



Momentum Brief

How market momentum, rising energy bills, and neighborhood-scale solutions are reshaping the thermal transition

Energy Affordability Is Reshaping the Politics of Heat

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Read more in our full Momentum report: <https://buildingdecarb.org/momentum-q2-2026>

What's happening

This brief highlights key findings from BDC's Momentum report for Q2 2026.

Four trends stand out:

1. Heat pumps continue to outperform fossil fuel heating equipment
2. Most new houses are being built with electric heating systems
3. Energy affordability is emerging as a central midterm election issue
4. States are building the regulatory tools needed to manage the transition from gas infrastructure to cleaner thermal systems.

Why it matters

Consumers, policymakers, and regulators are responding to the same basic pressure: fossil-fuel dependence is costly, volatile, and increasingly difficult to justify as cleaner alternatives gain market share. Heat pumps are continuing to grow as a practical heating and cooling solution, and new homes are increasingly being built around electric systems from the start.

At the same time, rising energy bills are pushing utility regulation into public view. As households face higher gas and electric bills, state legislatures, utility commissions, and political candidates are paying closer attention to who pays for energy infrastructure, whether new gas-system expansion should still be subsidized, and how clean energy alternatives can lower long-term costs.

By the numbers

- Heat pump shipments outpaced fossil fuel furnaces **by 32 percent** in the first quarter of 2026.
- There was **only a 2 percent difference between heat pump and air conditioner sales** in Q1 2026, the smallest Q1 gap recorded yet.
- In the U.S., **heat pump sales doubled over the past fifteen years**, from 1.8 million annual shipments in 2010 to 3.64 million in 2025. In Europe, heat pump sales grew 10.3 percent across 16 European countries in 2025 compared to 2024.
- Electric heating reached **an all-time high, comprising 61 percent** of new housing construction in 2024, compared to gas heating's 38 percent market share.
- Heat pumps were **installed in 46 percent of new housing units in 2024**, nearly matching forced-air furnaces at 47 percent.
- Residential **energy bills (gas and electric) rose by a median of 17 percent** across states from 2019 to 2024.
- Gas and electric utilities across the U.S. are currently asking for **more than \$16B in rate increases**, which would result in higher energy bills at a time when consumers are feeling stressed by inflation and rising costs.
- In 2026, **36 gubernatorial races and 18 public utility commissioner races** are putting energy affordability in front of voters.

The Heat Pump Market Shift Continues

Heat pumps are maintaining their lead over fossil fuel furnaces and moving closer to parity with air conditioners.

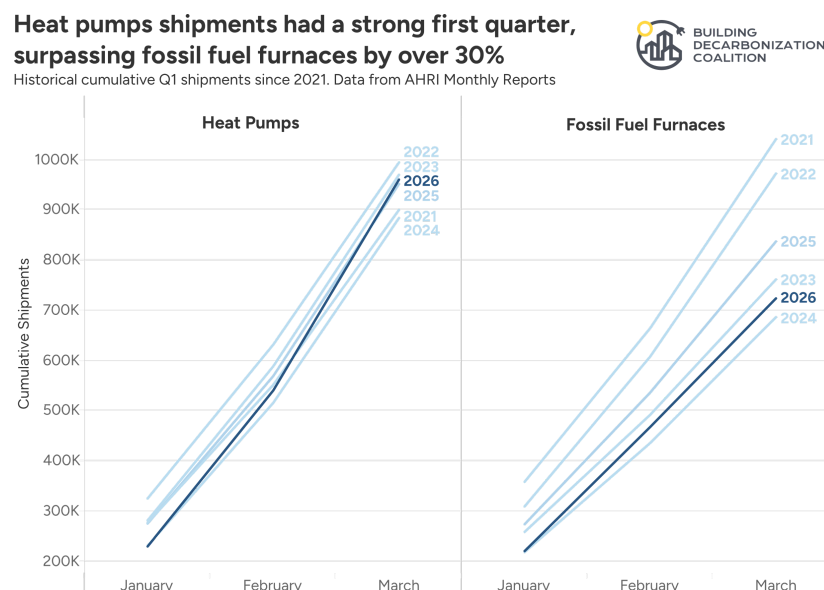


Figure 1: : Heat pump shipments outpaced fossil fuel furnaces by 32 percent in Q1 2026.

This Q1 growth is especially notable because heat pump shipments are generally lower in winter and tend to peak in summer. If this early momentum continues into warmer months, 2026 could further reinforce the longer-term shift toward equipment that provides both heating and cooling.

The same pattern is visible in the air conditioner market: in Q1 2026, there was only a 2% difference between air conditioner and heat pump shipments, the smallest Q1 gap yet.

In Q1 2026, Air Conditioners (AC) and Heat Pump (HP) Shipments were nearly at parity compared to the first quarter of previous years

Data from AHRI Monthly Reports, Jan-Mar totals by year, millions

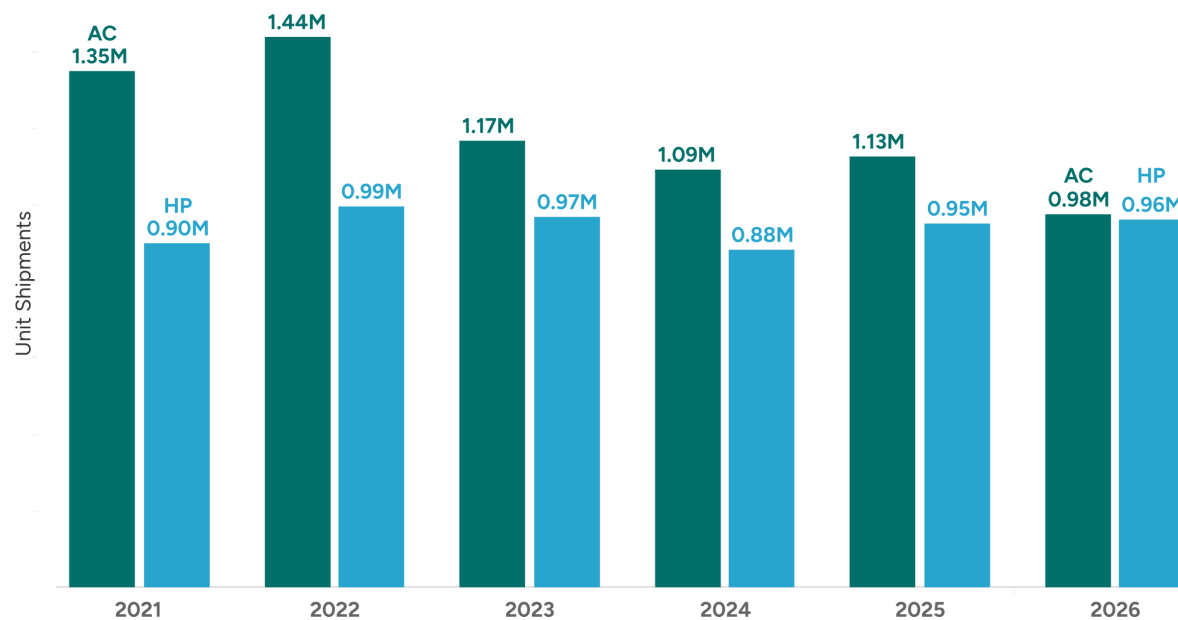


Figure 2: In Q1 2026, heat pump and air conditioner shipments were closer to parity than in any previous first quarter.

Heat pump growth is also visible internationally, with 10.3 percent growth across 16 European countries in 2025 compared to 2024, rising from 2.38 million to 2.62 million units. Fossil-fuel price shocks and energy security concerns continue to shape that market, as households and policymakers look for ways to reduce dependence on volatile gas and oil prices.

New Construction Shows Where the Heating Market Is Headed

Electric heating has surpassed gas in new housing construction, and heat pumps are close to becoming the leading primary heating system in new homes.

The shift in new construction is one of the clearest signs of long-term market change.

Since 2000, gas has fallen from majority market share (65%) of heating fuel in residential new construction down to 38% in 2024, replaced by electricity

Data source: US Census

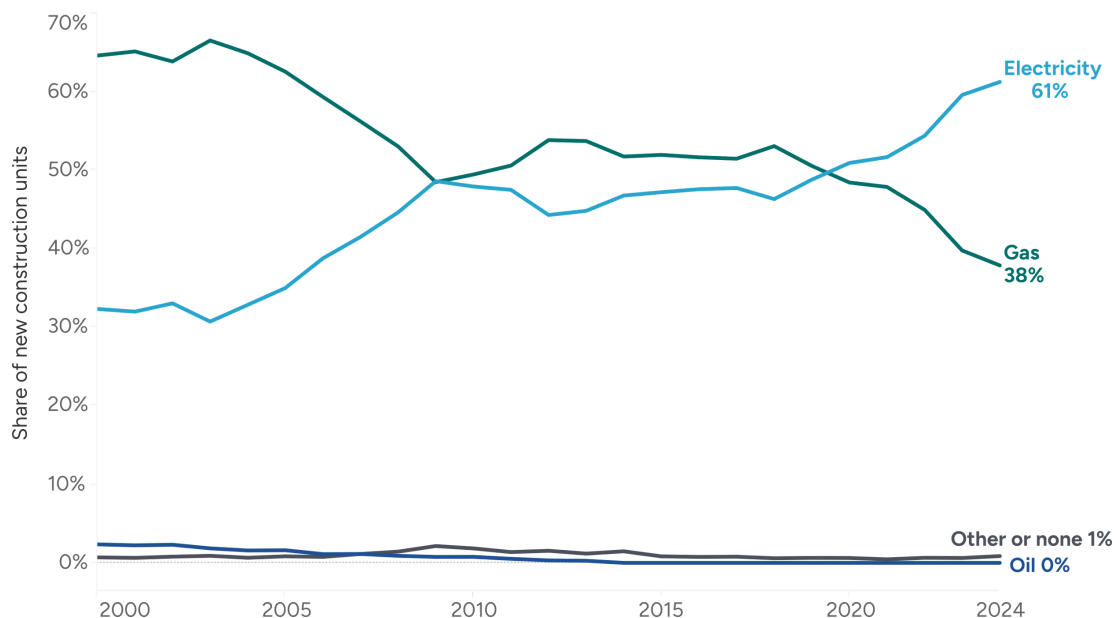


Figure 3: Since 2000, gas has fallen from majority market share in residential new construction, while electric heating has continued to grow.

Heat pumps are also moving toward the center of the new construction market. In 2024, 46 percent of new housing units were installed with a heat pump, nearly matching forced-air furnaces at 47 percent. Because forced-air furnace data can include both gas and electric systems, this is not a one-to-one comparison between heat pumps and fossil fuel furnaces. But it does show how quickly heat pumps have gained ground in new homes.

Nearly half of new housing units are now installed with a heat pump

Data source: US Census

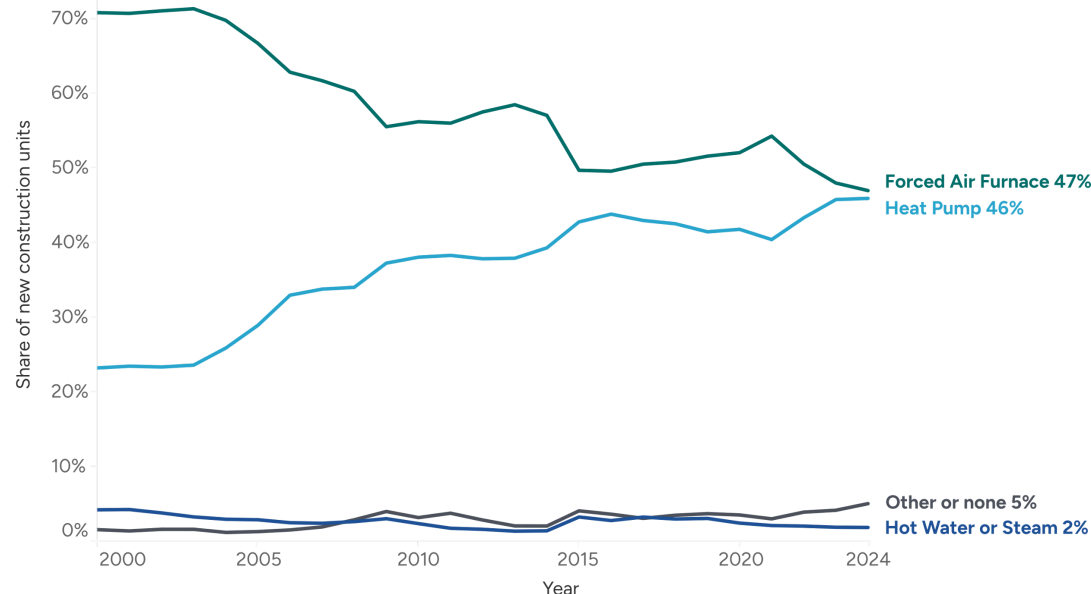


Figure 4: Heat pumps were installed in 46 percent of new housing units in 2024, nearly matching forced-air furnaces at 47 percent.

The next challenge is efficient electrification. Nationally, 75 percent of electrically heated new housing units in 2024 were installed with heat pumps, meaning one-quarter of electrically heated new homes are still using electric resistance. Shrinking that gap is important for affordability and grid planning, as heat pumps are far more efficient than electric resistance heating.

Across US regions, many electrically heated housing units are not yet installed with heat pumps as their primary heating system

Data source: US Census, 2024, single family and multifamily new construction

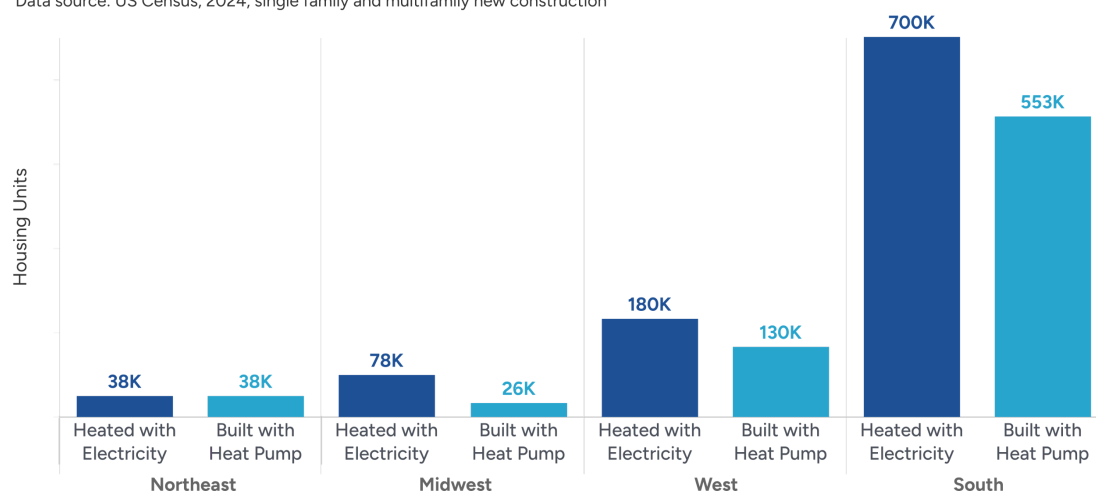


Figure 5: Across U.S. regions, many electrically heated new homes are still not using heat pumps as their primary heating system.

Energy Bills Are Moving Into the Midterms

Gubernatorial candidates agree energy bills are too high, but they disagree on who is to blame.

Residential energy bills (gas and electric), rose by a median of 17 percent across states from 2019 to 2024, with much sharper increases in some states. California saw the highest increase, with residential utility bills rising 49 percent over that period, while Iowa saw an increase of less than 1 percent. At the same time, gas and electric utilities are asking for more than \$16B in rate increases.

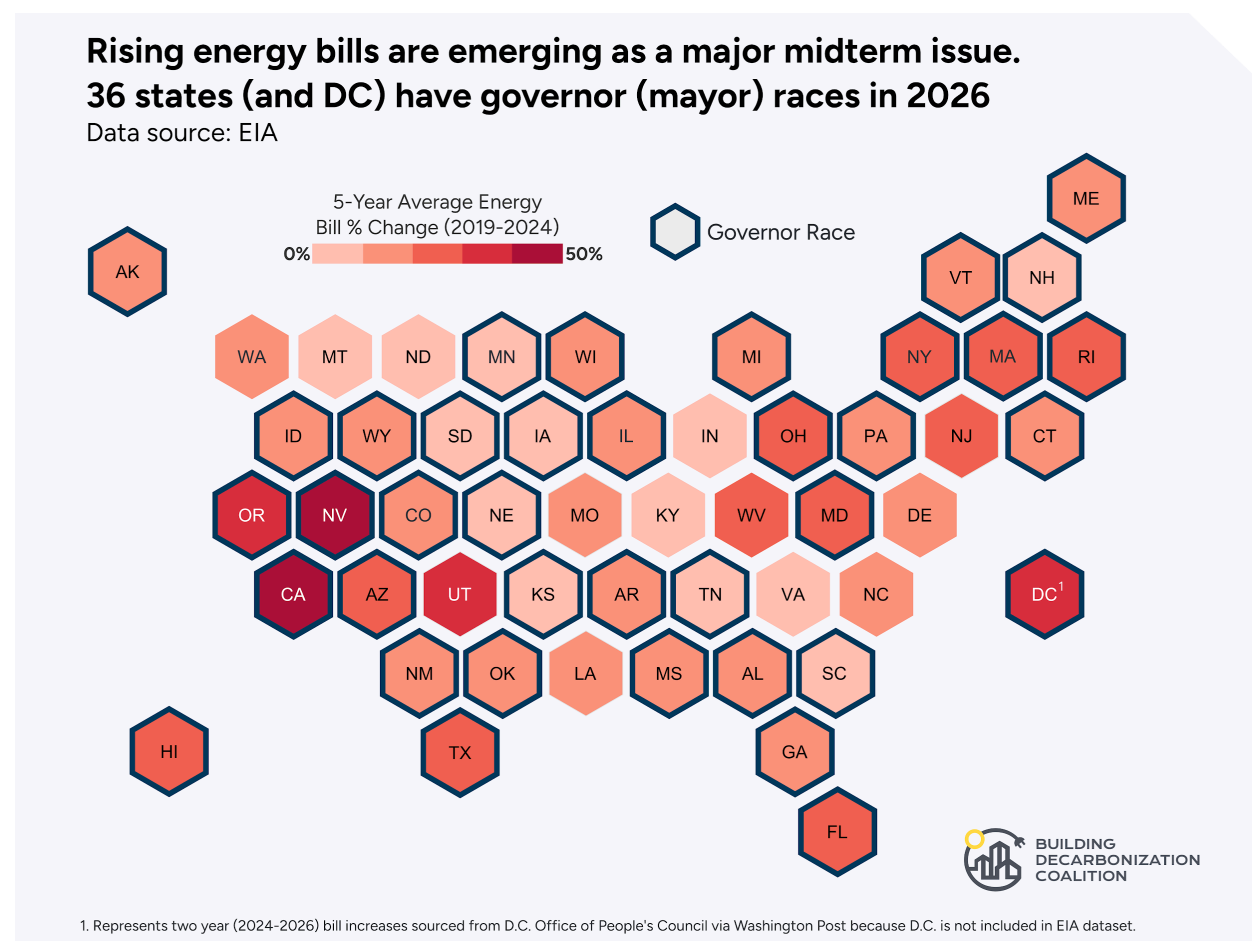


Figure 6: Five-year average residential energy bill change by state, overlaid with 2026 gubernatorial races.

Energy bill increases are converging with a crowded election year. In 2026, 36 gubernatorial races and 22 public utility commissioner races are putting energy affordability before voters (view the detailed table [in our full report](#)). Candidates are increasingly using utility bills to make arguments about regulation, utility profits, rate cases, data centers, climate policy, and corporate accountability.

Four themes are emerging in campaign discourse:

- Utility bills are making regulation more visible to voters. Candidates are pointing to utility commissions, regulators, and investor-owned utilities as institutions that shape what households pay.
- Rate cases are becoming campaign flashpoints. Candidates and elected officials are using utility rate requests to question whether proposed increases are justified and whether regulators are doing enough to protect customers.
- Candidates are competing to define what is driving bill increases. Utility bills combine fuel costs, delivery charges, infrastructure spending, taxes, disaster recovery, and utility profits, giving candidates room to tell very different stories about the same monthly bill.
- Rising utility costs are being framed as a fight over who pays. Data centers, wildfire costs, utility profits, and new infrastructure spending are all raising questions about whether households and small businesses should bear costs created by large corporate customers or utility investment decisions.
- State legislatures are responding, too. This session, BDC is tracking 22 building decarbonization bills across 12 states that focus on affordability and consumer protections. These bills address low-income assistance, weatherization, heat pumps, utility cost recovery, shutoff protections, extreme temperature protections, and community-scale weatherization.

States Are Scrutinizing Gas System Growth

Regulators are examining the validity of gas expansion subsidies, testing neighborhood-scale decarbonization, and building new planning frameworks for the thermal transition.

Gas line extension allowances are becoming a central policy issue in the future of gas. These gas system incentives shift the costs of new gas connections to existing customers, frequently causing significant cross-subsidization. upfront cost of new gas connections by shifting some of those costs onto existing customers. As gas demand slows, electrification grows, and more states adopt climate requirements, regulators are questioning whether existing customers should continue subsidizing new gas-system growth.

California's reforms are already showing results. After eliminating gas line extension allowances and later eliminating electric line extension allowances for mixed-fuel new construction, the state has seen steady growth in all-electric new construction. In Q4 2025, all-electric residential new construction rates reached 73 percent for PG&E, 48 percent for SCE, and 68 percent for SDG&E.

Illinois' statewide LEA study adds new evidence to the debate. The study found that new customer contributions ranged from 0 percent to roughly 33 percent under current utility practices, while existing ratepayer responsibility exceeded 90 percent for several utilities.

Average line extension costs varied widely, from \$3,000 to \$132,000, with most of the cost burden carried by existing customers.

Future of Gas proceedings are also moving from broad planning questions toward implementation. Since 2020, 15 proceedings addressing the future of gas have been opened across 13 states and D.C.; 11 remain active.

Together, these developments show a shift in how states are approaching gas regulation. The question is no longer only how to maintain the gas system safely. Regulators are also asking when new gas spending is necessary, when cleaner alternatives can avoid it, and how to protect customers from paying for infrastructure that may become less useful over time.

State Trends

- States are scrutinizing gas expansion subsidies. California, New York, Oregon, Washington, and Colorado have already adopted partial or full LEA reforms, while D.C., Illinois, Maine, Maryland, Massachusetts, Minnesota, New Jersey, and Rhode Island are actively considering or implementing changes.
- Neighborhood-scale decarbonization is moving toward implementation. California's SB 1221 process would create a structured application framework for up to 30 pilots, while New York, Massachusetts, and Colorado are advancing thermal energy network projects and planning tools.
- Non-pipeline alternatives are gaining ground. Colorado recognized thermal energy networks as potential non-pipeline alternatives, Maryland is building a record around stronger NPA review, and Massachusetts is evaluating whether gas utilities' plans comply with the state's Future of Gas framework.
- Affordability is shaping thermal transition policy. State legislatures are advancing bills that connect heat pumps, weatherization, shutoff protections, ratepayer protections, and utility cost controls to the broader affordability crisis.

Read More

Take a deep dive into the proceedings, legislation, projects, and market developments driving the clean energy transition in our [full Momentum report](#).