Heat Pumps Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 160 pages | Mordor Intelligence

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Report description:

The global heat pump market is expected to register a CAGR of 9.8% during the forecast period. Moreover, heat pumps contribute a significant market share and are expected to grow in 2022 to meet consumer demand. The Heat Pump Association, which represents around 95% of the heat pump manufacturing market's share, surveyed its members to estimate the supply of heat pumps in the previous year.

Key Highlights
The COVID-19 pandemic created economic turmoil globally for small, medium, and large-scale industries. To make matters worse, a country-wise lockdown imposed by governments across the world (to minimize the spread of COVID-19) further resulted in industries taking a hit and disruption in supply chain and manufacturing operations wherein people are in tight contact as they collaborate to boost productivity.
The figures reported in the European countries suggest a trend of rapid adoption of heat pumps, which is expected to grow consistently during the forecast period. Further, the market studied is characterized by multiple new developments and is favored by government policies.
The heat pump works on the principle of mechanical-compression cycle refrigeration that can even be reversed to heat or cool the desired space of a facility. Hence, these are popular in cooling applications and space heating.
Heat pumps are comprised of two primary components: an outdoor unit similar to that of a central air-conditioner and an indoor air handler. The outdoor unit includes a compressor that circulates the refrigerant, whose function is to absorb and release heat that travels between outdoor and indoor units. The European Union's initiative to replace gas boilers with heat pumps is expected to drive the demand for heat pumps, along with supporting the United Kingdom's aim to decarbonize their home heating solutions.
However, the high installation cost of heat pumps is challenging the market growth. According to various studies and surveys, homeowners can expect a heat pump installation to cost between USD 3,500 and USD 20,000, depending on the size of their home, with an average cost of about USD 14,000, after rebates.

Heat Pumps Market Trends

Air Source Heat Pumps are Expected to Hold a Major Market Share

The air source heat pump (ASHP) takes the electricity input, extracts heat from the air, and gives hot water up to 90 degrees Celsius. Because of the extraction of heat from the ambient air, it gets cooler. Resultantly, the need for hot water and cold air drives the growth of air-source heat pumps.

There are two primary types of ASHPs, air-to-water and air-to-air. An air-to-air heat pump absorbs heat from the outside air and transfers it into houses through a fan system to heat a room. The air-to-water heat pumps absorb heat from the outside air and transfer it through the central heating system to supply hot water heating, underfloor heating in an indoor space, or radiators (or all three). Hence, choosing the type of ASHP determines the type of heat distribution system one needs.

In addition to providing efficient home heating when the temperature drops, air-to-water source heat pumps offer a great way to lower carbon emissions and future-proof a home heating system for its changing heating needs.

Furthermore, according to the US Department of Energy, when properly installed, an air-source heat pump can deliver up to three times more heat energy to a home than the electrical energy it consumes. This is possible as a heat pump transfers heat rather than converting it from a fuel-like combustion heating system.

Air-source heat pumps have been used for years in nearly all parts of the United States. Until recently, they have not been used in areas that experienced extended periods of subfreezing temperatures. However, in recent years, air-source heat pump technology has advanced to offer a legitimate space-heating alternative in colder regions.

According to the Department of Energy, when entire units were replaced in the Northeast and Mid-Atlantic regions, the Northeast Energy Efficiency Partnerships found that the annual savings when installing an air-source heat pump were around 3,000 kWh (or USD 459) compared to electric resistance heaters and 6,200 kWh (or USD 948) and oil systems. When displacing oil (i.e., the oil system remains but operates less frequently), the average annual savings are near 3,000 kWh (or about USD 300). Such factors are expected to boost the market growth in the future.

United States is Expected to Dominate Market Share

The deployment of heat pumps has grown significantly in the North American region, specifically in the United States, due to climatic conditions, the convenience of offering the equipment, government tax credit benefits, and regulations.

Furthermore, the regional governments have regulated heat pumps for their energy efficiency. For instance, in June 2022, the Department of Energy (DOE) supported the project Thermalize Juneau to help ordinary homeowners save money and reduce their carbon footprint by switching from fossil-fueled heating to electric heat pumps in Juneau, Alaska. So far, heat pumps have been installed in nearly 80 homes under the project.

Furthermore, according to a study by the American Council for an energy-efficient economy, electric heat pumps may be the most affordable way to heat most single-family homes using clean energy in the United States in 2030. Across the lifespan, electric heat pumps had lower life-cycle costs than condensing gas furnaces in almost 80% of the homes analyzed in ACEEE's study.

With the new FER standards, the US DOE predicts that the new standard for furnace fans might save about 3.99 quads of energy, reduce carbon pollution by 34 million metric tons, and save American citizens more than USD 9 billion in electric bills through 2030. As per the new state law, the city of Maine seeks installers to help meet the goal of 100,000 heat pumps over the next five years. Furthermore, the New Ambler heat pump project drastically reduces diesel costs in the villages.

The United States mandated that products be labeled with a seasonal performance factor for heating and minimum energy performance standards for heat pumps. These standards are expected to create a significant demand for heat pumps in the country.

In addition, the deployment of CO2 heat pumps is expected to witness growth in the region, owing to increasing government initiatives toward a decarbonized future. For instance, the energy group division for Mayekawa USA MYCOM has been promoting the Japanese company's CO2 and ammonia-based heat pumps for space and domestic water heating in North America.

Heat Pumps Market Competitor Analysis

The competitive rivalry in the global heat pumps market is high owing to the presence of some major players such as Trane Inc., Midea Group, Panasonic Corporation, Mitsubishi Electric Corporation, and Daikin Industries Ltd, amongst others. Their ability to continually innovate their offerings has enabled them to gain a competitive advantage over other players in the market. These players have expanded their market footprint through R&D activities, mergers & acquisitions.

In May 2022, Viessmann Werke GmbH & Company KG launched the new Vitocal 250-AH and Vitocal 250-SH hybrid heat pumps for property owners who wished to significantly reduce their carbon footprint and dependence on rising fuel prices but still wanted to keep their gas or oil heating systems. The new products provide a baseload heat supply and handle up to 85% of the annual heat output.

In May 2022, NIBE Industrier AB signed a contract to acquire 50% of the Italian company Argoclima SpA and the remaining stake within five years. Argoclima SpA is an Italian manufacturer and distributor of heat pumps and air conditioning products. The acquisition would give the company a significantly stronger position in the rapidly growing Italian market for heat pumps by combining Argoclima's current range under the Argo brand with the entire heat pump range sold under the NIBE brand.

In April 2022, Panasonic increased heat pump production capacity. Three years ago, the company's factory in Pilsen, Czech Republic, began producing air-to-water heat pumps. Production at Panasonic's Czech factory has been an ever-increasing endeavor due to rising demand for its Aquarea air-to-water heat pump solutions.

Additional Benefits:

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