

# ENSURING ACCESS TO ENERGY EFFICIENCY

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## WHY IT MATTERS

The cleanest, most affordable way to address both rising energy demand and rising energy prices is through energy efficiency. Energy efficiency is performing the same task while using less energy, whether that task is heating, cooling, lighting, appliance use, industrial processes, or utility programs. Energy efficiency reduces wasted energy and its attendant pollution and health impacts.

Energy efficiency's benefits exceed lowering utility bills. Efficient homes, schools, and commercial buildings better control moisture, air quality, and temperature, are more comfortable, and are climate resilient. They provide health benefits such as fewer asthma attacks and emergency department visits for respiratory-related illnesses.<sup>1</sup> Energy efficiency and demand-side management contribute to a more reliable electric grid and reduce the need for new energy generation.<sup>2</sup> In 2024, over 9,000 energy efficiency businesses employed over 76,000 Virginians.<sup>3</sup>

While 25% of Virginia households are energy insecure,<sup>4</sup> barriers prevent customers from taking full advantage of energy efficiency to lower their bills. Upfront costs put upgrades out of reach for energy-insecure households, who are unable to meet basic household energy needs and often live in the most inefficient homes.<sup>5</sup> Energy-insecure households are underserved by energy efficiency programs, and in 2020, were billed 27% more per square foot on average than households not experiencing energy insecurity.<sup>6</sup> Renters cannot make improvements, and landlords are not incentivized to invest in upgrades when tenants pay the utility bills. State weatherization repair and energy efficiency programs for income-qualified Virginians have not been adequately funded due to Virginia illegally being removed from the Regional Greenhouse Gas Initiative (RGGI). Despite the many local, state, federal, and utility programs, there is no identified long-term goal and plan to ensure programs seamlessly work together to ensure energy affordability for Virginians.

## CURRENT LANDSCAPE

Virginia law mandates investments in energy efficiency by investor-owned electric utilities (IOUs) through the Energy Efficiency Resource Standard (EERS) in the Virginia Clean Economy Act. Utilities earn the same percentage profit on these programs as they do on building new generation, but customers reduce volatile fossil-fuel surcharges and their attendant pollution.

If IOUs fail to meet mandatory energy savings targets, the State Corporation Commission (SCC) must disallow new fossil-fuel generation, unless a threat to reliability or security of electric service exists.<sup>7</sup> While Appalachian Power has met existing targets, Dominion has not. Future targets have been set by the SCC and reflect past performance.<sup>8</sup>

Many low-income households benefited from Virginia's past participation in RGGI, which funded the Housing Innovation in Energy Efficiency (HIEE) fund. While the federal Weatherization Assistance Program (WAP) and the Low Income Home Energy Assistance Program (LIHEAP) bring weatherization and efficiency upgrades to around 1,800 income-qualifying households in Virginia each year, RGGI provided a higher level of funding for improvements.<sup>9</sup> Importantly, it funded critical pre-weatherization repairs through the Weatherization Deferral Repair (WDR) program that ensured access to upgrades through WAP. HIEE also provided energy efficiency funding for new affordable housing. Around \$80 million remains in HIEE from earlier RGGI auctions that need to be distributed.

Home Energy Rebate programs, created by the Inflation Reduction Act (IRA) and administered by Virginia Energy, will provide substantial efficiency savings to households.<sup>10</sup> However, Congress cut energy efficiency tax credits and rescinded some IRA energy efficiency funding.<sup>11</sup> Federal funding for WAP is delayed, and all federal LIHEAP staff were fired. Standards for energy-efficient appliances may be lowered.

## OPPORTUNITIES

Energy efficiency is an underutilized resource that should play a larger role in how we power our homes and businesses. Efficiency upgrades can cost-effectively reduce energy use by a third for low-income households in Virginia.<sup>12</sup> Virginia has the opportunity to help our residents by increasing energy efficiency efforts across the state.

The state could commit to an energy efficiency goal and plan, and designate Virginia Energy as the "one-stop shop" with staff to help Virginians coordinate across all government and non-government programs, prioritizing energy-insecure households.

Rejoining RGGI will secure needed funding so thousands more Virginians can access energy efficiency. Renters also need access and should be protected from displacement when homes are improved. Landlords should be encouraged to take advantage of no-cost and low-cost upgrades for income-quali-

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fying rentals, utility programs, and HIEE. Workforce training and support is also essential.

Virginia would save residents even more money by requiring that new construction meet, at least, the minimum efficiency requirements of the International Energy Conservation Code. Unfortunately, despite statutory standards, regulators have not kept up with the national model code.

Pay As You Save allows homeowners and renters to make energy efficiency upgrades without upfront costs through a fixed charge on utility bills. Because

the charge is lower than the savings from the efficiency improvements, customers save money from the first month.

Electric and gas IOUs could increase energy efficiency savings by better connecting customers to programs and offering comprehensive energy upgrades. Importantly, utilities can be better held to account for not meeting efficiency savings targets. Making the process more transparent could also help with meeting efficiency goals.

## TOP TAKEAWAYS

Energy efficiency is the cleanest and lowest-cost way to address energy affordability.

Virginia could establish a long-term energy efficiency plan to ensure that local, state, and utility programs work seamlessly together to address energy affordability.

Rejoining RGGI will provide more Virginians with access to energy efficiency and reduce energy insecurity. Distributing \$80 million from previous RGGI auctions to effective low-income energy efficiency programs can help Virginians lower their energy bills sooner.

## ENDNOTES

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