

# European demand for heat pumps falters

Financial Times UK  
9 Sep 2025  
HARRY DEMPSEY — OSAKA

---

Naofumi Takenaka, president of Daikin, said that uptake of the heating and cooling devices — needed to replace more inefficient gas boilers as part of action to address climate change — was three to five years behind, due to a bleak economic outlook.

The Japanese company forecast two years ago that demand in the region for air-to-water heat pumps — which extract heat from outside air to warm water for radiators and under-floor heating — would hit more than 3mn units this year.

But demand has fallen well short of this amid a weakening economy and cuts to generous subsidies.

“When we compare the market demand we had projected for 2025 at the time to the current market, it has stopped at roughly one-third of that, so it will take three to five years to return to such levels,” Takenaka said, speaking at the group’s headquarters in Osaka. “This is a structural problem.”

Takenaka’s comments highlight how far Europe’s decarbonisation plans to convert boilers to heat pumps have been derailed by economic pain, politicians cutting green spending and lukewarm public take-up.

Heat pumps transfer warmth between indoors and outdoors using refrigerants and electricity. They are seen as vital to decarbonise heating, moving away from gas-fired boilers.

However, adoption has been held back by high upfront costs, a lack of qualified installers and, more recently, lower gas prices relative to electricity.

About 2.3mn heat pumps — also including air-to-air types that warm or cool the air inside a home — were sold in 19 European countries in 2024, a 22 per cent drop from a year earlier, said the European Heat Pump Association.

Subsidy schemes had helped to drive sales but “tough economic conditions” and upheaval in sectors such as automotives meant that European leaders had shifted financial support towards basic livelihood and industrial measures rather than heat pumps, Takenaka said.

Daikin’s president also noted Europeans’ concerns about unsightly heat pumps on the walls of buildings. “Heat pumps will be extremely difficult in Europe,” he said.

Margins at Daikin have been stung by costs incurred from building and running a €300mn heat pump factory in Poland that started production last year, anticipating higher levels of demand.

Daikin is also grappling with higher procurement costs because of tariffs in the US, including at its Texas plant — one of the largest in the country — while Chinese rivals woo consumers seeking lower-cost options.

Daikin is aiming to build factories in India that are treble or quadruple the size of its typical plants, to go headto-head with China on cost in the global south.