

Europe HVAC - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2030)

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Abstracts

The Europe HVAC Market size is estimated at USD 28.67 billion in 2024, and is expected to reach USD 38.75 billion by 2030, growing at a CAGR of 6.20% during the forecast period (2024-2030).

Key Highlights

Many buildings worldwide, including schools, offices, homes, and factories, still rely on fossil fuels, particularly natural gas, for heating, leading to large amounts of greenhouse gas emissions. Moreover, the current global energy crisis implies that there is an urgent need to move to more affordable, reliable, and cleaner ways of heating buildings. In this context, heat pumps, which can efficiently provide heating to buildings and industries, are one of the key technologies to make heating more secure and sustainable.

According to the IEA, heat pumps have the ability to minimize global CO2 emissions by a minimum of 500 million ton by 2030, equating to the yearly CO2 emissions of all cars in Europe.

As a result, governments are looking forward to introducing stringent regulations, including mandating the incorporation of heat pumps. This is expected to positively impact the market studied. The European Union also announced the installation of 60 million more heat pumps by 2030, which is in line with the EU targets. This could cut the European Union's gas demand for buildings by 40% by 2030 compared to the 2022 levels and decrease its energy import bill by EUR 60 billion (USD 64.28 billion).

In March 2023, the European Commission announced key changes to state aid guidelines, which should boost the heat pump sector. The EU wants more relaxed rules

on subsidies for specific European sectors to avoid losing out to the Inflation Reduction Act, the US's green technology plan. The sectors include heat pumps and others like wind turbine and battery manufacturing. The European Union has planned to install 10 million heat pumps between 2023 and 2027.

The industry is heavily controlled by distributors and component suppliers operating in different regions. The raw materials required to manufacture HVAC equipment are electronics, plastics, and compressors. Honeywell is a company that provides AC compressors. The dependence on suppliers for enhanced HVAC systems increases their bargaining power and the production cost of the product. Therefore, the switching cost of these suppliers to other companies is also high. This adds up to the competition in the market, challenging the market's growth.

The importance of a proper ventilation system was highlighted by the COVID-19 pandemic, and several regional governments have promoted HVAC systems to reduce the spread of the virus. This has boosted the market.

Europe HVAC Market Trends

The Commercial Segment is to be the Fastest-growing End-user Verticals

The commercial segment involves the use of applied HVAC equipment in commercial buildings and infrastructures, such as restaurants, residential lodges, and small to large shopping complexes and offices. In commercial buildings, semi-custom HVAC equipment is installed wherever the buildings are not uniform and require certain customizations instead of the standard equipment available in the market.

Heat pumps are an ideal choice for commercial properties as they provide numerous advantages that go beyond conventional heating and cooling systems. Heat pumps excel in enhancing energy efficiency, minimizing operational expenses, and promoting environmental sustainability and decarbonization. By implementing heat pumps, commercial properties can effectively reduce their carbon footprint and actively contribute to sustainability efforts. Embracing these systems is a wise investment that not only improves efficiency and saves costs but also positions commercial properties as pioneers in the shift toward a cleaner and more sustainable energy future.

Commercial heat pumps have a broad range of applications across different property types and serve various purposes. The growth of heat pumps in commercial settings is anticipated to be further boosted by government efforts. For example, the UK

government is actively promoting the adoption of heat pump technology as an alternative to fossil fuel boilers in commercial settings. There are numerous programs accessible to assist UK companies in transitioning to heat pump systems.

Several companies are constantly investing in introducing various products catering to the demand for these heating systems in the commercial segment. For instance, in November 2023, Daikin disclosed information regarding two upcoming VRV 5 heat pump systems that are scheduled to be released in the first half of 2024. These new systems, namely the Mini-VRV and the Top-Blow series, are designed to cater to the growing demand for decarbonization in commercial buildings. The Mini-VRV system will now offer expanded capacities of up to 33.5 kW, while the new Top-Blow series will reach an impressive 56 kW. With these additions, Daikin is further enhancing its product portfolio to support the transition toward more sustainable and energy-efficient solutions. Such vendor activities are expected to increase the market's potential.

The European commercial real estate market was valued at over USD 9 trillion in 2023, according to the European Public Real Estate Association, with Germany, the United Kingdom, and France together accounting for more than 50% of the total market. The commercial real estate market in Germany was valued at USD 1.9 trillion in 2023. Meanwhile, commercial real estate investments in Europe weakened in 2023 compared to 2022. The total commercial real estate investment volume was EUR 253 billion (USD 270.43 billion) in 2022, which dropped to about 133 billion in 2023. Such high investments in the commercial real estate sector should drive the commercial segment's growth in the HVAC equipment market.

France is Expected to Witness Significant Growth

The market is expected to witness high growth as France wants to replace residential fuel and gas heaters with heat pumps and create an industry to make the device in a bid to reduce greenhouse gas emissions. The government plans to promote heat pumps as a way to heat houses as part of a multi-year environmental plan.

The country has approximately 27 heat pump factories, and the government is focusing on increasing the production of heat pumps to meet the growing demand, further driving the market's growth. For instance, in April 2024, the French government announced that the country must produce one million heat pumps before the end of 2027. The plan unveiled by the government has two key elements. Firstly, the government will continue

various schemes that help consumers purchase heat pumps, such as 'MaPrimeR?nov' and energy-saving certificates.

Secondly, the government will directly support manufacturers, building on Europe's new openness to support strategic green industries. The French program will support the construction of factories through tax incentives that can amount to up to EUR 200 million (USD 213.41 million) per factory in investment aid.

According to EUROSTAT, residential construction accounted for 6.80% of France's GDP in December 2022. The Minist?re de l'environnementne reports that in 2023, France had approximately 38 million registered dwelling units to accommodate a population of over 67 million. This figure was nearly 33 million in 2008. Additionally, France has consistently built no less than 300,000 new homes per year over the past two decades, with some years reaching approximately 500,000 new homes. As residential construction activities continue to increase, there will be a significant demand for efficient cooling solutions.

As temperatures are rising worldwide, the demand for air conditioning in France is also increasing. According to EUROSTAT, the revenue from the manufacturing of non-domestic cooling and ventilation equipment in France is expected to be approximately USD 8.584 billion in 2025. Such an increase should support the HVAC market's growth.

Several players in the market are expanding their presence in the country to increase their market share, supporting market growth. For instance, in April 2024, Mitsubishi Electric Hydronics & IT Cooling Systems SpA and Mitsubishi Electric Europe BV announced that they would acquire AIRCALO. Through this acquisition, the company expects to leverage AIRCALO's broad product line and strong customization capabilities to expand and upgrade its hydronic HVAC systems business in the diversifying European market.

Europe HVAC Industry Overview

The European HVAC market is highly fragmented, with the presence of major players like Daikin Industries Ltd, Robert Bosch GmbH, Mitsubishi Electric Europe BV, Vaillant Group, and Danfoss A/S. The market players are adopting strategies like partnerships and acquisitions to improve their product offerings and gain sustainable competitive advantage.

April 2024: Daikin Industries Ltd announced the launch of the Stand by Me Certified Partner program, which builds on existing Daikin training through the Daikin Academy. The program provides training on installation safety and quality and allows installers to become certified partners.

January 2024: Mitsubishi Electric Europe BV announced the release of its residential air-to-water heat pumps. The company's Hydrolution EZY monoblock is able to produce hot water at temperatures of up to 60°C even when outdoor temperatures are down to -25°C. It is available in two power variants: 10 kW and 14 kW.

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