



Federal Ministry  
for Economic Affairs  
and Climate Action

# Aims, general conditions and financial support - the Buildings Energy Act recast (GEG – Gebäudeenergiegesetz)

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issues of energy for buildings

# Coalition Contract calls for introduction of 65% RE in new heating systems, aim: Climate neutrality 2045

## Proceedings

- Coalition contract and resolution of the Coalition committee of March 2022
- From 1.1.2024, as far as possible, every new heating system is to be operated on the basis of 65% renewable energies
- Central course set for decarbonization of heat supply in the building sector
- Target Climate Neutrality 2045
- Strong coupling with municipal heat planning

## Fulfillment

- Individual proof or
- fulfillment options as simplification:
  - Heating network connection
  - Electric heat pump
  - Direct electric heating
  - Solar thermal
  - Hybrid heating (heat pump and solar thermal)
  - Hydrogen heating
  - Biomass heating

# The parliamentary procedure is expected to be completed by fall

- **State of proceedings**
- Consultation of the concept paper in summer 2022, approx. 150 comments
- Implementation/draft law “2nd GEG recast”
  - Cabinet decision on April 19, 2023
  - Opinion of the Bundesrat on May 12, 2023
  - Following an application for interim relief by a Member of the Parliament; Federal Constitutional Court ruling of 05. July calls for parliamentary procedure to be observed and prohibits 2nd and 3rd readings before the parliamentary summer holidays
  - Completion of parl. Procedure in September 2023
- Accompanying measures required: promotion, communication, consulting

# Coalition Contract: 65% RE in new heating systems

## Content and Classification

- From 2024: 65% RE: New buildings in new construction area (heatpump or heating networks are more and more standard; furthermore, other fulfillment options).
- From 2024: 65% RE: only in case of change of the heating system; still possible to repair the fossil heating, up to 2045.
- Building stock and all buildings out of new construction areas: 65% only applies if the timelines for heat planning expires. GEG shall be better integrated with municipal heating planning. Against this background, there is more time for the switch to renewable energies for heatings in the existing building stock, so that heat planning can take place in the municipalities beforehand in the next few years.
- The municipalities are to determine by 2028 at the latest where heating networks or even climate-neutral gas networks will be expanded in the next few years. This process will be promoted by a heat planning law with uniform federal requirements.

# Coalition Contract: 65% RE in new heating systems

- In line with the deadlines for heat planning, fossil-fueled heating systems can still be installed in larger municipalities (> 100,000 inhabitants) until June 30, 2026, and in smaller municipalities (up to 100,000 inhabitants) until June 30, 2028. Heating exchange after 2026 resp. 2028: 65% RES rule is in force.
- If a fossil heating (without 65% RES) is built in until 2026 respectively 2028 the system must use gradually increasing proportions of biomethane or green/blue hydrogen: from January 1, 2029, at least 15 percent; from January 1, 2035, at least 30 percent; and from January 1, 2040, at least 60 percent.
- This “stair” does not apply if the owner waits for the heating network/climate neutral gas network, then the owner has to connect to the network (next page).
- If heating network/climate neutral gas network will not be realized, owner has to use the fulfillment options mentioned above within 3 years.
- Heating systems changed after 2028 must provide 65% RES, if no exemption rule is given.
- By the end of 2044 every heating system has to be supplied by 100% renewable energies.

# Challenges

- Heating networks are slowly decarbonized networks
  - if a user connects to an existing heating network, the 65% rule is fulfilled (decarbonization of the network through other instruments).
  - what happens if connecting to the heating network is not yet possible but foreseeable? 65% rule does not apply, operator has to guarantee that the network is operated within 10 years.
- Biomass and green and blue hydrogen are also fulfillment options: yet biomass and hydrogen availability is limited, higher costs in the future are expected.
- Hydrogen networks
  - long periods of transition for heating installations which can use fossil gas and hydrogen.
  - Heating can be operated with fossil fuels (max. 2045) until they are connected to the H2 network, if:
    - the building is located in an area for which the body responsible under state law has made a decision on designation as a hydrogen network expansion area,
    - the operator of the gas distribution network and the body responsible for heat planning under state law have agreed on a mutually binding roadmap with interim targets by the end of June 30, 2028 and the timetable has been approved by the Federal Network Agency

# Transition periods, tenant protection and duty to advise

- Long transition periods
  - E.g. gas boiler damage (for example in winter) transition period of five years.
  - During transition installation of (rental) boiler run with fossil fuels is still possible.
- Tenant protection
  - Direct electrical heating is inefficient compared to other fulfillment options, to protect tenants only allowed in well isolated buildings and only if owner lives with one tenant party in a building.
- Duty to advise
  - When installing a heating system which runs on fossil fuels, the draft provides for mandatory advice to point out economic risks due to rising CO2 prices and high procurement costs for hydrogen.

# Financial support

- Federal Funding Programme for Efficient Buildings („Bundesförderung effiziente Gebäude“)
- Important instrument to reach the Climate target, new buildings and existing building stock,
- Financial support shall strengthen the energy efficiency and the use of RE in new buildings and in the building stock
- Budget 2023: 13 billion Euro
- Accumulated contribution to green house gas reduction: app. 29 million t CO<sub>2</sub> until 2040
- Variants:
  - **Repayment bonus:** lowers the sum of the credit which has to be repaid to the bank (Tilgungszuschuss)
  - **Interest rate reduction:** eg. which sums up to 15% of the investment sum
- For private persons, municipalities, companies and non-profit organisations
- Applications have to be submitted before the measure



# Financial support

- For residential, non-residential and individual measures
- Systemic measures – renovating the building to a certain efficiency standard (eg EH 40)
- Single measures: eg HP, solar thermal, connection to district heating, building envelope, optimisation of the heating,
- New buildings: from 2023 onwards at the Ministry for housing and only for an ambitious efficiency standard (EH 40)
- Focus on renovation:
  - no subsidies for fossil heatings (and not for hybrid)
  - Bonus for change of a fossile heating
  - Accompanying the heat-Pump roll out
  - Bonus for worst performing buildings

# Financial support

## Perspective

- Observing the market situation and the requests for financial support keeping the climate targets in mind
- Ongoing evaluation and adjustments if necessary
- Social component
- Relation other instruments – especially Buildings Energy Act
- Information
- Future Regulation:
  - Up to 70% financial support for owner-occupied property (70% cap)
  - 30% basic subsidy for all (residential, non-residential and landlords);
  - 30% income-related bonus for owner occupiers with an annual taxable income of up to 40,000 EUR;
  - 20% climate bonus for the replacement of an oil, coal, night storage or gas heating which is older than 20 years;



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# Thank you very much!

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