California Public Utilities Commission
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CPUC REDUCES INCENTIVES FOR NATURAL GAS TO BETTER ALIGN WITH STATE'S CLIMATE GOALS

SAN FRANCISCO, April 6, 2023 – The California Public Utilities Commission (CPUC) today reduced incentives for natural gas energy efficiency measures in residential and commercial new construction to align more closely with the state's greenhouse gas reduction, climate change mitigation, and decarbonization goals.

Today's Decision establishes a forward-looking framework under which ratepayer-funded natural gas energy efficiency incentives will no longer be available. The framework includes various factors, such as cost-effectiveness, availability of electric alternatives, program types, and exemptions for equipment that support state decarbonization goals. As a first step in this framework, beginning in 2024, ratepayer-funded incentives for residential and commercial new construction projects will only be allowed for measures that do not burn natural gas or that are cost-effective. The new rules will continue to fund exempt measures, such as energy efficient equipment that produce natural gas savings but do not use natural gas, such as building insulation, sealing, smart thermostats, faucet aerators, and building envelope measures like windows and doors. The energy efficiency portfolios overseen by the CPUC include programs that promote fuel substitution (i.e., replacing a measure that uses natural gas with a measure that uses electricity, or vice versa) and offer incentives for electric energy efficiency measures.

"Reducing ratepayer funding for non-cost-effective natural gas burning appliances and equipment in the energy efficiency programs aligns the state more closely with its greenhouse gas reduction, climate change mitigation, and decarbonization goals," said Commissioner Genevieve Shiroma, who is assigned to the proceeding. "By initially focusing on new construction, we are allowing for more careful consideration of the potential impact on hard-to-reach underserved customers and disadvantaged communities. This Decision provides an initial pathway and a reasonable balance to achieve the state's climate goals while mitigating negative financial impacts on vulnerable communities."

The Decision aims to encourage the use of cleaner energy sources and reduce the state's dependence on natural gas. The move is part of California's broader efforts to combat climate change and achieve carbon neutrality by 2045. By phasing out incentives for natural gas measures, the CPUC is promoting the adoption of more energy-efficient and sustainable alternatives.

Today's Decision was issued in an umbrella proceeding (A.22-02-005), which addresses a Staff Proposal for reducing ratepayer-funded incentives for natural gas energy efficiency measures over the next 10 years. California's energy agencies continue to take steps toward achieving carbon neutrality by 2045 and meeting the state's ambitious 2030 greenhouse gas emissions reduction target, including strategies to end sales of natural gas space and water heaters starting in 2030; updating building standards for an all-electric building code; eliminating subsidies for extending natural gas lines to serve new buildings, which ends a financial incentive for gas system expansion; and comprehensively reviewing utility natural gas infrastructure investments.

The proposal voted on is available at docs.cpuc.ca.gov/PublishedDocs/Published/G000/M505/K562/505562548.PDF.

Documents related to the proceeding are available at apps.cpuc.ca.gov/p/A2202005.

More information on CPUC's energy efficiency efforts is available at www.cpuc.ca.gov/energyefficiency.

The CPUC regulates services and utilities, protects consumers, safeguards the environment, and assures Californians' access to safe and reliable utility infrastructure and services. For more information on the CPUC, please visit www.cpuc.ca.gov.

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