

Pilot Support Scheme for District Heating (SSDH) Scheme Overview

Pilot SSDH Scheme Overview

July 2026

Please note that this document is a working draft intended to facilitate consultation ahead of the detailed design of the scheme. Key elements remain under consideration, and no decisions have been finalised at this stage. Nothing in this document is intended to give rise to any entitlement to financial support for any project or projects.

Sustainable Energy Authority of Ireland

SEAI is Ireland's national energy authority investing in, and delivering, appropriate, effective and sustainable solutions to help Ireland's transition to a clean energy future. We work with the public, businesses, communities and the Government to achieve this, through expertise, funding, educational programmes, policy advice, research and the development of new technologies.

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Contents

Contents	2
1 Introduction	3
1.1 What is District Heating?.....	3
1.2 Policy Context	4
1.3 The Aims and Objectives of the SSDH	4
2 Who Can Apply?	5
3 Scope of Support	5
3.1 Eligible Pre-Construction Costs	5
3.2 Eligible Construction Costs.....	6
3.2.1 Eligible Heat Generators.....	7
4 Application and Assessment Process	7
4.1 Application supporting evidence.....	8
4.2 Core gated metrics	9
4.3 Timescales	9
4.4 Drawdown of Funds.....	9

1 Introduction

The Pilot Support Scheme for District Heating (SSDH) is a grant programme that will support the development of low carbon district heating schemes from 2026 to 2030. The Department of Climate, Energy and the Environment (DCEE) has recently announced a provisional allocation of €50 -100 million for district heating infrastructure. The SSDH targets the distribution of this allocation into qualifying entities (see “Who can apply?”), through regular competitive time-bound calls. All awards are based on funding availability.

This pilot scheme will be Ireland’s first national support scheme dedicated to the construction of district heating. It is intended to operate as a pilot to stimulate initial market development and build delivery capability. To maximise learnings for the pilot the scheme aims to support a range of technology, locations and developer types. The scheme’s regular time-bound calls will allow learnings to be incorporated into each subsequent call to ensure the scheme continues to provide effective support. Insights gained in this pilot scheme will inform the long-term development of the district heating market, including the design of funding mechanisms beyond 2030, supporting sustained investment and enabling continued growth in the district heating market.

Government policy has identified a key role for district heating in achieving a cost effective and fair transition to a net zero future. Large-scale investment in infrastructure was identified as being key to growing this market, incentivising development and deployment towards national targets as outlined in the Climate Action Plan.

1.1 What is District Heating?

District heating or cooling is the distribution of thermal energy in the form of steam, hot water or chilled liquids, from central or decentralised sources of production through a network to multiple buildings or sites, for the use of space or process heating or cooling.

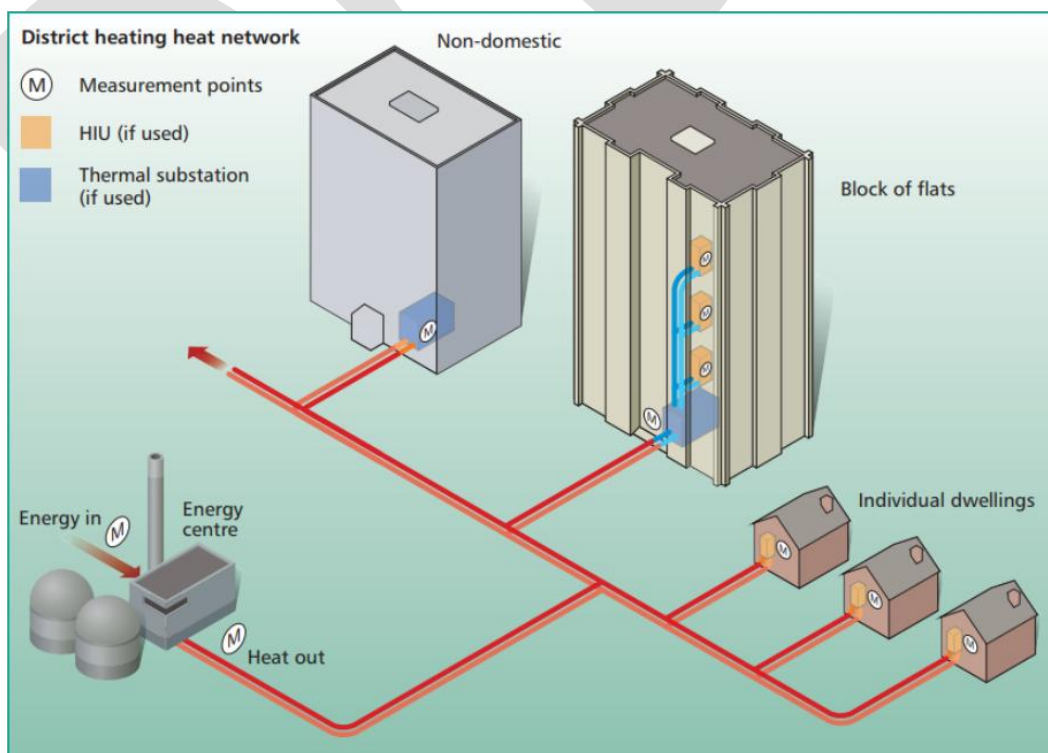


Figure 1: District Heating schematic [CP1].

District heating is a proven technology that can decarbonise the built environment, increase energy efficiency, diversify fuel sources for heat, and improve air quality. It offers a unique opportunity to decarbonise and modernise heating & cooling particularly in public buildings and heritage buildings therefore has the potential to improve energy efficiency.

1.2 Policy Context

National policy in Ireland acknowledges the vital role district heating can play in achieving the country's energy and climate objectives. This recognition is strongly supported by the Sustainable Energy Authority of Ireland's National Heat Study 2022¹, which identified district heating as a key enabler in the transition to a net zero heat sector. Currently, district heating accounts for a very small share of the Irish heating sector; estimated to be less than 1%, representing one of the lowest shares of district heating in Europe.

The Climate Action Plan 2021 set a target to deliver up to 2.7 TWh of district heating by 2030, and committed to the establishment of the district heating steering group. A report published in July 2023 by the district heating steering group², contained a suite of recommendations that set the future policy direction for the development of district heating over 4 key areas of work – Regulation, Finance, Research, Planning. A key conclusion of the report was that projects will require public investment across the entire project lifecycle to be financially viable.

The Climate Action Plan 2023 committed to implementing the recommendations of the Steering Groups Report and the 2030 targets which has been reaffirmed in subsequent plans. Climate Action Plan 2024 committed to drafting of the General Scheme of a Heat Bill to establish a regulatory model for district heating and committed to introducing a mandate on the public sector to connect to district heating, where feasible.

The Programme for Government 2025 ("Securing Ireland's Future") references commitment to district heating and to enact legislation to accelerate the roll out of district heating systems.

The Department of Climate, Energy and the Environment (DCEE) has been allocated €500 million for projects under the ICNF in the revised National Development Plan for 2026-2030, aimed at developing new decarbonised and diversified energy markets, including district heating. This includes a provisional allocation of €50 -100 million for district heating infrastructure which will be delivered through the SSDH.

1.3 The Aims and Objectives of the SSDH

The Pilot Scheme aims to grow an Irish district heating market by bridging the capital funding-gap, and consequently facilitating the decarbonisation of heating in Ireland. This support will help underpin the future development of district heating networks.

The SSDH objectives are:

- To accelerate delivery of low carbon heat produced by energy efficient District Heating contributing to Ireland's 2030 decarbonisation and renewable energy targets. To reduce annual GHG emissions from heat.
- Provide proportionate support to incentivise investment in district heating systems that delivers value for money for the State, while enabling cost effective administration and monitoring.
- Reduce investment risk for project developers and thereby mobilise developers to continue to invest in DH networks beyond 2030.

¹ <https://www.seai.ie/data-and-insights/national-heat-study>

² [District Heating Steering Group](#)

- To build customer trust, social acceptance and demand for district heating by establishing a robust evidence base of well-designed pilot projects.

2 Who Can Apply?

The SSDH will be open to Project Sponsors looking to develop district heating projects in Ireland, including public and private sector applicants who:

- Meet the eligibility criteria including the core gated metrics.
- Are a legally incorporated entity (such as companies or organisations) or public sector organisations. Individuals, households and sole traders cannot apply to the fund.
- Can provide all documentation in the application process as outlined.
- Must own or have a legal right to develop the proposed district heating project.
- Demonstrate financial capacity to fund all non-grant aided costs to deliver the project.
- Must be in good standing.

3 Scope of Support

The SSDH will operate two funding streams to provide capital grant support. One stream will focus on pre-construction costs, while the other will support the construction of new low- and zero-carbon heat networks, as well as the retrofitting and expansion of existing ones. Applicants can apply for funding to cover pre-construction costs and construction costs in two separate streams. All schemes must deliver low-carbon heat at volumes that align with the strategic objectives of the programme.

For the pre-construction stream, it is envisaged that the scheme will support projects that have completed a preliminary business case and demonstrated technical, commercial, and financial viability.

These projects will be looking to progress to detailed project development up to the point where a final business case is completed. It is anticipated that the scheme will cover 50% of eligible costs, with a maximum level of support of €1 million per project or 10% of expected capital costs, whichever is lower.

Typical pre-construction costs may include activities such as developing the business case and procurement strategy, refining the technical and financial design of the scheme, securing planning approvals, and preparing for contracting and procurement.

For the construction stream, the scheme is expected to support projects that are well advanced in pre-construction works and have an updated business case to include several elements such as procurement approach, updating costings, letters of support and project governance etc. It is anticipated that the scheme will cover up to 45-50% of eligible costs, with a maximum level of support of €50 million per project across both streams, based on a funding gap calculation for each individual project (To be confirmed following state aid compliance review).

Typical eligible construction costs include equipment and installation of components of the pipe network and energy centre that are necessary to generate and deliver low-carbon heat.

3.1 Eligible Pre-Construction Costs

The SSDH will cover pre-construction costs for both new and existing heat networks. We anticipate that most applications will come from projects that have already completed a techno-economic feasibility study and engaged with potential off-takers, ideally supported by letters of intent.

Also, applicants are expected to have an internally approved preliminary business case outlining how the project will be procured and financed. These steps significantly improve the likelihood of successful

delivery; however, substantial work will still be required before a final investment decision can be made and the project is ready for construction.

The following activities are considered eligible costs (To be confirmed following state aid compliance review):

- Feasibility and Technical Studies
- Engineering and Design Services
- Financial and Commercial Advisory including business case development
- Contractual Preparation
- Stakeholder Engagement
- Connection Studies and agreement costs (Electricity only)
- Procurement Preparation
- Staffing costs specific and time bound to the project stage

The following activities are considered ineligible costs:

- Existing staffing costs
- Any costs incurred prior to the submitting a completed application³.
- Any activities not directly linked with network operation
- Contingency allocations or unsubstantiated budget lines
- Legal professional services (including procurement advice, advice on Project Sponsor powers, state aid compliance, etc.)
- Costs already funded by other public or EU schemes

Please refer to the Terms and Conditions for additional details.

3.2 Eligible Construction Costs

The SSDH will support the construction costs for both new and existing heat networks. Before applying for construction funding, planning permission must be secured where required, along with clear commitment from both the developer and customers to proceed. Entry to the construction funding depends on well advanced pre-construction activities.

The following activities are considered eligible costs (To be confirmed following state aid compliance review):

- Land costs are eligible where they are associated with the development of the heat network. For example, eligible land costs would include land for the development of an energy centre.
- Assessing sources of low-carbon heat
- Construction of energy centres and thermal stores
- Laying of pipes
- Installation of heat interface units, metering and controls in premises
- Heat generation equipment specific to renewable or waste heat
- System-side Energy Efficiency Measures
- Staffing costs specific and time bound to the project stage

The following activities are not considered eligible costs:

- Existing staffing costs.
- Any costs incurred prior to the submitting a completed application.

³ Any costs occurred between applying and receiving a letter of offer are done at the risk of the applicant.

- Any activities not directly linked with network operation.
- Any costs not associated with heat/cooling sources as their primary function.
- Contingency allocations or unsubstantiated budget lines
- Buying and installing tertiary heat distribution systems. (Tertiary systems are defined as the heating and hot water systems installed after the heat interface unit and individual customer heat meters. They are the primarily the components of a wet heating system (pipes, radiators and domestic hot water storage)
- Changes to the building side of the system (past the HIU) including fabric and internal pipework.

Please refer to the Terms and Conditions for additional details.

3.2.1 Eligible Heat Generators

The Scheme aims to support the decarbonisation of building space and water heating by funding only low-carbon heat. The cost of heat-generation equipment and waste-heat recovery systems will be considered eligible only where the equipment can produce heat exclusively from renewable sources⁴ or waste heat⁵.

Any equipment capable of operating on fossil fuels will be considered ineligible, unless specifically approved at the administrator's discretion and only where safeguards are in place to ensure that funding cannot be used to support fossil fuel use.

To ensure that funded projects fully realise their benefits, all funded projects must also meet the following requirements:

- Compliance with Part L building regulation for all current and potential future customers unless otherwise agreed on a case-by-case basis.
- Compliance with European Directives, such as Energy Efficiency Directive, Renewable Energy Directive, Energy Performance of Buildings Directive etc.
- Support for National Targets, Energy Strategies and Objectives, such as emissions reduction and energy security including adaptability to facilitate transition toward full decarbonisation.
- Funded technologies comply with air quality standards and don't negatively affect existing air quality.

4 Application and Assessment Process

The application process for the SSDH will follow a two-stage approach. Initially, applicants will complete an Expression of Interest (EOI) form.

This allows them to self-assess whether their project aligns with the scheme's core gated metrics, which include efficient district heating, annual customer demand, subsidy limit, social internal rate of return (IRR) and a customer non- detriment requirement.

If a project meets the core gated metrics, the applicant will be invited to complete a full application form and will receive the Scheme's Terms and Conditions. Once submitted, the application will be assessed for compliance with these Terms and Conditions. Any potential funding award will be subject to budget availability.

⁴ Renewable Energy Directive Art 2.1

⁵ Renewable Energy Directive Art 2.9

If demand for funding exceeds the available budget in a given round, the SSDH Investment Committee will prioritise applications competitively based on scoring criteria in line with the Infrastructure Guidelines. If a funding round is not oversubscribed, applications will not be selected on a competitive basis but will still undergo a thorough review. The scheme holds the right to not award all funding available in a given round, including in cases where applications do not meet the required standards or represent sufficient value for money.

4.1 Application supporting evidence

In addition to submitting the application form, applicants are required to provide supporting evidence. This is primarily to enable a thorough assessment of project deliverability and value for money. The core supporting documents are expected to be materials that a district heating developer would typically hold, regardless of whether they are applying to the District Heating Pre-Construction Fund.

Following is a checklist of required evidence for both streams at the application stage:

- Cover Note
- Completed Application form
- Preliminary Business Case
- District Heating network status update
- Proposed Thermal Energy and Counterfactual Sources
- Energy Centre and Network Locations – with reflection on Land Rights, Planning and Permits
- Proposed Network Diagram – phased if possible
- Techno-economic feasibility study
- Techno-economic model
- Statement on future integration/design suitability (connection to future schemes)
- Customer Plan – Anchor and on-boarding of new customers
- Customer focused Letters of Support
- Heat Tariff Note
- Risk Register and mitigation approach, and if applicable, waste-water source heat risks and back-up plans
- Project Budget and Grant Request
- Project Sponsor/Local Authority Letter of Support (evidence of customer engagement)
- Project Structure and Governance – SPOC and escalation planning
- Evidence of funding e.g. Applicant Finance Officer or Project Sponsor Letters of Support
- Carbon Abatement assessment with stated sources
- Company Accounts & Unaudited P&L and Balance Sheet for X years
- Market Transformation Commitment Statement

Following is a checklist of required evidence for the construction stream only at application stage:

- Funding gap model – aligned with Grant Request
- Confirmation of Technical standards compliance
- Confirmation of all necessary Land Rights, Licenses, Planning and Permits
- Evidence of potential for network expansion beyond that in the core application

Following is optional evidence for enhanced scoring:

- Evidence of other benefits e.g. energy poverty, energy efficiency etc.
- Full financial model
- Credit Rating

- Evidence of wider strategic benefit e.g. evidence this system is the 'best solution for the given area (town or city)'

4.2 Core gated metrics

The SSDH will assess applicant projects using the following core metrics which all applicants must meet in order to be funded. All the metrics listed below will be appraised at Expression of Interest stage and within the application form, once the applicant has entered the required inputs prior to the call's closure deadline. Greater detail on each will be provided within the Scheme's Terms and Conditions.

Gate	Rationale
Efficient District Heating	Projects must be an efficient heating and cooling network and use a minimum share of 75% from renewable energy, 75% from waste heat, or 75% of a combination of both, to supply heat to the network ⁶ .
Annual Customer Demand	Minimum end customer heat demand of 4 GWh/yr. (On a case-by-case basis smaller scheme will be considered for example schemes in rural networks off the gas grid.)
Subsidy Limit	Grant award requested will be up to a maximum of 45-50% of eligible construction and preconstruction costs (to a maximum of €50 million of total support across all stages). ⁷
Social IRR	Social IRR of $\geq 3.5\%$ over 40yrs
Consumer Non-Detriment	District Heating must represent the economically and financially optimal low carbon solution for each building being connected. Where this is not the case, the applicant must clearly justify the rationale for connection.

Full details of the support available, the scheme criteria and the application process can be found on the SSDH Term and Conditions which is available to download from [XXXX](#).

4.3 Timescales

The SSDH will operate through time-bound calls. Funding will be awarded on a competitive basis, subject to availability. The schedule of these calls may vary for financial or strategic reasons.

Before each call, an Expression of Interest (EOI) process will be launched ahead of the application stage. If an EOI submission aligns with the scheme's objectives and meets the gated metric thresholds, the applicant will receive the application form along with the Fund's Terms and Conditions. Any queries on the fund can be sent to dhfund@seai.ie

4.4 Drawdown of Funds

The aim of the construction stream is to support the development of operational district heating by the end of 2030, while the pre-construction stream aims to facilitate construction-ready projects both before

⁶ [Directive \(EU\) 2023/1791](#)

⁷ If applying for only one of the streams, then maximum requestable funds will be 45-50% of eligible costs for that specific stream. All projects must be GBER compliant for example total state aid provided must be below €50 million.

and beyond 2030. The initial timeframe for the scheme will run from 2026 to 2030 with all funds on both streams required to be drawdown by 2030. Any further expansion will depend on future funding allocations.

The timelines for the scheme will depend on the scheme development and approval process, which may be updated throughout the design phase. Based on current planning, the first call is expected in 2027 and will accept applications for construction funding only. Subsequent calls will accept applications for both pre-construction and construction funding; however, construction funding will be prioritised in these calls.

Applicants will need to provide evidence of spend at pre-agreed milestones. Full details of this can be found in section X of the SSDH Terms and Conditions.

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