

Europe District Heating Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Europe District heating market is estimated to register a CAGR of 5.73% for the forecast period, 2022-2027. The introduction of new technologies like machine learning, IoT services, and smart meters have helped in optimizing the heating cycles according to the varying demands in Europe.

Key Highlights

District heating provides thermal heating to households and commercial buildings through hot water or steam. The hot water is transported using a distributive channel of highly insulated pipes to transfer efficiently without much heat loss. The process was earlier known to involve extensive use of coal and biogas but is aggressively adopting renewable energy sources like solar energy, geothermal energy, etc. Although, in the middle of rigorous efforts to increase greener energy sources, a major share of the district heating solutions worldwide continues to rely on fossil fuels.

According to IEA, about 8% to 35% of the electricity or heat sources used for district heating globally have helped reduce carbon emissions by more than one-third under the initiatives for the Net Zero Emissions by 2050 goals. The global average carbon intensity of district heating is majorly affected by China, Europe, and Russia. IEA also reported that the use of fossil fuels for district heating accounts for natural gas (40%), coal (45%), and oil (3.5%). Although around 8.5% of heat consumption is supplied by district heating, some European countries consume a significant portion of the heat, like about 45% in Denmark and Sweden. Europe is looking forward to transitioning gradually from conventional energy sources to renewable resources for district heating on a mass level. According to Euroheat and Power, the fuel mixture mostly comprises around 26% natural gas and 30% coal. Research conducted by Heat Roadmap Europe also reported unexplored energy sources like waste heat from heavy industries like petrochemical sites or steel plants that could help countries save on natural gas and other energy resources for better utilization. District heating projects are long-term investments for companies and shareholders. Newer alternatives like new wind farm projects, individual heat pumps, or solar heating solutions are available as awareness among the European population grows. The

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tel. 0048 603 394 346 e-mail: support@scotts-international.com

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policymakers are bothered by the lesser time these projects take to set up. Although, district heating in Europe remains the primary preference of the majority of users. Legislative support from the governments is crucial in encouraging investors' confidence in the projects.

According to a paper published in ScienceDirect's Sustainable Cities and Society Journal Vol 82, household heating increased by 8% during the partial lockdown and about 13% during the full lockdowns in the COVID-19 pandemic. The research was conducted among 451 buildings in Canton, Geneva, Switzerland. Organizations like IEA helped district heating plants and companies arrange the required resources for smoother functioning. Companies like Statkraft in Europe contributed to ensuring the safety and stability of plants' operations during the pandemic.

Europe District Heating Market Trends

Residential Usage Set to Drive the Market

The residential consumption from the district heat systems accounts for a major share in Europe. This leads to many carbon emissions, which hamper the countries in their zero-emission goals of 2050. Hence, governments are actively forming regulations to efficiently manage district heat among residents. For instance, according to the Energy Efficiency Directive (EED) stated by European Commission in 2021, all municipalities above 50,000 inhabitants would be requested to prepare plans for local heating and cooling systems.

According to European Commission, Buildings account for 40% of Europe's energy consumption. Various functions like cooling, heating, and domestic hot water form 80% of the energy consumed by the citizens. This indicates the total energy requirement for district heating systems for households and buildings, demanding better energy management. Hence, the European region is open to companies developing greener solutions for space heating and other district heating-related services.

The European Commission also indicates that more than 30 million building units consume excessive energy. This excess consumption accounts for nearly 2.5 times more than average buildings, which drives up households' energy bills. It highlights the high energy requirements for families in Europe, but it also makes room for energy-efficient district heating solutions. Companies are introducing individual heating solutions using renewable energy resources.

As the electricity prices hike, households rely on natural gas to fuel their heating systems daily. Natural gas is another fossil fuel that can be preserved and put to better use. Introducing heating systems fueled by renewable energy resources like solar energy, geothermal energy, and others will help manage the energy expenses effectively and contribute actively to reducing the CO2 emission footprint for 2050 environmental goals in Europe.

Germany to Drive the Market Growth in Europe

According to the Demographic view of Europe provided by worldometers, Germany was the most populated European country in 2020, accounting for around 83 million people. The statistics also indicated the median age to be 46 years. The average annual temperature in Germany, reported by climate-data.org, is about 8.7 °C. These demographics show Germany's primarily cold and densely populated demography, making it a perfect region for district heating facilities.

The overall prices for energy consumption are higher in Germany compared to other regions. For instance, according to globalpetrolprices.com, the electricity prices in Germany in September 2021 accounted for USD 0.335/kWh for households, and USD 0.261/kWh for businesses, compared to the world average electricity prices of USD 0.134/kWh for households and USD 0.125/kWh for businesses. This clearly states how the demand for alternatives for hot water and heating solutions for buildings becomes necessary to tackle the high electricity prices. Hence, Germany is a promising market for district heating solutions and heat pumps.

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According to BMUV, Germany, around 70% of the district heat from Combine Heat and Power (CHP) plants in Germany were powered by coal and other fossil fuels in 2020. Different technologies are being considered for replacing fossil fuels. Various technologies are available, including large heat pumps or solar thermal installations, geothermal installations, and CHP installations based on biomass or green hydrogen. The part of renewables in district heating has risen by around 10% from the initial 7.8% in 2010. About 17.8% of the 126 billion (kWh) of district heat generated in Germany came from renewables, accounting for approximately 22 billion kWh. This indicates serious efforts to improve the district heating industry in more environment-friendly ways.

Several Government regulations promote the adoption of renewable energy resources in the district heating sector, encouraging the companies to use advanced technologies. The German government takes serious and long-term steps under the Climate Action Plan 2050. For instance, according to BMUV (Federal Ministry for the Environment, Nature Conservation, Nuclear Safety, and Consumer Protection), the Climate Action Plan aims to reduce CO2 emissions by 66-67% by 2030 compared to the emissions in 1990, to achieve virtually climate-neutral heat by 2050 across Germany. Such dedicated measures pave the way for companies looking forward to introducing greener district heating solutions in the country.

Europe District Heating Market Competitor Analysis

The Europe District Heating Market is moderately fragmented. Different companies offer services limited to their respective region and other European countries. The paradigm shift in adopting renewable energy resources is driving the fragmentation as the brands continue to establish their individual greener supply chains. Government regulations and incentives in terms of taxation play a vital role. Companies are coming forward with new and improved solutions for district heating.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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