BDC

Momentum Brief

How market momentum and rising gas costs are reshaping what households pay for energy

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The Market Is Moving. And Gas Costs Are Rising.

How market momentum and rising gas costs are reshaping what households pay for energy

Read more in our full Momentum report: https://buildingdecarb.org/momentum-q1-2026

What's happening

This brief highlights the key findings from BDC's Momentum report (Q1 2026).

Three trends stand out: (1) Heat pumps continue to maintain majority market share, (2) gas utility spending and gas bills keep rising, and (3) states are pushing back on gas system growth.

Why it matters

Even as heat pumps and other clean electric technologies gain ground, many households are still paying into a gas system that is getting more expensive every year. Rising infrastructure costs are the main driver of these bill increases, even when household gas use stays flat. Regulators in a growing number of states are beginning to respond to these trends by scrutinizing new gas spending and evaluating the clean energy alternatives that could avoid it.

By the numbers[1]

- Heat pumps outsold gas furnaces for the **fourth year in a row.**
- Heat pumps outsold air conditioners for **the first time ever.**
- Gas utility spending on distribution infrastructure has **more than tripled** since 2010.
- Customers would have saved **$130 billion, or $1,723 per gas household,** if utilities had not sharply accelerated gas infrastructure spending after 2010.
- Each year of accelerated gas utility spending adds at least **$40 billion** in excess lifetime costs for ratepayers.
- About **two-thirds** of a typical household gas bill now goes to delivery and infrastructure, rather than the gas itself.
- In 2025, **gas bills rose 60% faster than electric bills** and 4x faster than inflation.

[1] See Methodology for details

The Heat Pump Market Shift is Durable

Heat pumps outsell furnaces and surpass air conditioners for the first time

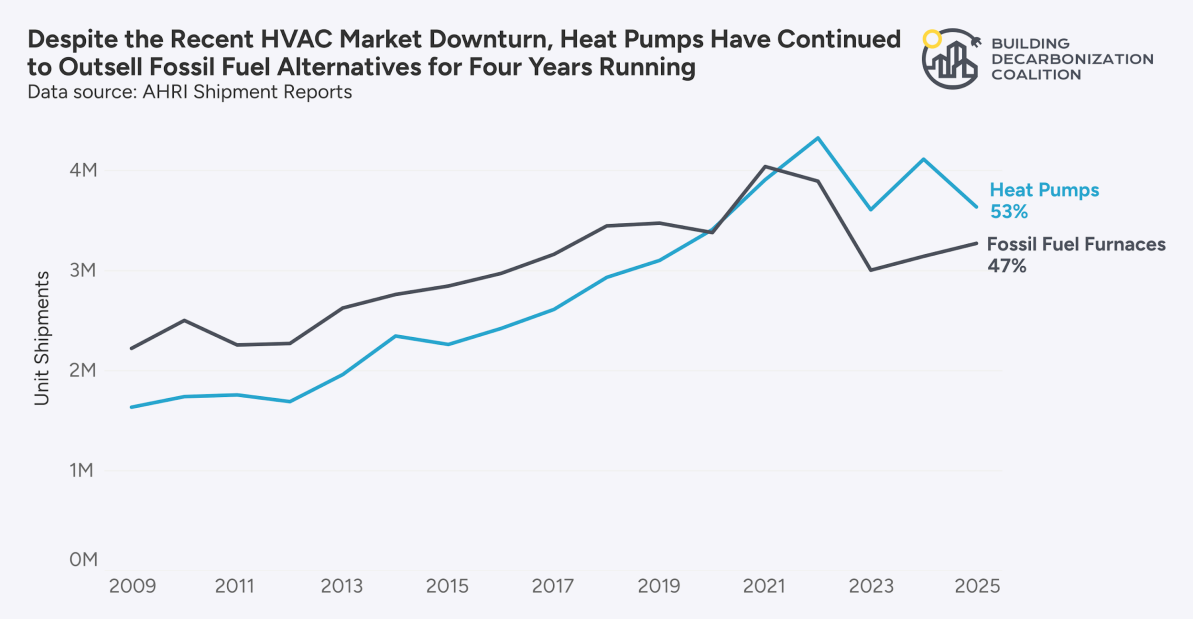

Figure 1: Heat pumps outsell gas furnaces in the U.S. for the fourth straight year in a row.

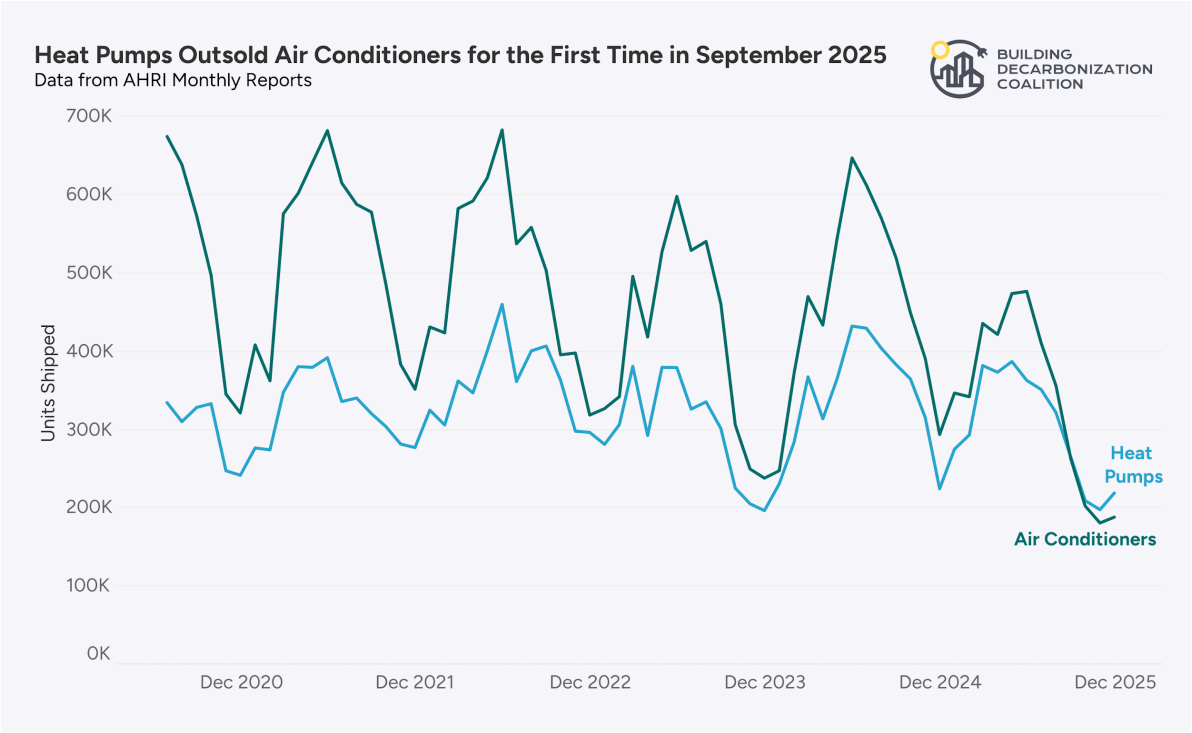

Figure 2: Heat pumps outsell air conditioners in the U.S. for the first time ever.

Gas Costs Are Rising Even as Gas Use Stalls

Utilities have accelerated capital spending as demand declines, increasing per-customer cost burdens

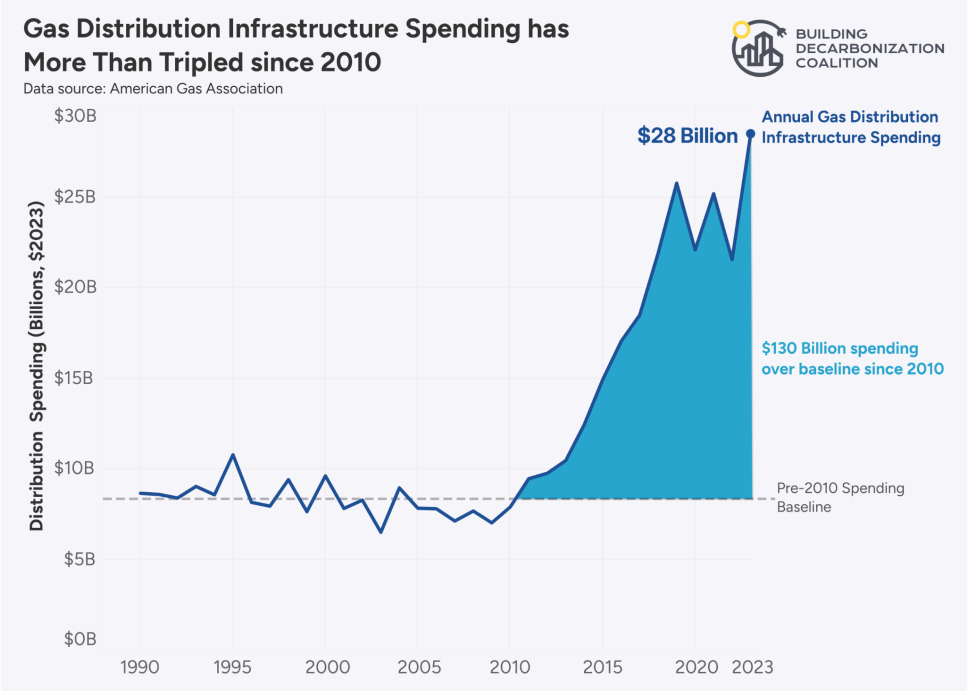

Figure 3: Nationally, utilities have rapidly accelerated spending since 2010, which has cost gas ratepayers an extra $130 billion. Because every dollar of direct capital spending translates into $2 to $3 in ratepayer costs over the life of the asset due to financing costs and shareholder returns (Synapse), each additional year of accelerated spending creates at least $40 billion in excess lifetime costs.

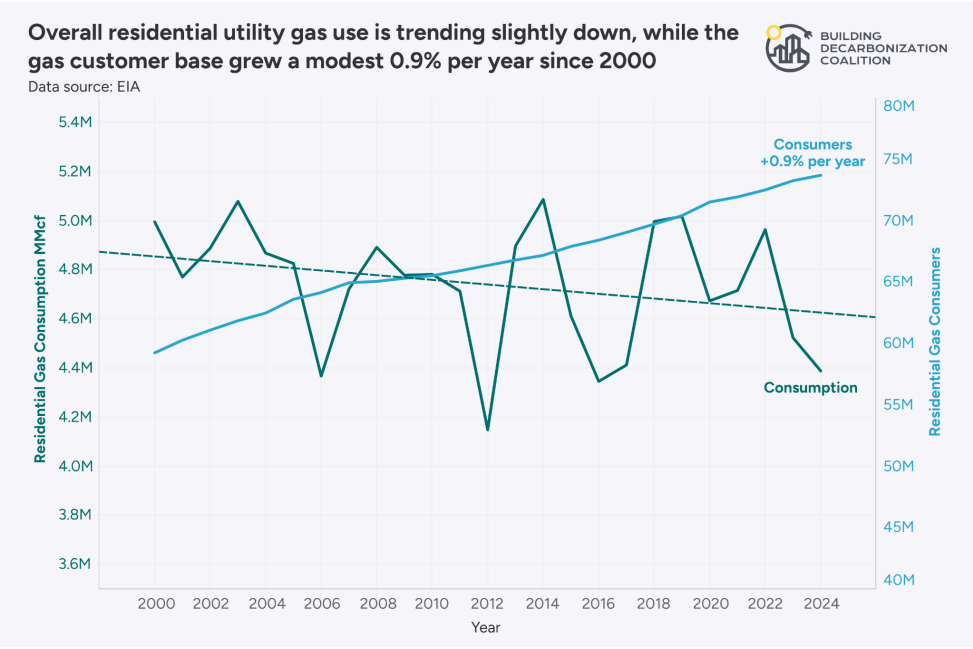

Figure 4: Across the U.S., gas demand has been trending down as utilities keep spending.

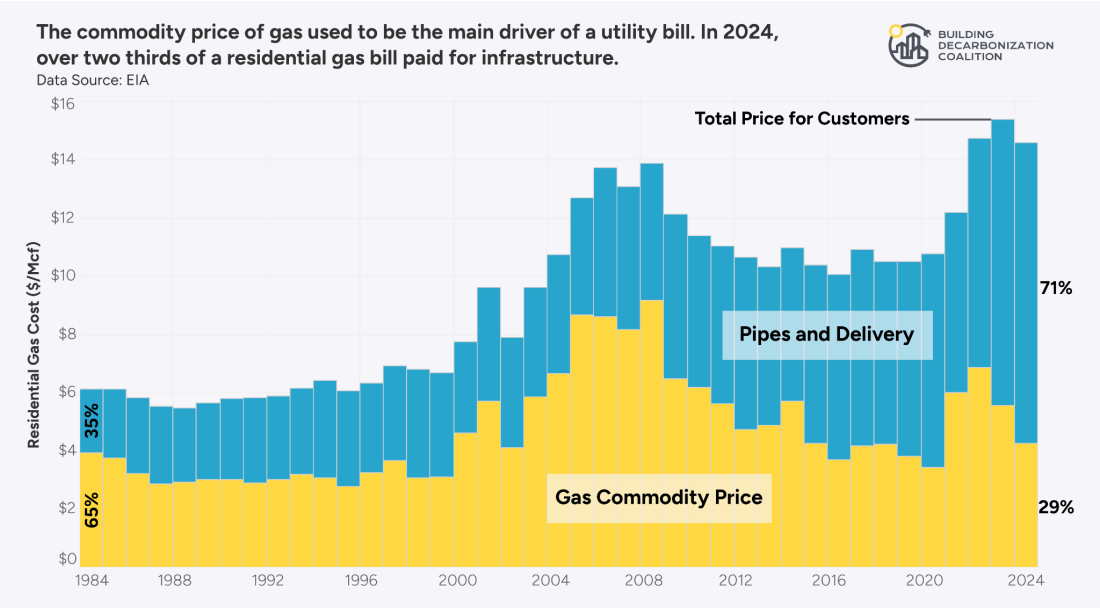

Figure 5: Nationally, gas customers are paying far more for infrastructure than gas itself. While a portion of infrastructure delivery charges are tied to usage, a portion are "fixed," meaning even if a customer used no gas, these fixed charges would appear on their monthly bill.

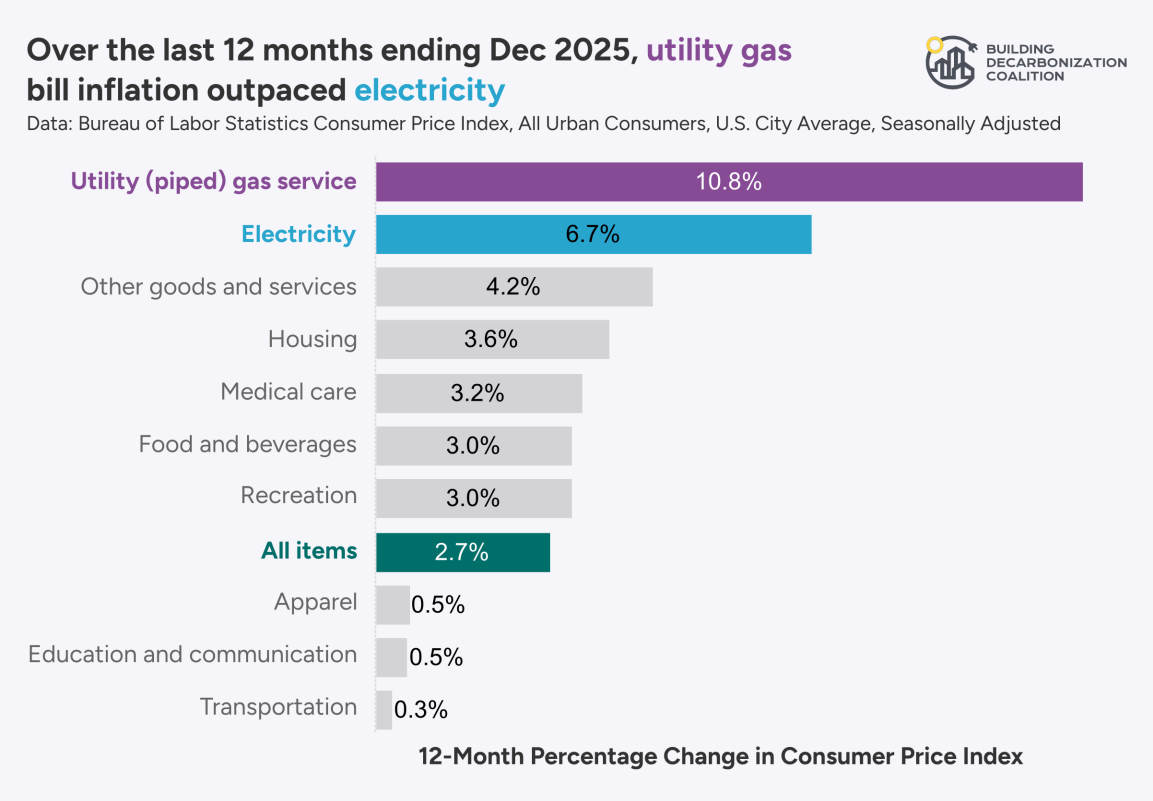

Figure 6: In 2025, gas bills rose 60% faster than electric bills and 4x faster than inflation.

States Are Pushing Back on Gas System Growth

Regulators are slowing automatic gas replacement, cutting gas subsidies, and building cleaner alternatives

For years, gas system growth was treated as a given. Utilities extended service, replaced aging pipes, and expanded infrastructure with limited scrutiny of whether those investments were still necessary, affordable, or aligned with climate goals.

Today, however, the status quo is changing. Across the country, regulators and lawmakers are asking important questions: Should new gas hookups still be subsidized? Should every aging pipe be replaced? What cleaner alternatives could avoid future gas spending? And who should bear the costs of a system that may be shrinking over time?

State Trends

- **States are moving to cut subsidies for gas system expansion.** Massachusetts and Maryland are advancing reforms that would require new customers to pay the full cost of gas line extensions, while California is considering removing ratepayer-funded incentives for gas appliances.
- **Regulators are slowing automatic pipeline replacement.** D.C. cut Washington Gas's proposed accelerated pipeline replacement plan and is now requiring tighter oversight and stronger evaluation of alternatives, while California, Massachusetts, Maryland, Illinois, and New York are all pushing utilities to justify gas investments against non-pipeline alternatives.
- **Neighborhood-scale transition is moving from concept to implementation.** California has designated 151 priority neighborhood decarbonization zones for up to 30 pilots; New York's thermal energy network pilots are moving through detailed engineering and cost review; and Massachusetts is examining how gas service can be retired where adequate alternatives exist.
- **States are building cleaner replacement pathways.** California is piloting tariff-on-bill electrification financing; Massachusetts is launching affordable rate reforms and a new geothermal service rate; New York has locked in long-term electrification funding through 2030; and Maryland is advancing both a Clean Heat Standard and a zero-emission heating equipment standard.

Read More

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

Methodology

- **Heat pumps vs. furnaces and air conditioners**: Data directly from AHRI monthly shipment reports, combining gas and oil furnaces into a single "fossil fuel furnaces" category.
- **Gas utility spending**: Data from AGA through 2023 (latest available). We establish the pre-2010 baseline by averaging inflation adjusted distribution spending from 1990-2009, then calculate the area between actual spend vs. baseline from 2011-2023 to get to $130 billion. In 2023, "excess" over the baseline is $20B, which we apply the 2-3x factor of ratepayer costs to get to "at least $40B" in lifecycle costs per year.
- **Gas bill proportions**: Using data from EIA, we compare total residential delivered cost of gas vs. citygate price. The citygate price is the commodity cost while the remainder cover delivery costs.
- **Residential gas stats**: From EIA, we plot residential gas consumption and consumers, adding a linear trendline for consumption over the plotted data and calculate the average annual growth of 0.9% for consumers over the plotted time period.
- **Inflation**: Data from the Bureau of Labor Statistics provide consumer price index values for various categories. We calculate the 12-month percentage change from Dec 2024 to Dec 2025, and compare that growth between electricity, gas, and all items for the comparative growth of each.