

Europe District Heating Market Size and Forecast (2021 - 2031)

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Abstracts

The Europe District Heating Market is projected to grow from US\$ 104,737.5 Million in 2024 to US\$ 137,413.6 Million by 2031, reflecting a compound annual growth rate (CAGR) of 3.7% from 2025 to 2031.

Executive Summary and Market Analysis

The district heating sector in Europe is primarily divided into key countries: Germany, France, the UK, and Italy. The increasing recognition among governments and technology firms regarding the advantages of sustainable solutions, along with heightened investments in expanding district heating networks, is driving demand for these systems. For instance, as reported by Fern in March 2025, Denmark's Greater Copenhagen Utility (HOFOR) is transitioning its district heating network from biomass and waste combustion to electrification. HOFOR plans to invest 3 billion Danish kroner (approximately US\$ 418 million) to install 10 new heat pumps by 2033, which will provide 300 MW of heating capacity and reduce Copenhagen's reliance on biomass by about one-third.

In August 2024, the Danish Board of District Heating (DBDH) indicated that Germany needs to invest at least 43.5 billion euros (around US\$ 47.64 billion) in district heating to meet its climate goals by 2030. This investment is crucial for enhancing the country's heat production capacity, generating renewable energy, and achieving climate neutrality by 2045.

The surge in investments aimed at expanding heating capacity is driving the adoption of renewable and energy-efficient technologies, particularly heat pumps. European utilities are increasingly adopting cleaner heating methods, which significantly boosts the use of

district heating systems. The integration of heat pumps and other electrified systems into district heating networks aids utilities in reducing carbon emissions and improving heating network efficiency. Consequently, the focus on net-zero transitions and increased investments are propelling the growth of the district heating market.

Strategic Insights

Market Segmentation Analysis

By Heat Source: The market is categorized into Coal, Natural Gas, Oil and Petroleum Products, and Others, with Natural Gas holding the largest market share in 2024.

By Plant Type: The market is divided into Boiler, Combined Heat and Power (CHP), and Others, where CHP dominated in 2024.

By Application: The market is segmented into Residential, Commercial, and Industrial, with Residential applications leading in 2024.

Market Outlook

Heat pumps, which utilize renewable or environmental heat sources instead of fossil fuels, are increasingly being integrated into district heating networks. They are essential for producing low-carbon, efficient heat, which enhances their adoption in these systems. The installation of heat pumps reduces dependence on centralized fossil fuel-based heating, lowers grid demand, and promotes the use of local renewable energy resources. The rise in heat pump installations and projects is a significant driver of market growth. For example, in March 2024, initiatives in Europe aimed at promoting heat pump installations were reported. In December 2024, Hamburg's utility announced plans for two large river heat pumps and associated heat storage infrastructure to facilitate a transition from coal to biomass. Similarly, RheinEnergie launched a 150 MW fluvial heat pump system at the Cologne-Niehl power plant, which will provide district heating to around 50,000 households and aims to cut CO2 emissions by 100,000 tons by 2027, requiring an investment of US\$ 294.88 million (EUR 280 million).

The development of medium-scale heat pumps and their integration into district heating networks are driving their adoption. These systems can store excess energy as heat and distribute renewable energy during low availability periods, enhancing the resilience

and efficiency of district heating networks.

Country Insights

The Europe District Heating Market is segmented by country into Germany, the United Kingdom, France, Italy, Russia, and the Rest of Europe, with Russia holding the largest market share in 2024.

According to data from the World Nuclear Association in March 2025, Russia is a leading provider of nuclear energy and exports nuclear products and services globally. The country utilizes its nuclear infrastructure for district heating and is under pressure to reduce greenhouse gas emissions and fossil fuel use. This has led to an increased adoption of nuclear energy-based district heating systems across residential, commercial, and industrial sectors.

Company Profiles

Key players in the Europe District Heating Market include Siemens AG, Veolia, ENGIE, Danfoss AS, Fortum Corp, Statkraft AS, Vattenfall AB, LOGSTOR Denmark Holding ApS, Shinryo Corporation, and Vital Energi Ltd. These companies are employing various strategies such as expansion, product innovation, and mergers and acquisitions to enhance their market presence and offer innovative solutions to consumers.

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