the maximum grant amount per bid could be reasonably decreased; minimum project size to 1 MWth will also support the participation of SMEs.’

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		high temperature heat topic (see point 1.9 'Auction topics/baskets') - Minimum project size requirement applies: 3 MW_{th} (thermal output capacity of the heat production unit(s)). The newly installed capacity must be in a single location (several units can be combined together in a single location); virtual pooling of capacity is not permitted. - Minimum eligible temperature level requirements apply: Process heat below 80°, 100°C or 400°C depending on the auction topic/basket (see point 1.9 'Auction topics/baskets'), determined as the temperature of heat generated following the rules set out in point 4.6 'Monitoring, Verification and Reporting' is not eligible in this auction.		
2.2	Relevance and Quality	- The proposals will be evaluated on a pass/fail basis on relevance. - Quality, consisting of technical, financial, and operational maturity is assessed based on the documents listed in section III of the Terms & Conditions and Application Form B. - Projects must comply with the applicable 'Do No Significant Harm' technical screening criteria outlined in Commission Delegated Regulations (EU) 2021/2139 ('Climate Delegated Act'). After the evaluation but before grant agreement signature, for projects invited to grant agreement preparation a financial capacity and legal entity check will be made to ensure that successful applicants have stable and sufficient resources to successfully implement all proposed projects and comply with EU exclusion situation limitations (default, prosecution, etc.).	Energy Storage Europe supports the pass/fail relevance and quality assessment approach. ESE notes that for first-of-a-kind industrial TES projects, the quality assessment criteria, and in particular the 'operational maturity' criteria, should be interpreted in a technology-appropriate manner. Projects deploying proven storage materials (e.g. solid concrete, refractory brick, molten salt) in a new industrial integration context should not be assessed against the same maturity benchmarks as mature, widely-deployed technologies. ESE encourages the Commission to provide guidance clarifying how operational maturity is assessed for TES configurations.	ESE IF25 Feedback (2025), Point 2.2: 'EASE supports this approach.' IF25 Heat Auction results (22 May 2026): ENER-GYNREST (solid concrete HEATCRETE, 120-390°C) and Rondo Energy (refractory brick, up to 1,500°C) both selected, confirming industrial TES technical readiness.
2.3	Completion guarantee	A completion guarantee covering 6% of the maximum grant amount (see point 1.8 'Bid components') will be requested from projects invited to prepare grant agreement. A letter of intent from a bank or financial institution to issue a completion guarantee will be required as part of the proposal. A template will be made available and will have to be used (no changes to the template are allowed).	Energy Storage Europe acknowledges the reduction of the completion guarantee threshold from 8% to 6% as a partial improvement. A further decrease to 4% would be even more beneficial in terms of accessibility, especially for SMEs. Moreover, the letter of intent from a bank or financial institution, even if it ensures credibility and avoids speculative bids, can be a major barrier to the bids' application. As a consequence, only projects that are already commercially viable without the IF Heat Auction grant can advance,	ESE IF25 Feedback (2025), Point 2.3: stressed that the 8% completion guarantee threshold is very high compared to comparable national schemes (e.g. 2% in the Spanish auction), putting severe limitations on smaller start-ups and impacting cash flow significantly. ESE IF25 Feedback (2025), General section: called for further simplification of application procedures and specifically for the timing of mandatory documents to be revised.

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		The completion guarantee should be in euro and issued by an approved bank/financial institution (with the following minimum rating from at least one of these rating agencies: BBB- from S&P or Fitch, Baa3 from Moody's or BBB (low) from DBRS) established in an EEA. This completion guarantee must be able to be called on first demand by the granting authority if the project (i) does not reach approved financial close within 2 years for medium temperature or 2.5 years for high temperature, or (ii) does not reach approved entry into operation within 4 years after signing the grant agreement for medium temperature or 5 years for high temperature (see point 4.0 'Maximum time to reach financial close and entry into operation'). The completion guarantee shall be issued at the latest two months after receiving the evaluation result letter inviting the selected applicants for grant agreement preparation. It shall be valid from the date of issuance until six months after the maximum time to entry into operation (see point 4.0 'Maximum time to reach Financial Close and Entry into Operation'). The duration of the completion guarantee is expected to be at least 4 years and 11 months for the medium temperature topic and 5 years and 11 months for the high-temperature topic. A template will be made available and will be mandatory. If entry into operation is reached earlier, the guarantee can be released earlier. The enforcement of completion guarantees is further explained in point 4.3 'Sanctions in case of non-compliance with support requirements.	which undermines the purpose of the instrument as a leverage for electrification investments. ESE, acknowledging that letters of intent are needed to ensure credibility and avoid speculative bids, recommends the European Investment Bank provide counter-guarantees to sustain the applicant in providing the letter of intent from a bank or financial institution. In addition, ESE recommends that the letter of intent be required only after pre-selection, as a condition for finalising the grant agreement.	

III. Design elements defining the auction procedure

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
3.0	Competitiveness of the process	The key rules ensuring competitiveness of the process are: - No discrimination against participants in auction. - Transparency on requirements and sufficient lead times to prepare bids. No ex-post adjustments of auction rules or results.	Energy Storage Europe supports this approach.	ESE IF25 Feedback (2025), Point 3.0: supported this approach. No discrimination, transparency on requirements, and prohibition of ex-post rule adjustments are core conditions for a credible auction mechanism.
3.1	One-stage or two-stage auction	One-stage.	Energy Storage Europe supports the one-stage auction format, consistent with the IF25 position. A one-stage process reduces administrative burden and enables faster implementation, which is particularly important for project developers planning capital-intensive TES deployments.	ESE IF25 Feedback (2025), Point 3.1: supported the one-stage format to ensure fast implementation of the auction.
3.2	Auction type	Static auction.	Energy Storage Europe supports this approach.	ESE IF25 Feedback (2025): no explicit feedback on auction type. A static format maintains simplicity and is appropriate for an auction targeting broad industrial participation.
3.3	Pricing rules	Pay-as-bid.	Energy Storage Europe supports this approach.	ESE IF25 Feedback (2025), Point 3.3: supported the pay-as-bid pricing rule. Pay-as-bid ensures cost discovery and prevents systematic over-subsidisation.
3.4	Minimum prices	No minimum price.	Energy Storage Europe supports this approach.	ESE IF25 Feedback (2025), Point 3.4: supported the absence of a minimum price. No minimum price avoids creating a floor that could inflate support costs.
3.5	Ceiling prices	Ceiling price of 400 EUR/tCO₂ proposed in the medium temperature baskets Ceiling prices of 800 EUR/tCO₂ proposed in the high temperature basket Ceiling prices apply before bid bonuses have been applied.	Energy Storage Europe supports the introduction of ceiling prices in both baskets. ESE notes that the ceilings (EUR 400/tCO ₂ for medium temperature, EUR 800/tCO ₂ for high temperature) are broadly consistent with the cost of abatement observed in the IF25 results, and welcomes the clarification that ceilings apply before bid bonuses.	ESE IF25 Feedback (2025), Point 3.5: supported the ceiling price levels (EUR 250/tCO₂ for low-temperature and EUR 500/tCO₂ for high-temperature in IF25) as relevant. IF25 results confirmed that average bids were well below these ceilings, validating the design. Source: https://climate.ec.europa.eu/eu-action/eu-funding-climate-action/innovation-fund/calls-proposals/if25-heat-auction_en
3.6	Clearing mechanism and marginal bid	For each topic, proposals that pass eligibility and admissibility assessment will be first ranked according to their bid price from lowest to highest. Bid bonus can be claimed for solution on indirect emissions/flexibility.	Energy Storage Europe supports this approach.	ESE IF25 Feedback (2025), Point 3.6: supported the clearing mechanism and marginal bid approach.

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auction	Feedback	Substantiating evidence, data sources, background information
		Those proposals whose maximum grant amounts fit within the Innovation Fund basket/topic budgets (see point 1.9 'Auction topics/baskets'), and the proposals necessary to fill the reserve list, if any, will be assessed against the award criteria of 'Relevance' and 'Quality', on a pass/fail basis. Remaining proposals will be rejected. They will not be evaluated against the 'Relevance' and 'Quality' award criteria. The last proposal that exceeds the call budget will be added to the reserve list.		
3.7	Tie-breaking rules	For proposals with the same bid price after application of the bid bonus (within a topic), a priority order will be determined according to the following approach: Successively for every group of ex-aequo proposals, starting with the lowest bid price group, and continuing in ascending order: 1) Proposals with the overall smaller maximum grant amount will be preferred. 2) If this does not allow to determine the priority, proposals which have at least one SME in their consortium will be preferred. 3) If this does not allow to determine the priority, proposals located in the country with fewer funds awarded (EUR) previously under the Innovation Fund will be preferred.	Energy Storage Europe supports the tie-breaking criteria, particularly the preference for smaller grant amounts and for SME-inclusive consortia, which help ensure broader participation and budget diversity.	ESE IF25 Feedback (2025): no explicit feedback on tie-breaking rules. The preference for smaller grant amounts and SME-inclusive consortia as tie-breakers is consistent with the objective of maximising budget diversity and broadening participation.
3.8	Minimum number of bidders	The auction volume will not be adapted to the observed participation. Each topic of the auction may be cancelled if less than two proposals are submitted.	Energy Storage Europe supports this approach.	ESE IF25 Feedback (2025): no explicit feedback on minimum bidder rules. The threshold of two proposals before cancellation is a reasonable safeguard to ensure a minimum level of market competition before committing public funds.

IV. Design elements defining rights and obligations

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auctions	Feedback	Substantiating evidence, data sources, background information
4.0	Maximum time to reach financial close and entry into operation	A project reaching Financial Close (FC) should be able to demonstrate that all contracts are signed and conditions in them fulfilled. The financial close needs to be approved by the granting authority. Maximum time to reach FC from Grant Agreement signature: 2 years after signing the grant agreement in the medium temperature basket and 2.5 years in the high temperature basket A project reaching an Entry into Operation (EiO) should be able to demonstrate as operational a nameplate thermal capacity and eligible temperature levels for its electrified/direct-renewable heat production unit of at least 100% of that expressed in the bid. The entry into operation needs to be approved by the granting authority. Maximum time to reach EiO from Grant Agreement signature: 4 years after signing the grant agreement in the medium temperature basket and 5 years in the high temperature basket.	Energy Storage Europe welcomes the introduction of longer timelines for Financial Close (2.5 years) and entry into operation (5 years) in the high-temperature basket, which better reflects the longer development cycles for high-temperature industrial projects. However, with 2 and 4 years respectively, the durations for the medium temperature basket, remain too short compared to technology and project development's needs. ESE had underlined in IF25 that the EiO deadline should not penalise projects delayed by factors outside their control. ESE reiterates this recommendation and calls for a provision covering administrative and grid-connection delays.	ESE IF25 Feedback (2025), Point 4.0: proposed exploring a reduction of the EiO deadline for the under-400°C basket (from 4 to 2 years), provided deadlines do not penalise delays caused by factors outside the beneficiary's control (e.g. grid connection works). It also recommended granting national priority status to selected projects to fast-track permitting.
4.1	Heat production flexibility rules	Projects that do not claim the 'bid bonus' have to observe 70% of hours per year * nominal thermal capacity restrictions as per point 1.10 'Indirect emissions/flexibility requirements'.	Energy Storage Europe notes that the 70% hours restriction for projects not claiming the bid bonus is effectively a no cap for most industrial processes (see point 1.8). ESE reiterates the recommendation that the cap should be set at approximately 25% of actual process operating hours to incentivise genuine demand flexibility. Moreover, flexibility to allow limited overproduction should be introduced, enabling projects to compensate for potential underproduction in other years. For example, an annual cap (e.g. up to 140% of expected production, as applied in the Hydrogen auction) could be envisaged. Such overproduction should remain subject to the existing constraint on operating hours (e.g. 70% cap for projects not benefiting from the flexibility bonus). This flexibility would be particularly relevant for smaller industrial players with seasonal demand patterns, helping them to participate in the auction without being penalised for structural variations in heat consumption.	ESE IF26 Feedback, point 1.8: 70% of yearly hours corresponds to 100% or more of actual operating hours in many industrial sectors, thus making the cap effectively non-binding for inflexible solutions. ESE recommends a cap of approximately 25% of actual process operating hours to incentivise demand flexibility. This concern applies equally to the production flexibility rules that give effect to the cap. Allowing limited overproduction would improve operational flexibility and project robustness. It would also better reflect the reality of smaller industrial sectors (e.g. agri-food), where heat demand is often seasonal. Without such flexibility, these projects may face higher risks of underperformance, limiting their ability to participate despite offering cost-effective decarbonisation potential.
4.2	Rules on combined support	Please see Section IV	Energy Storage Europe welcomes the clarification on cumulation with Indirect Cost Compensation (ICC), as set	ESE IF25 Feedback (2025), Point 4.2: recommended enabling cumulation with the Indirect

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auctions	Feedback	Substantiating evidence, data sources, background information
		<u>Question to Stakeholders: A number of State aid schemes targeting electricity consumption is currently in place. Are you aware of:</u> <u>schemes that have a relatively low impact on the bid and could be – in the final Terms and Conditions allowed to be combined with the IF auction grant while still keeping level playing field amongst the bidders? If yes, which ones?</u> <u>schemes that have a strong impact on the bid, are not necessarily available in all Member States and could give an advantage to competing bids, so that the cumulation should continue not to be allowed to be combined with the IF auction grant. If yes, which ones?</u>	out in Table 5 of the IF26 T&C. This is consistent with ESE's longstanding recommendation that the IF Heat Auction grant should be combinable with ICC, given that energy-intensive industries face high electricity prices and ICC eligibility conditions simultaneously. Nevertheless, while the current proposal allows full cumulation when ICC is based on product benchmarks, it remains restrictive for projects relying on the fallback electricity consumption benchmark. This limitation would continue to exclude a significant number of industrial installations from fully benefiting from the Heat Auction. Prohibiting cumulation would deter the industrial asset operators for whom the subsidy is intended as a decisive enabling instrument. Energy Storage Europe welcomes the clarification on the combination of support schemes allowed /not allowed with IF Auction. Nonetheless, Energy Storage Europe recommends. The European Commission should clarify which national support schemes risk undermining the level playing field. If Member States introduce heterogeneous or opaque support schemes, the auction may no longer reflect comparable cost structures across countries. This would distort competition and reduce the transparency and credibility of the mechanism. Any additional support should therefore be clearly defined and fully transparent. Therefore, as a reply to the questions: Energy Storage Europe suggests that schemes that have a strong impact on the bid, are not necessarily available in all Member States and could give an advantage to competing bids, should continue not to be allowed to be combined with the IF auction grant. In addition, the European Commission should clarify the interaction with national Carbon Contracts for Difference (CCfD) schemes, which are increasingly available and may be combined and/or affect the bid.	Carbon Compensation mechanism and including any State aid or centrally managed EU funding in the bid for ranking purposes, as is already done under the regular Innovation Fund cost-efficiency criteria. Draghi Report (2024) and Clean Industrial Deal (2025): identified high energy prices and the transition to direct electrification as the two main challenges for EU energy-intensive industries. Germany's reduced electricity grid fees for energy-intensive industries (the 19 StromNEV-Umlage) should not be considered an allowed form of support under Section IV of the T&C. Allowing such national reductions would distort competition between Member States and undermine the level-playing field among projects. As an example, the 19 StromNEV-Umlage substantially lowers electricity costs for specific industrial users and would give German projects a structural advantage unrelated to technological merit or decarbonisation performance.
4.3	Sanctions in case of non-compliance with support requirements	If at application stage, a project claims to implement a storage or to deploy a heat pump with required Coefficient of Performance (COP) or direct renewable heat or nuclear heat but by Entry into Operation does not prove it is implemented, the project will be terminated and the grant amount will be recovered, as its bid expressed in EUR/t_CO2 avoided would be no longer valid.	Energy Storage Europe supports the sanctions framework. ESE notes that the termination mechanism for projects claiming the bid bonus but failing to implement storage or qualifying technology at EiO is a reasonable safeguard.	ESE IF25 Feedback (2025): no explicit feedback on sanctions. The principle of proportionate sanctions tied to delivery milestones is appropriate. ESE recommends clarifying the evidence standard

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auctions	Feedback	Substantiating evidence, data sources, background information
		If the maximum time to reach Financial Close or Entry into Operation is exceeded, the grant agreement will be terminated, and the granting authority will call the completion guarantee see point 2.3 'Completion guarantee'. The grant agreement may be terminated, or the grant reduced if the electrified/direct-renewable industrial heat production (and consequently the GHG abatement) falls on average below 30% of the expected yearly average volume as stated in the bid for three consecutive years. This average will be calculated over a rolling 3-year period.	Moreover, clarification is requested regarding the conditions under which the completion guarantee is enforced. It is understood that the guarantee is called only if the project fails to meet the deadlines for Financial Close or Entry into Operation. However, it would be helpful to confirm whether, in the case of underperformance against minimum production thresholds, the consequence would be limited to a reduction or recovery of support, without triggering the completion guarantee. Finally, further clarification of the provision related to production levels would be highly appreciated, for example through the inclusion of a practical example. ESE recommends the Commission clarify the evidence standard for TES projects at EiO, given that storage capacity and performance metrics differ from conventional technology deployment.	for TES projects at EiO, given that storage capacity and performance metrics differ structurally from conventional technology deployment. Ambiguity in this area may affect the bankability of projects, particularly regarding the conditions under which the completion guarantee could be executed.
4.4	Payment schedules	Semi-annual or annual according to choice of applicant (every 6 or 12 months after entry into of operation) based on metered electrified/ direct-renewable industrial heat production from the new installation described in the proposal (see point 4.5 'Reporting requirements').	Energy Storage Europe welcomes the new flexibility, allowing applicants to choose between semi-annual and annual payment schedules. The introduction of a choice between 6-month and 12-month reporting cycles is a welcomed simplification that reduces administrative burden, particularly for projects with seasonal production patterns. Nevertheless, based on experience from IF25, semestral justifications may be associated with delays of several months in payments due to administrative and reporting processes. This could negatively impact project cash flow and financing conditions. Independently of the chosen reporting frequency, an advance payment mechanism should be introduced: once the reporting window of 60 days is opened, the 50% share of the payment should be disbursed upfront, with the remaining balance paid after verification of the reported data. An advance payment mechanism would help mitigate these effects by improving cash flow predictability, while maintaining full control through ex-post verification of reported production. Finally, ESE underlines the importance of allowing partial payment before commissioning, with guarantees if needed, to facilitate investment in equipment, particu-	ESE IF25 Feedback (2025): no explicit feedback on payment schedules. Feedback from IF25 indicates that semestral payment schedules may lead to delays (e.g. up to several months after the reporting period), driven by administrative workload related to verification and reporting. While annual payments may reduce administrative burden, they can create liquidity constraints for projects, particularly during early years of operation.

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auctions	Feedback	Substantiating evidence, data sources, background information
			larly for SMEs/mid-sized companies and for certain sectors with significant cash flow constraints that require greater agility.	
4.5	Reporting requirements	- To fulfil the call objective of price discovery and contribution to market formation, the following information will be published: (i) for successful bidders: identified bid price, name of the project and coordinator, total volume electrified/direct-renewable heat produced, total volume of carbon abatement to be achieved, nominal capacity of the electrified/direct-renewable heat production unit(s), product of the use of heat and sector where heat is applied and possible other information, (ii) for unsuccessful bidders, anonymized overview of statistics such as: bid price, total volume electrified/direct-renewable heat produced, total volume of carbon abatement to be achieved and nominal capacity of the electrified/direct-renewable heat production unit(s), products of the use of heat and sectors where heat is applied. Additional data and analysis may be published where anonymization is guaranteed. - Until entry into operation projects will have to report annually on their progress in project implementation. - After entry into operation, projects will report periodically alongside their requests for payment (i.e. for every 6 or 12 months of operation). Reports will concern the electrified/nuclear/direct-renewable heat production and resulting abatement, see point 1.1 'Auctioned good', as well as the temperature level of the produced heat. - In these reports, projects will also have to confirm that rules on combination of support are respected. - If relevant, proof of installation of energy storage, sufficient coefficient of performance for heat pump, direct renewables or nuclear heat if claiming a bid bonus (see point 1.10 'Indirect emissions/flexibility requirements') will be required at Entry into Operation. - Reporting on DNSH principle application at the end of project's monitoring period.	Energy Storage Europe supports the reporting requirements. ESE welcomes the publication of identified bid prices and project-level data for successful bidders, which contributes to price discovery and market formation. ESE recommends that the reporting framework include a specific category for industrial TES projects to enable tracking of storage-specific performance metrics (charging/discharging cycles, storage capacity utilisation) alongside heat production volumes.	ESE IF25 Feedback (2025), Points 4.5 and 4.6: noted that for certain technologies (e.g. electric furnaces) it may not always be technically feasible to implement ISO 50001 audited metering requirements, and recommended that an exemption be available. ESE extends this to industrial TES projects, where metering must capture both charging and discharging cycles accurately. Commission Recommendation (EU) 2024/2002 of 24 July 2024: recognises EN 16247-1 and EN ISO 14000 as relevant standards alongside ISO 50001.
4.6	Monitoring, verification and reporting of process heat volume and temperature	(Industrial) process heat production needs to be monitored, reported, verified by an independent third party every six months or 12 months (see section 4.4) after Entry into Operation so that grant payments can be made.	Energy Storage Europe supports the two-approach MRV framework (direct and indirect measurement). For industrial TES projects, heat delivery occurs at the discharge stage rather than at the point of electrical consumption,	ESE IF25 Feedback (2025), Points 4.5 and 4.6: recommended that ISO 50001 metering exemptions be available for technologies where full compliance is not technically achievable at commissioning; also recommended recognising EN

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auctions	Feedback	Substantiating evidence, data sources, background information
		Payments are proportional to volume of process heat produced. Therefore, the correct monitoring, reporting and verification of produced process heat is crucial. To claim payments under this auction, projects must monitor and measure the produced process heat with an EMAS or ISO50001 compliant management system. Meters such as heat flow meters and thermometers need to be calibrated accordingly. There are two possible measurement approaches: • Direct measurement of process heat or • Indirect measurement of process heat. All technologies are required to follow one of the two approaches as specified below. Both process heat volume and temperature levels will have to be measured. Approach 1: Direct measurement of process heat • If the heat production volume can be measured directly by monitoring a heat flow, projects are required to do so. All applications of heat pumps, and direct-renewable heat technologies are required to follow this approach. • The heat flow must be measured by a heat meter in a heat transfer medium such as steam, hot air, water, oil, liquid metals or salts, transported through identifiable pipelines or ducts. The temperature level of the process heat is determined by a temperature measurement of the heat transfer medium after it has passed the source of heat increasing the temperature of the heat transfer medium, such as the heat exchanger of the heat pump. The temperature level needs to be monitored simultaneously with or as part of the measurement of the heat flow. Process heat production of one reporting cycle can be funded if the weighted average temperature lies within the limits of the corresponding temperature basket (see points 1.9 'Auction topics/baskets' and 2.1 'Eligibility'). To calculate the weighted average temperature, the average temperature of every hour is multiplied with the average heat flow of every hour. The sum of products of all	and both charging and discharging cycles must be captured to accurately reflect heat delivered to the process. ESE recommends the Commission provide explicit MRV guidance for TES projects clarifying how heat flow measurement (Approach 1) should be applied at the storage outlet. ESE also reiterates its IF25 position that the energy management system standard should reference EMAS and ISO 50001 alongside relevant European standards (EN 16247-1, EN ISO 14000) consistent with Commission Recommendation (EU) 2024/2002.	16247-1, EN ISO 14000 and other relevant standards alongside ISO 50001. Commission Recommendation (EU) 2024/2002 of 24 July 2024 on energy management systems. Fraunhofer ISI / Agora Industry (2024): https://www.agora-industry.org/fileadmin/Projects/2023/2023-20_IND_Electrification_Industrial_Heat/A-IND_329_04_Electrification_Industrial_Heat_WEB.pdf

No.	Design Element	Implementation in the Innovation Fund 2026 Heat Auctions	Feedback	Substantiating evidence, data sources, background information
		hours is divided by the total heat flow in the monitoring period. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate. Approach 2: Indirect measurement of process heat • If heat flow cannot be measured directly, projects must determine heat production based on the electricity consumption of the heat production unit. All applications of resistance heating (e.g. furnaces, boilers), electromagnetic and dielectric heating (e.g. melters, ovens), shockwave heating and plasma heating are required to follow this approach. The process heat production is determined by multiplying the hourly average electricity consumption by 100% for all applications. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate. • The temperature level of the process heat must be measured with an adequate measurement approach. Thermometers already used for process monitoring and process control can be used. The temperature level needs to be monitored simultaneously with the electricity consumption. Process heat production of one reporting cycle can be funded if the weighted average temperature of all such measurements lies within the limits of the corresponding temperature basket (see points 1.9 'Auction topics/baskets' and 2.1 'Eligibility'). To calculate the weighted average temperature, the average temperature of all such measurements of every hour is multiplied with the average electricity consumption of every hour. The sum of products of all hours is divided by the total electricity consumption in the monitoring period. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate.		

V. Mandatory documents necessary for the assessment of qualification requirements

No.	Design Element	Feedback	Substantiating evidence, data sources, background information
5.1	Mandatory documents necessary for the assessment of qualification requirements: • Application forms A, B and C/extended form C • Detailed budget table/calculator ('financial information file' with the bid calculation) • Participant information • Timetable/ Gantt chart • Feasibility study • Completion guarantee letter of intent (template will be provided and will be mandatory to use) • Other annexes: Equity supporting evidence, Equipment procurement supporting evidence, Electricity sourcing strategy, Heat off-taker strategy.	Energy Storage Europe welcomes the removal of letters of intent from electricity providers and heat off-takers, replaced by strategy descriptions as noted in the IF26 background. This substantially reduces administrative burden at application stage. However, ESE notes that the completion guarantee letter of intent from a bank or financial institution remains a mandatory application document in IF26 Section III. Even if this ensures credibility and avoids speculative bids, it also creates a bankability issue. ESE recommends EIB to provide a counter-guarantee to support the applicant in requesting the bank letter of intent for the project. In addition, ESE recommends this document be moved to the grant agreement stage rather than the application stage (see also Point 2.3). Regarding the feasibility study: for industrial TES projects with bespoke, site-specific plant configurations, where manufacturing is highly individualised, the requirement for formal supplier quotes may be difficult to satisfy. ESE recommends that credible technical specifications and indicative cost ranges should be accepted as an alternative to formal supplier quotes in such cases.	ESE IF25 Feedback (2025), Point 5.1: recommended clarifying in the final T&C whether mandatory maturity conditions apply to permits, licences and authorisations; also proposed that each off-taker be associated with a single project except where multi-supply can be credibly demonstrated. ESE IF25 Feedback (2025), Point 2.3: identified the bank letter of intent at application stage as a disproportionate barrier. ESE IF25 General section: called for further simplification of the application process and revision of the timing of mandatory documents.