



California Public Utilities Commission
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PRESS RELEASE

Docket #: R.19-01-011

CPUC DECISION MAKES CALIFORNIA FIRST STATE IN COUNTRY TO ELIMINATE NATURAL GAS SUBSIDIES TO ACCELERATE BUILDING DECARBONIZATION

SAN FRANCISCO, Sept. 15, 2022 – The California Public Utilities Commission (CPUC), in a crucial step towards achieving carbon neutrality, today acted to eliminate natural gas line subsidies for new natural gas hookups. The first-in-the-nation action will reduce greenhouse gas (GHG) emissions from buildings and lower utility bills for consumers.

Buildings are responsible for approximately a quarter of California’s overall GHG emissions. Natural gas use in buildings accounts for approximately 10 percent of emissions statewide. Natural gas line subsidies, which are funded by natural gas ratepayers, are currently available to builders to offset the costs of extending natural gas pipelines to new residential or commercial buildings. The subsidies originated at a time when the state was encouraging natural gas as a cleaner alternative to the use of coal and oil, and when electricity was far less clean than it is today. Today’s action is integral to California’s transition to clean energy, advancing the state’s progress towards achieving carbon neutrality by 2045, and meeting the ambitious 2030 emissions reduction target.

Today’s Decision eliminates subsidies effective July 1, 2023. This will eliminate a financial incentive for expanding the natural gas system to serve new buildings, accelerating the electrification of homes and commercial buildings, and reduce the risk of stranded assets, saving ratepayers approximately \$164 million every year. These changes move the state closer to meeting its ambitious goals of reducing greenhouse gas, combating climate change, and attaining a decarbonized energy system.

The Decision creates an application process for the CPUC to consider exceptional projects that may be deserving of continued natural gas extension subsidies. Only projects leading to a demonstrable

reduction in GHG emissions, that are consistent with California’s climate goals, and that lack feasible alternatives to natural gas use, such as electrification, will be eligible.

CPUC Commissioner Clifford Rechtschaffen, who is assigned to the proceeding, noted, “Our current policy of subsidizing natural gas line extensions is a vestige of the past. With California now seeking to phase out natural gas usage to decarbonize the building sector, it no longer makes sense for ratepayers to subsidize new natural gas infrastructure. This policy change will save ratepayers money, reduce GHG emissions, and improve indoor air quality as we reduce natural gas combustion in people’s homes and businesses.”

“Tackling the climate crisis requires that we align financial incentives with our environmental goals. Saving ratepayers money on natural gas distribution system expansion is an essential early step,” said Commissioner Darcie L. Houck.

Added Commissioner John Reynolds, “This is a common-sense solution to more closely align new building construction with California state policy. It will help to level the playing field and afford customers greater flexibility in deciding how to power their homes and businesses.”

This Decision was issued in an umbrella proceeding ([R.19-01-011](#)) to support the decarbonization of buildings initiated by the CPUC in January 2019, in response to Senate Bill 1477 (Stern, 2018). [Phase I](#) of the proceeding established two pilot programs, the Building Initiative for Low Emissions Development (BUILD) Program, and the Technology and Equipment for Clean Heating (TECH) Initiative. [Phase II](#) adopted guiding principles for the layering of incentives when multiple programs fund the same equipment; established a new Wildfire and Natural Disaster Resiliency Rebuild (WNDRR) program to help victims of wildfires and natural disasters rebuild all-electric properties; provided guidance on data sharing; and directed California’s three large investor-owned utilities to each study energy bill impacts that result from switching from natural gas water heaters to electric heat pump water heaters.

The proposal voted on is available at

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M496/K876/496876177.PDF>.

Documents related to the proceeding are available at apps.cpuc.ca.gov/p/R1901011.

More information on building decarbonization is available at www.cpuc.ca.gov/about-cpuc/divisions/energy-division/building-decarbonization.

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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