

ENERGY EFFICIENCY IS ENERGY AFFORDABILITY

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WHY IT MATTERS

The cleanest, most affordable energy is the energy never generated. **Energy efficiency** – using less energy to achieve the same result – allows us to live in comfort while reducing all the impacts that energy generation has on our environment. Examples include replacing inefficient appliances, installing insulation, sealing cracks, or upgrading heating and cooling systems.

Energy efficiency upgrades can lower residential energy bills by 28% in Virginia, with a payback of five years or less.¹ For low-income households, efficiency upgrades can eliminate around a third of energy costs.²

Yet Virginia households are paying more than ever on energy bills. In the past year, Dominion bills went up around 20%.^{3,4} Since 2007, Appalachian Power Company (APCo) rates have increased by about three times the rate of inflation.⁵ One in four Virginia households cannot consistently meet basic energy needs.⁶ Manufactured home residents face among the highest heating and cooling costs relative to income.⁷

The Virginians who stand to gain the most from energy efficiency upgrades are the least likely to get them. Upfront costs are prohibitive for many. Renters cannot make the structural upgrades that deliver real savings, and landlords have little incentive to invest when tenants pay the bills. Households of color pay significantly more for energy per square foot than white households on average.⁸ **Weatherization** is among the most effective tools for lowering energy costs, but many households are excluded from federal programs because their homes require structural repairs first.⁹

Expanding access to efficiency also means expanding good local jobs. Over 79,000 Virginians work in energy efficiency, more than in any other energy sector.¹⁰ Investing in efficiency is investing in Virginia's workforce.

CURRENT LANDSCAPE

Energy efficiency benefits all ratepayers by taking strain off the grid, reducing expensive **peak demand**, and minimizing the need to build high-priced new power plants.

Virginia law recognizes energy efficiency as a strategic resource, requiring investor-owned utilities to meet annual energy savings targets through the **Energy Efficiency Resource Standard (EERS)**.¹¹ When utilities fall short of these mandatory targets, they cannot build new carbon-emitting power plants.¹²

Dominion has failed to meet energy efficiency targets every year since 2022, and the gap is growing.¹³ Dominion argues it cannot meet its 2026-2027 targets, though they are lower than the 2025 target. In 2025, the **State Corporation Commission (SCC)** approved a new gas plant in Chesterfield, the first of eight in Dominion's long-term plan, invoking a reliability exception the law intended to be narrow.¹⁴ In doing so, the SCC set a low bar for bypassing the EERS targets.

Virginia's many energy efficiency options are not coordinated with one another, leaving households to navigate disconnected systems. However, this year, the Virginia Department of Energy set up Virginia Energy Connect as a "one-stop-shop" to find all energy efficiency resources. The General Assembly took a meaningful step by establishing the **Income-Qualified Energy Efficiency and Weatherization Task Force (Task Force)** to identify barriers facing low-income Virginians and produce a plan to reach all eligible households before 2035.¹⁵

At the federal level, support is becoming less reliable: the One Big Beautiful Bill Act eliminated the home energy efficiency tax credit and rescinded unobligated Inflation Reduction Act efficiency funds.¹⁶ Other federal funding for low-income efficiency programs has faced persistent delays and been threatened with elimination.¹⁷ Virginia cannot afford to wait for Washington.

OPPORTUNITIES

The households that need efficiency the most are the furthest from it. Building the architecture to reach them is the work ahead.

Agency coordination is key to creating a single accountable pathway connecting households to utility, state, and federal programs. The Task Force, which will report on its findings in September 2027, is the immediate vehicle for that work. Renters in older multifamily buildings and manufactured home residents are underserved by every major program.^{18,19}

The **Housing Innovations and Energy Efficiency (HIEE) fund**, restored through RGGI reentry, provides energy efficiency upgrades to both new and existing income-qualifying housing, saving the average household \$676 per year.²⁰ Those funds should be swiftly delivered through current and new programs to lower energy bills across the state (*see Virginians Win with the Regional Greenhouse Gas Initiative*, page 97).

Virginia authorized a feasibility study for a **Pay As You Save** pilot in 2026.²¹ That pilot should be designed

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with equity criteria from the start and move to implementation without delay.

The best time to make a building energy efficient is when it is built, reducing total costs for residents for decades. State building codes could be strengthened to meet or exceed the International Energy Conservation Code. Localities could encourage or require commercial buildings to exceed the state building code if given the option by the state.

Finally, utilities are key partners in maximizing energy efficiency. Investor-owned utilities must meet their EERS targets, just as utilities in other EERS states do.²² Efficiency reduces pollution, relieves grid strain, and lowers overall and peak demand, making other tools like renewables and storage, and virtual power plants more effective.

ENDNOTES

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TOP TAKEAWAYS

Energy efficiency is a strategic resource in meeting demand, reducing pollution, lowering bills, and reducing generation and infrastructure costs.

Virginians who most need energy efficiency upgrades are the least likely to get them, with the burden falling hardest on renters, manufactured home residents, and households of color. Coordination is needed to provide efficiency options to these households.

Energy efficiency is integral to our clean energy transition. Utilities should meet mandatory utility energy efficiency.