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Impacts of federal funding changes on Vermont's energy landscape

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Agenda

Overview of Efficiency Vermont's work

Federal changes and funding cuts:
- Residential customer impacts
- Commercial & Industrial impacts
- Impacts on partners + supply chains

Helping Vermonters navigate the changes

Recommendations

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Market-wide interventions to deliver systemic change

- Statewide Partnerships
- Upstream Supply Chain Engagement
- Education, Promotion, and Events
- Engineering, Project Support, and 1:1 Guidance
- Rebates, Incentives, and Financing

Federal changes and funding cuts: customer impacts

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Investments we make in Vermonters have been mostly not impacted by federal changes

Traditional investments:

- From Vermont ratepayers and regional grid revenues
- Mostly not impacted by federal changes

Investments using federal dollars (IIJA, ARPA, etc.) fully secured funding prior to the change in administrations

- Mostly expended in 2025, remainder to be spent in 2026
- Includes subgrants to weatherization partners and utilities

Investments that are impacted by federal policies:

- Administration of Inflation Reduction Act initiatives led by the Dept. of Public Service
- USDOE – RECI funding for Energy Code Compliance & Education has yet to be approved for Budget Period 2
- Helping Residential and Business customers access tax credits
  - Home energy tax credits (residential customers)
  - Federal tax credits for capital-intensive business projects (solar, geothermal heat pumps, industrial electrification)

But! Our customers are feeling the impacts

Vermont residential and commercial customers face:

- Rising costs over several years
- Unpredictable tariffs
- Policy uncertainty
- Sourcing delays
- Reluctance to act/invest in the uncertain policy environment
- End of federal tax credits adds to perception that "home energy rebates" have ended

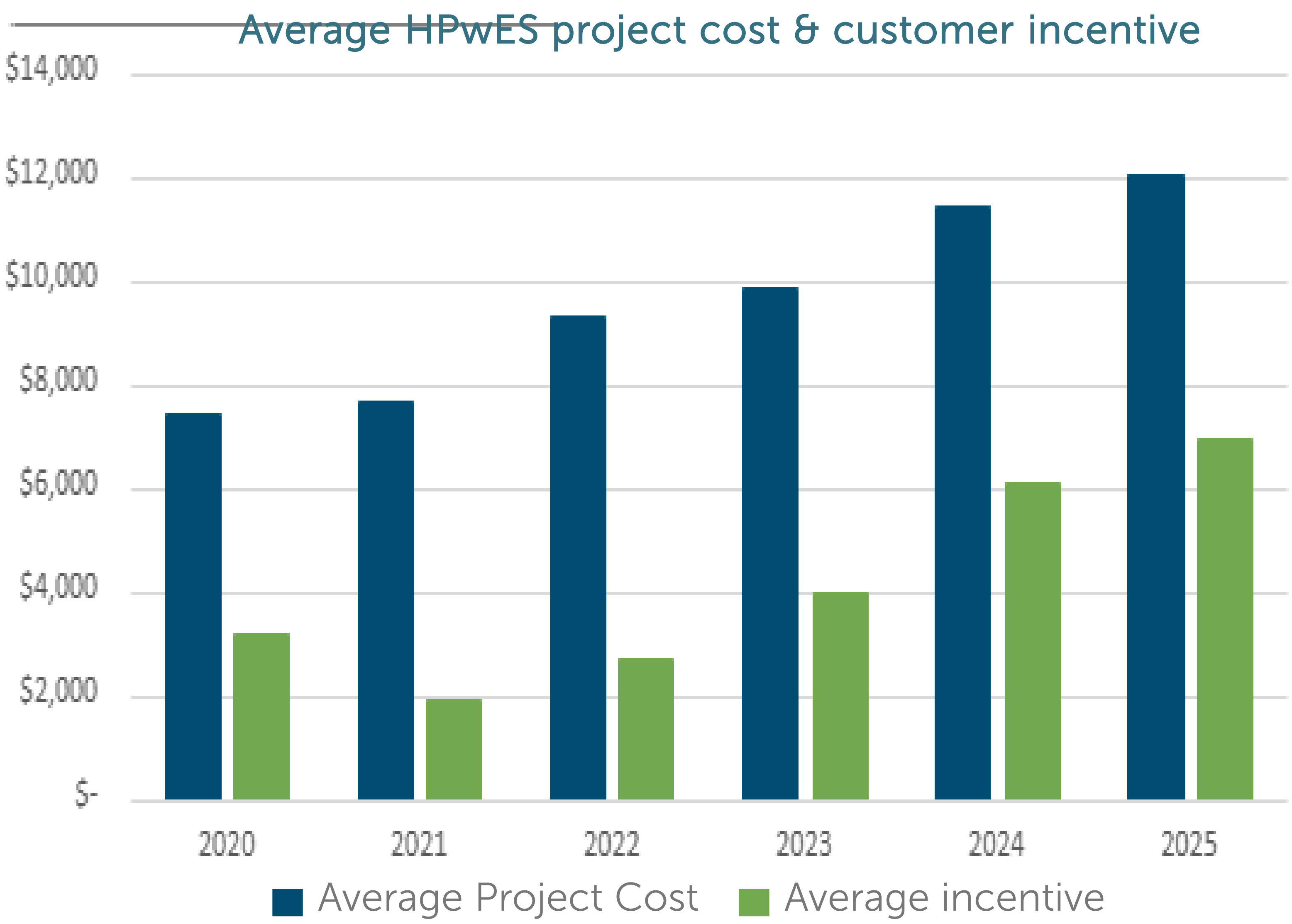
Weatherization costs are increasing

New challenges:

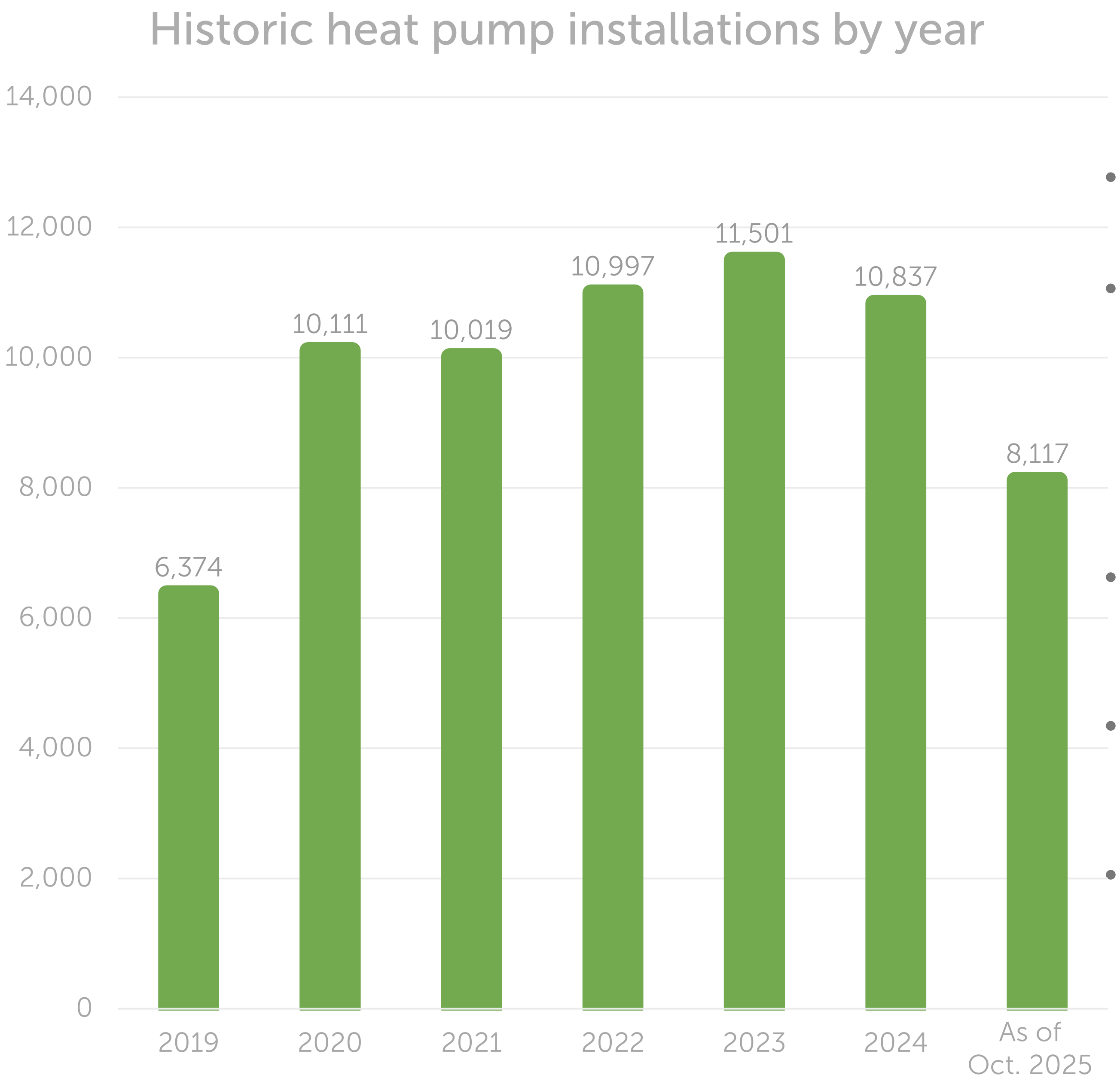
- Rising weatherization costs, even with increased rebates and growing support for low- and moderate-income households
- Tariff uncertainty adds to unpredictable project costs

Persistent challenges:

- Ongoing need for costly home repairs before weatherization can take place
- Upfront cost barriers for projects
- Manufactured/mobile homes face unique barriers to weatherization
- Ongoing workforce challenges



Rising costs & policy changes are impacting heat pump (HP) adoption



- Strong demand for HP installs before tax credits expire
- Rising HP project costs
  - Inflation
  - Legacy refrigerants phased out in 2025
  - Shift to more efficient & climate-friendly alternatives
  - HP models using new refrigerants cost more
- Maintaining consistent support for midstream rebates remains challenging due to DU budget constraints
- Longstanding workforce challenges around installing & servicing heat pumps
- Frozen federal funds for Dept. of Public Service's IRA-funded HEAR program and its HP rebate
  - Efficiency Vermont plans to administer post-installation rebate up to $8,000/home
  - Includes challenging federal requirements
  - Dept. unsure when federal funding will flow

Commercial & Industrial customer impacts

- "Chaos"
  - Organizational uncertainty around money, time, and people
  - Difficult for businesses to focus and prioritize
  - Especially challenging for energy efficiency projects with costs and labor considerations
- Significant capital needed for deferred maintenance projects
- Tariffs impacting goods and tourism
- Ongoing labor pool challenges

Supply Chain Partner impacts

Supply Chain impacts:

- Strong demand from Residential customers through end of year (tax credit deadline)
- Contractors concerned with 2026 slowdown / poor project pipeline
- Efficiency Excellence Network (EEN) contractors report booking 50-60 hr work weeks through EOY to complete jobs by Dec. 31 tax credit deadline
- Mixed response from EV Dealers on their effort to maintain inventory on their lots following Sept. 30 sunset of customer-facing Federal incentive
- Appliance retailers experiencing severe supply chain issues

Workforce Development (WFD) impacts:

- Reduction, pause, or cancellation of workforce development funding
- Loss of funding has led to important WFD programs to closed or downsize
- Loss of training disrupts pipeline for in-demand skilled trades professionals
- Results in confusion and uncertainty for students, instructors, administrators, and employers
- Reduces workforce capacity to weatherize homes and complete home energy upgrades
    - Directly impacts state climate goals under Global Warming Solutions Act & 2025 Climate Action Plan

Helping Vermonters navigate the changes

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Supporting Residential Customers

- Outreach to customers on availability of Efficiency Vermont & partner programs despite the federal pullback
  - Tax credit blog and dedicated tax credit webinar
  - October "Button Up Vermont" campaign and webinars
- Free Virtual Home Energy Visits to help customers understand their needs and "next steps"
- Continued offer of no- and low-interest financing via Home Energy Loan and on-bill financing
- Offering highest-ever rebates for weatherization & heat pumps
- **Ongoing coordination between Weatherization Assistance Programs and utilities on aligned marketing and outreach**
- Home Repair Program implemented Oct. 2024—April 2025
- In Nov. 2025, launching Cost Coverage for weatherization projects for Low-income Households
  - Turnkey process to remove 90% of upfront costs

Supporting C&I Customers

- Launched "doubled custom incentive" bonus
  - Up to $25,000 in extra incentives for C&I custom projects
- Increased Building Performance incentive to 75% of $10k
- Increased incentives for pre-approved commercial lighting projects (including ag customers and nonprofits)
- Pilot for permanent meter deployment, bringing increased insights and opportunity identification to large C&I customers
  - Enables support of low-cost projects such as "shut it off" campaigns and increases measurement & verification efficiency with detailed pre- & post- project data
- Internal efficiency measures
  - Improved awareness of customer needs and opportunities via increased customer check-ins
  - Proactive outreach process and support to customers who don't immediately move forward with a project
  - Exporting market-applicable measures of one customer's completed projects to others and offering consistent preset incentive levels to motivate additional projects

Running a business

Supporting Supply Chain Partners

Developed the 2025 Heat Pump Action plan

- Co-authored with several utility partners
- Challenges identified in 2024 Heat Pump Market Assessment
- Maintains supply chain & distributor relationships in 2026 "bridge year
- Preparing 2027-2029 "Whole Home" Heat Pump retrofit pilot

Equipment incentives for Home Performance weatherization contractors

"First-Time Home Buyer" voucher program launched in September

Training and Workforce Development

- Training, certification, and energy code education for contractors (regardless of EEN membership)
- Motivating adjacent trades to expand into weatherization
- Recruiting new entrants to join the EEN
- Sponsoring Vermont Sustainable Jobs Fund for *"Tools of the Trade– Business Fundamentals for Energy Pros"* business incubator
- Financial and developmental support for VIEW Weatherization Training Center in Barre

Federal funding isn't the only issue

- Dept. of Energy has signaled it could end ENERGY STAR certification—the backbone of state, utility, and third-party efficiency programs nationwide
    - Qualified Products Lists, used to provide rebates
    - Federal tools and systems no longer being consistently maintained
    - Uncertainty on codes and standards, which are often much better addressed at federal level
        - A patchwork of state-level codes will increase costs and could make it impossible for programs to offer some rebates to customers

- Data centers and AI are leading to unprecedented growth in electricity demand—with ratepayers carrying the cost burden

- Federal funding cuts threaten energy efficiency programs across New England—putting cost pressures on electricity across the region

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Recommendations

- One-time federal funding has never been a long-term solution for Vermont
- Funding is only one piece of the equation –policy choices at the federal level have created business uncertainty and economic hardship for Vermonters
- Cost pressures outside the energy sector are mounting for Vermonters and Vermont businesses
- Efficiency remains the most effective way to make Vermonters’ lives more affordable

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We are happy to answer any questions

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