



Heat Pumps: The Sustainable Heating and Cooling Appliance

July 2026

EXECUTIVE SUMMARY

Why read this report?

Key findings

INTRODUCTION

Exploring heat pumps

Drivers of heat pumps

Exploring three key drivers and challenges for heat pumps

GOVERNMENTS DRIVE HEAT PUMP DEMAND THROUGH POLICY SIGNALS

Policy volatility is holding back heat pump adoption

Europe leading heat pumps adoption due to policy commitment

Italy's Superbonus shows effects of short-term subsidy volatility

Building growth is possible in conjunction with policy

REGIONAL CLIMATE SHAPES HEAT PUMP TECHNOLOGY PREFERENCES

Europe strongly dominates in air-to-water systems due to legacy infrastructure

Terravis Energy's prototype AetherLux, air-to-air solution in cold climates

Daikin addressing European market specifics with Altherma 3H HT air-to-water unit

Climate creates distinct paths and opportunities to adoption

UPFRONT COSTS AND SUBSIDY UNCERTAINTY STALL ADOPTION

High initial cost for heat pumps remains the number one adoption barrier

US heat pump market faces volatility as most federal incentives face phase-out

Hybrid solutions increasingly offered by manufacturers lower adoption barriers

Driving heat pump growth via accessibility and financial innovation

CONCLUSION

Heat pumps: How to win

Evolution of heat pumps

Questions we are asking

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