Date: May 18, 2026

To: California Air Resources Board
1001 I Street
Sacramento, CA 95815

(Submitted electronically via:
2026 State Implementation Plan Revisions for the California Extreme Ozone Nonattainment Areas

RE: **The Industry Coalition Comments on the**
2026 State Implementation Plan Revisions
for the California Extreme Ozone Nonattainment Area
Specific Focus: Clean Space and Water Heater Standards

The Industry Coalition:
The Industry Coalition is a group of interested parties comprising the California Apartment Association (CAA), the California Building Industry Association (CBIA), and the California Business Properties Association (CBPA).

The California Apartment Association is the largest statewide rental housing trade association in the country, representing over 60,000 single-family and multifamily apartment owners and property managers responsible for over 2 million affordable and market rental units throughout California.

The California Building Industry Association is a statewide trade association representing over 3,000 member companies involved in residential and light commercial construction. CBIA member companies are responsible for over 85% of the new homes built in California each year.

The California Business Properties Association is the recognized voice of all aspects of California's office, retail, and industrial real estate industry — representing the largest commercial real estate consortium with over 10,000 industry members.

Industry Coalition Comments on:
CARB's Proposed "*Clean Space and Water Heater Standards*"

The Industry Coalition appreciates the importance of providing a healthy environment for California's citizens and the challenges that CARB and other state agencies face in balancing that with the need to address California's enduring housing crisis and skyrocketing electricity rates.

Background:
In the revised document released by CARB Staff on April 17, 2026, the Proposed Action Plan for Clean Space and Water Heaters cites the following on Page 17:

Proposed Action

- *Beginning in 2030, a phased schedule would take effect, requiring new space and water heaters (for either **new construction** or replacement of burned-out equipment in existing buildings) sold in California to meet the emission standards.*
- *It is expected that this regulation would rely heavily on heat pump technologies currently being sold to electrify new and existing buildings.*

Decarbonization of the New Building Stock

The Industry Coalition is puzzled by CARB's proposal to require space and water heaters in new construction to meet the new emission standards starting in 2030. The California Energy Commission (CEC) has been aggressively pursuing the decarbonization of the new building stock for over a decade. This is being accomplished as part of the CEC's regular update of its mandatory Building Energy Efficiency Standards (Title 24, Part 6).

Specifically, regarding space and water heaters, the CEC has been disincentivizing the installation of gas appliances in new construction via the three most recent updates to its building energy efficiency standards (2019, 2022, and 2025 Editions). This gradual, but very effective approach by the CEC has had a profound impact on new construction in California. The latest data shows that 75% to 80% of new homes built in California during 2025 were all-electric.

In addition, over the past 2½ years, the California Public Utilities Commission (CPUC) has adopted new rules that prohibit utilities from refunding line extension deposits to developers for new construction projects that use natural gas. In the Southern California Edison territory, providing any amount of gas to a new home can result in the developer forfeiting up to $10,000 in utility line extension refunds.

Given this costly deterrent adopted by the CPUC, coupled with the updated mandates of the CEC's standards that took effect on January 1, 2026, it is estimated that nearly 100% of new

production housing in California will be all-electric by mid-2027. This is why the Industry Coalition is puzzled by CARB's continued focus on **both** new and existing construction, as efforts focused on new construction will duplicate those already in place by other agencies, providing very little, if any, benefit to California's decarbonization efforts.

The Challenges of Decarbonizing the Existing Building Stock

The Industry Coalition certainly agrees with CARB Staff that decarbonizing the existing residential and commercial building stock poses significant challenges. As a matter of fact, it may be one of the most monumental and costly endeavors ever attempted by the California government. A few of our key concerns are cited below.

Conflicting Statements in the Proposed Action Plan for Clean Space and Water Heating
In the revised document released by CARB Staff on April 17, 2026, the Proposed Action Plan for Clean Space and Water Heaters cites the following on Page 17:

Proposed Action

- ***This measure would not mandate retrofits in existing buildings****, but some buildings may require retrofits to be able to use the new technology that this measure would require.*
- *Beginning in 2030, a phased schedule would take effect,* ***requiring new space and water heaters for*** *either new construction or* ***replacement of burned-out equipment in existing buildings*** *sold in California* ***to meet the emission standards.***
- *It is expected that this regulation would rely heavily on heat pump technologies currently being sold to electrify new and existing buildings.*

If, at some point after the beginning of 2030, an existing homeowner or an apartment manager must replace a burned-out gas-fired space or water heater and can only purchase an electric heat pump space or water heater, that is clearly a "retrofit mandate". While we agree that CARB is not proposing a blanket mandate requiring the immediate replacement of all existing gas-fired space and water heaters with electric heat pump appliances, the fact is that CARB's proposal is a de facto phased-in "retrofit mandate" that places a strict limitation on what a consumer can, and cannot, use to replace an old gas-fired space or water heater.

The statement is also made that "***some*** *buildings may require retrofits to be able to use the new technology that this measure would require*." The Industry Coalition thinks this is a significant understatement, as **most** buildings will require additional building retrofit measures to accommodate the switch from a gas appliance to its electric counterpart.

This is not a minor point.

California has a total housing stock of roughly 15 million units (homes and apartments). The vast majority of these existing dwellings are mixed-fuel, having gas-fired space and water

heating. A thorough understanding of the true scope and economic impact of this proposal on existing buildings is a critical component in achieving CARB's stated goal of not negatively impacting affordability, as the occupants of these existing buildings will be footing the bill for this mandate.

And, as mentioned in the comments that follow, the older the building, the more extensive and costly those retrofit measures will be.

Upsizing Building Electrical Panels: Using research and data from the last two updates to the CEC's energy-efficiency building standards, the Industry Coalition has found that an all-electric dwelling with two EVs will consume roughly **three times as much electricity** as a similar mixed-fuel dwelling with no EVs in the garage.

This presents a significant challenge, as most older apartments and homes are equipped with smaller electrical panels (60-100 amps) and lack the capacity to handle such a substantial increase in on-site electricity demand. It is highly likely that these smaller electrical panels will need to be replaced with new panels that provide significantly more capacity (200-400 amps). For older homes or apartments, it can easily cost $4,000-$5,000 and raises additional concerns.

Utility Grid Issues: In addition to the electrical panel issue just raised, the decarbonization efforts in California's existing building stock will require local and regional electrical grids to provide additional capacity to accommodate the resulting increase in demand. This will require very costly upgrades to the grid, a problem exacerbated by the emergence of AI data centers competing for this power, presenting significant design, logistical, and economic challenges.

The utility grid for many of these older communities was initially designed and constructed 60+ years ago, when a significant portion of the community's power demand was provided by gas. While the electrical grid can certainly be modified to meet the required increase in electrical demand, this will entail significant, very costly upgrades that could take decades to fully implement.

Why is this the case? Historically, utility system upgrades and capacity improvements have been driven by planning and engineering models based on (a) existing actual loads, and (b) the forecasted utility load growth. For the IOUs, the existing PUC approval process for upgrades and expansion of the existing grid is widely recognized as being outdated and cumbersome.

For example, the current process severely hinders an applicant for a new development from submitting their development information, schedules, and projected electrical demands in a manner that allows the utility to acknowledge, plan, and implement the system upgrades required to meet the **full** capacity needs when the development is complete.

If this is the case for utility planning and installation projects in **new** developments, consider how much harder it will be for the utility company to deal with a significant upgrade to an existing grid that was initially designed 80 years ago.

On a very positive note, the CPUC has recently opened a formal proceeding to make major improvements to the existing planning, design, and construction requirements for utility infrastructure projects. The goal is to significantly speed up the approval process for utility grid infrastructure projects and allow utilities to plan much further ahead. This is great news and long overdue, but it will not happen overnight.

For this reason, the Industry Coalition urges CARB to fully acknowledge the time and cost of the grid upgrades and improvements needed to accommodate decarbonization policies, such as those proposed in this proceeding.

Electricity Rates and Affordability: As mentioned before, switching from gas-fired to electric heat pump space and water heating will increase the building's electrical load. This, in turn, raises affordability concerns for consumers, especially the renters in the **millions** of apartments that will be impacted by this CARB proposal. The price of electricity in California is increasing exponentially. While the Governor, the Legislature, and the PUC are actively working to address this issue, it is highly unlikely that electricity rates will be reduced enough to offset the additional costs associated with California's electrification efforts.

So, a serious issue for CARB is how to decarbonize existing buildings without significantly increasing the monthly utility bill that a renter of a recently retrofitted apartment will pay. Providing financial incentives will help cover some of the costs (for eligible individuals). However, CARB and other state agencies must address affordability issues for all citizens arising from increased electricity use in a state with staggering electricity prices.

CARB's Proposal vs. Regulations Adopted by the CEC and CPUC

In CARB's initial 2022 State Strategy for the State Implementation Plan (adopted 9/22/22), the Action Plan for Zero-Emission Standards for Space and Water Heaters included the following statement (Page 103):

- *Beginning in 2030, **100 percent of new space and water heaters** (for either new construction or replacement of burned-out equipment in existing buildings) sold in California would need to meet the zero-emission standard.*

In the revised document released by CARB Staff on April 17, 2026, the Proposed Action Plan for Clean Space and Water Heaters modifies the proposal cited above by stating (Page 17):

- *Beginning in 2030, **a phased schedule would take effect, requiring new space and water heaters** (for either new construction or replacement of burned-out equipment in existing buildings) sold in California to meet the emission standards.*

As mentioned earlier, both the CEC and the CPUC have adopted a series of regulations that impose negative incentives for using gas space and water heating appliances in new construction.

However, these regulations **do not prohibit** the use of these appliances. Even under the CEC's new (and very stringent) Building Energy Efficiency Standards (effective 1/1/26), a builder could still choose to install gas space- and water-heating appliances in a new home or apartment. The same goes for the CPUC's recently adopted gas and mixed-fuel line extension rules. A builder can still build a new home or apartment that uses natural gas.

In contrast, CARB is proposing a "phase out" of the sale of non-compliant products by manufacturers over time. Put bluntly, CARB is proposing to ban an increasing percentage of these gas-consuming appliances over time.

As mentioned in the public comments submitted by Rinnai America Corporation to CARB (dated 1/21/26): *"Making this a partial or limited ban, rather than a 100% ban, by regulating appliance sales does not avoid the (federal) preemption concerns.* ***It is still regulating the energy use of appliances that cannot be sold by manufacturers or used by consumers****..."*

The Industry Coalition shares Rinnai's concern. As CARB knows, the federal Energy Policy & Conservation Act (EPCA) preempts state and local governments from adopting rules concerning the energy use of such appliances. The Ninth Circuit Court of Appeals has already ruled that "a regulation on 'energy use' fairly encompasses an ordinance that effectively eliminates the 'use' of an energy source" and "EPCA is concerned with the end-user's ability to use installed covered products at their intended final destinations." *California Rest. Ass'n v. City of Berkeley*, 89 F.4th 1094, 1102 (9th Cir. 2024). The "phase out" CARB proposes would run counter to EPCA's provisions, as articulated by the Ninth Circuit, just as the prohibition on installation of gas piping that was struck down in *California Rest. Ass'n* did. Similar "phase out" mandates are likewise facing EPCA-based legal challenges, such as the zero NOx emissions standard adopted by the South Coast AQMD, which is the subject of *Rinnai America Corp., et al. v. South Coast Air Quality Management District*, No. 25-5129 (Ninth Circuit) (appeal pending: oral argument held Feb. 6, 2026), in which Industry Coalition member California Apartment Association is a plaintiff.