

Sustainability Goals and Clean Energy Transition Drive Strong Growth in the Global Heat Pump Market

□ *Global Heat Pump Industry Set to Hit \$201.5 Billion by 2032 Amid Rising Demand for Energy-Efficient Heating Solutions*

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According to a new report published by Allied Market Research, the global [heat pump market](#) size was valued at \$71.2

billion in 2022 and is projected to reach \$201.5 billion by 2032, expanding at a CAGR of 11.1% from 2023 to 2032. The growth is driven by rising demand for energy-efficient heating and cooling systems, strong government subsidies, and increasing adoption across residential, commercial, and industrial applications.

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Heat pump market to hit \$201.5B by 2032, driven by rising energy efficiency demand, decarbonization, and renewable heating adoption.”

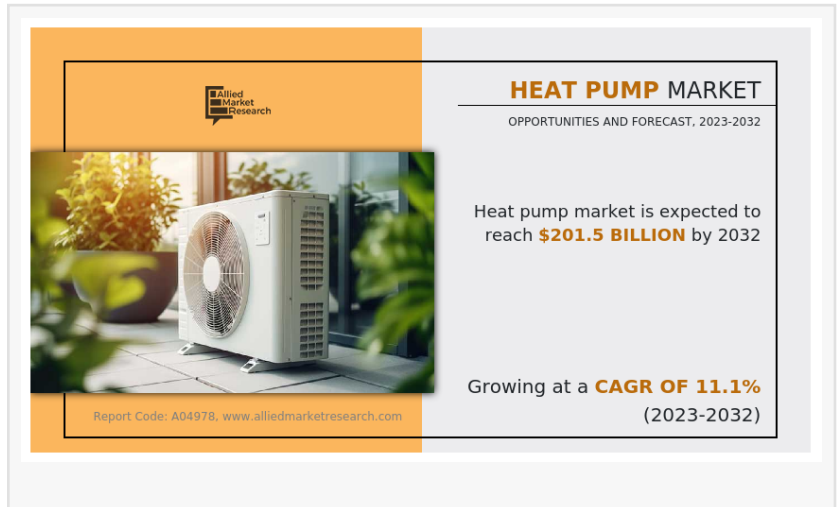
Allied Market Research

The heat pump industry is witnessing rapid growth due to increasing demand for energy-efficient and sustainable heating and cooling systems. As governments worldwide implement net-zero carbon policies, heat pumps are emerging as a key technology for reducing greenhouse gas emissions and improving energy performance in residential, commercial, and industrial buildings.

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The adoption of air-source, ground-source, and hybrid heat pumps is expanding rapidly, supported by technological advancements that enhance performance even in extreme climates. These systems use renewable heat from the air, ground, or water, offering a clean and cost-effective alternative to traditional boilers and HVAC systems.



Europe currently leads the global market due to stringent energy efficiency directives, while Asia-Pacific is expected to record the fastest growth, fueled by increasing awareness, economic development, and climate initiatives in countries like China and Japan.

Key Findings

By Technology: Water-sourced heat pumps to grow at 11.6% CAGR.

By Capacity: Up to 10kW segment accounted for one-third of revenue in 2022.

By End-Use: Residential sector contributed over half of market share in 2022.

By Region: Asia-Pacific to expand at 11.4% CAGR, leading global growth.

What is a Heat Pump?

A heat pump is a versatile system that transfers heat from one location to another using a refrigeration cycle. It absorbs heat from a low-temperature source such as air, water, or the ground and releases it at a higher temperature for heating purposes. During summer, the cycle reverses, allowing heat pumps to provide cooling as well.

This dual functionality makes heat pumps a sustainable alternative to conventional HVAC systems, particularly in moderate climates where temperature variations are manageable. Heat pump water heaters also leverage the same technology, reducing energy consumption by up to 50% compared to traditional [electric water heaters](#), resulting in significant cost savings and reduced carbon footprints.

Market Dynamics Driving Growth

Surge in HVAC Demand □

With industrialization on the rise, demand for HVAC systems across factories, manufacturing plants, and offices has surged. Heat pumps offer both process cooling and climate regulation, helping industries maintain productivity while ensuring worker safety.

Government Policies & Net Zero Goals □

According to the International Energy Agency (IEA), heat pumps currently meet 10% of global building heating needs. To align with the Net Zero Emissions (NZE) 2050 scenario, the global stock of heat pumps must triple by 2030, covering at least 20% of global heating demand. Governments worldwide are actively promoting adoption through subsidies and efficiency regulations.

Technological Innovations ☐☐

In November 2023, Mitsubishi Electric Corporation introduced a breakthrough in heat exchanger technology with its aluminium vertical flat tube (VFT) design. This innovation boosts efficiency by 40% compared to conventional designs, while also reducing refrigerant requirements by up to 20%.

Challenges: Space Limitations ☐

Despite the benefits, [heat pump systems](#) require substantial installation space. In densely populated urban areas and older residential buildings, limited space can hinder adoption, especially when retrofitting is necessary.

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Segmentation Insights

By Technology: The market is divided into air-to-air, air-to-water, water-sourced, and others. The water-sourced segment is the fastest-growing, projected to expand at 11.6% CAGR, due to its efficiency in stable temperature environments.

By Capacity: The up to 10kW segment held the largest revenue share in 2022, accounting for one-third of the market, driven by demand from residential households.

By End-Use Industry: The residential segment dominated in 2022, representing more than 50% of total revenue, fueled by consumer demand for energy-efficient heating and cooling systems.

By Region: The Asia-Pacific region leads the global heat pump market, projected to grow at a CAGR of 11.4%. Rapid adoption in Australia, New Zealand, Singapore, and Malaysia is supported by building codes, sustainability policies, and increasing awareness of energy efficiency.

Regional Highlights ☐

Asia-Pacific: Emerging as the fastest-growing region due to strong government incentives and rising urbanization. Tropical climates offer opportunities for air conditioning-focused heat pump systems.

Australia & New Zealand: Implementation of energy efficiency standards and growing efforts to curb emissions are pushing widespread adoption.

Europe & North America: These markets are focusing on retrofitting older buildings and

integrating advanced heat pump technologies into smart home systems.

Competitive Landscape

Key players dominating the heat pump market include:

DAIKIN INDUSTRIES, Ltd.

Mitsubishi Electric Corporation

Carrier

Panasonic Corporation

Trane Technologies plc

Lennox International Inc.

Bosch Thermotechnology Corp.

NIBE Group

Fujitsu General

Samsung

These companies are investing heavily in R&D, product innovation, and sustainable designs to strengthen market presence. Collaborations, technology partnerships, and regional expansion remain common strategies.

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Conclusion

The heat pump market is poised for robust growth, projected to exceed \$201.5 billion by 2032. With rising energy efficiency standards, government subsidies, and breakthrough innovations in heat exchanger technology, heat pumps are rapidly becoming the cornerstone of sustainable heating and cooling systems worldwide. As industries, households, and governments continue to prioritize low-carbon energy solutions, heat pumps are set to play a vital role in achieving global net-zero goals.

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David Correa

Allied Market Research

+ + + + +1 800-792-5285

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