Designing Utility Programs to Support Industrial Electrification

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Utilities and state efficiency programs have a critical role to play in accelerating the deployment of industrial heat pumps (IHPs). Through strategic program design, utilities can help industrial companies seize the emerging electrification opportunity. Because of their direct relationships with end users, utilities have the potential to design specific incentives, build trust and awareness, and collaborate on infrastructure buildout and load growth tailored to the needs of their large customers. They can help with the transition to highly efficient, electric heating technologies that can provide savings, modularity, and other co-benefits.

The following recommendations for program managers are drawn from our interviews with experienced program administrators and implementers. For additional details and context, please view this brief.

Expand awareness and trust in IHPs and their long-term efficacy

- Educate customers, contractors, and internal staff about current IHP capabilities and availability.
- Partner with trade allies and strategic energy managers for outreach and technical support.
- Support training for maintenance staff and highlight reliability data from existing deployments.
- Create and maintain an up-to-date certified contractor list for performance-based rebates.
- Publish case studies to validate technology performance and build market confidence.

Tailor incentives for industrial projects

- Maintain and expand custom incentives to allow for varied project scopes and timelines, or explicitly include industrial electrification.
- Explore transition toward prescriptive incentives by collecting robust evaluation, measurement and verification (EM&V) data and incorporating savings into technical resource manuals (TRMs) where possible.
- Offer milestone-based payments and allow for stacking of utility incentives with other sources (federal and state grants and tax credits).
- Include feasibility studies and energy assessments at low or no cost.

Support infrastructure and load planning

- Assist customers with navigating service upgrades—including transformer, switchgear, and substation construction.

- Offer incentives or rebates for behind-the-meter infrastructure improvements.
- Design integrated programs that reward load flexibility, especially for IHPs with energy storage or backup systems, such as peak pricing, demand response, and load shaping.

Design programs equitably and develop or strengthen local markets

- Use flexible financing and vendor-inclusive applications to make programs accessible to small and medium manufacturers.
- Create simple funding applications with minimal administrative burden.
- Market/advertise programs early and often to improve uptake.

For long-term program success, utilities should look to incorporate IHPs into multiyear energy planning and electrification strategies. They can also work closely with state energy offices and other state agencies to ensure that funding is complementary with state programs and that opportunities are shared to a wider range of end users. Engaging with national market transformation efforts, such as the IHP Alliance will help utilities stay up to date on broad supply chain trends, as well as state and federal funding opportunities.