Testimony of Buddy Hughes

On Behalf of the
National Association of Home Builders

Before the
House Energy and Commerce Committee
Subcommittee on Energy

Hearing on
"Building the American Dream: Examining Affordability, Choice, and Security in Appliance and Buildings Policies"

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Chairman Latta, Ranking Member Castor, and members of the Subcommittee, thank you for the opportunity to testify today on behalf of the National Association of Home Builders (NAHB). I am here to share our perspective on why preserving energy choice, ensuring access to a full range of appliances, and maintaining flexibility in building energy codes are critical to keeping housing affordable and attainable for America's families. My name is Buddy Hughes, and I am a home builder and developer from Lexington, North Carolina, with more than 45 years of experience in the industry. I currently serve as Chairman of NAHB's Board of Directors.

NAHB represents more than 140,000 members engaged in building single-family and multifamily housing, remodeling, and other aspects of residential and light commercial construction. Most of our members are small businesses who build 10 or fewer homes per year, yet collectively they construct roughly 80% of all new housing in the United States. As a small business owner in a heavily regulated industry, I understand how burdensome—and costly—it can be to comply with the layers of government regulations that apply to our daily work.

Home builders nationwide are facing mounting regulatory challenges that directly impact housing supply and affordability. Among the most pressing are mandates on energy building codes, appliance standards, and restrictions on fuel choice. While often well-intentioned, these requirements add thousands of dollars to the cost of a home, limit consumer freedom, and take important design and lifestyle decisions out of the hands of American families.

Housing is already the single largest expense for American households, and rising costs are putting the nation in an untenable position. According to NAHB's Priced Out estimates for 2025,

75% of households cannot afford a median-priced new home.[1] Harvard's Joint Center for Housing Studies has found that half of all renters in the United States are cost-burdened, paying more than 30% of their income on housing. These numbers underscore the severity of the affordability crisis.

Safe, decent, and affordable housing is essential to the wellbeing of families, communities, and the nation. Home buyers and renters deserve the freedom to choose housing that meets their needs—whether that means selecting appliances that fit their lifestyle, choosing the fuel source that works best for their family, or living in a community where building codes reflect local priorities and emphasize common-sense, cost-effective solutions. Yet when mandates impose rigid energy codes or restrict appliance choice, they not only raise costs but also strip families of those options.

NAHB strongly believes that increasing the supply of new single-family and multifamily housing is critical to addressing affordability, but policies that drive up costs and limit choice will only make the problem worse. The men and women who keep our communities strong—teachers, first responders, and members of our armed forces—should not be priced out of the communities they serve because of overly burdensome or needlessly problematic regulations.

[1] National Association of Home Builders (NAHB), Nearly 75% of U.S. Households Cannot Afford a Median-Priced New Home in 2025 (Special Study for Housing Economics, February 2025), https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2025/special-study-households-priced-out-of-the-housing-market-march-2025.pdf?rev=557833ecb28e410c983deb86813645a8

Energy Choice

While NAHB supports efforts to improve energy efficiency, we are deeply concerned about proposals that would mandate full electrification of new or existing homes or restrict access to certain appliances and fuel sources. These "one-size-fits-all" requirements ignore regional differences, reduce consumer choice, and add significant costs for builders and homeowners alike.

New York provides a clear example. In an effort to address climate change and reduce greenhouse gas emissions, the state recently enacted the nation's first statewide ban on natural gas in most new construction—set to take effect in 2026 for buildings up to seven stories and in 2029 for taller buildings. This law effectively prohibits the installation of gas stoves and other fossil fuel appliances in new homes. NAHB, along with the New York State Builders Association, is challenging this legislation in court, arguing it is preempted by the federal Energy Policy and Conservation Act.

Unfortunately, similar efforts are underway in other parts of the country. Local governments in California, Colorado, and Massachusetts have attempted to pass gas bans. In California, Berkeley's ordinance was struck down by the Ninth Circuit in 2024, but the city continues to look for new ways to advance restrictions. Montgomery County, Maryland, has adopted a ban that takes effect in 2027, and Washington state enacted one in 2024—though voters attempted to roll it back at the ballot box before the measure was struck down in court.

The practical effects of these mandates are severe. Because of real or perceived performance differences between electric and non-electric appliances, consumers may be reluctant to accept all-electric homes. Further, in colder climates like New York, where cold-climate heat pumps are required for year-round performance, the added expense of a full electrification package can exceed $15,000—an expense most families simply cannot absorb.[2] According to NAHB's analysis, 72% of households in New York are already priced out of the median-priced new home, and an additional burden of this magnitude could push thousands more families out of the market.[3]

The affordability impacts don't stop at the front door. According to the U.S. Energy Information Administration's Winter Heating Outlook, households using natural gas were projected to spend an average of $602 on heating last winter—about 42% less than the $1,037 forecast for households relying on electricity.[4] Over the past decade, the low cost of American natural gas has saved residential customers an estimated $125 billion in home energy costs. Commercial and industrial consumers have realized even greater benefits, saving nearly half a trillion dollars during that same period.[5] These savings underscore just how critical it is to preserve access to affordable and reliable energy sources for American families and businesses.

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[2] Home Innovation Research Labs, (2021, February), Cost and other implications of electrification policies on residential construction, https://www.nahb.org/-/media/NAHB/nahb-community/docs/committees/construction-codes-and-standards-committee/home-innovation-electrification-report-2021.pdf.

[3] NAHB, Nearly 75% of U.S. Households Cannot Afford a Median-Priced New Home in 2025.

[4] U.S. Energy Information Administration, Winter Fuels Outlook 2024–2025 (presentation, New York Energy Forum, October 10, 2024), https://www.eia.gov/pressroom/presentations/2024-10-10%20New%20York%20Energy%20Forum%20Presentation.pdf.

[5] American Gas Association, *Affordable*, *2025 Playbook*, https://playbook.aga.org/affordable.

New homes today are already built to modern, efficient codes, and further mandates on new construction would yield only marginal emissions reductions compared to the reductions that could be achieved by retrofitting the existing housing stock. The National Renewable Energy Laboratory estimates that upgrading the 130 million existing homes built before modern codes could cut U.S. electricity consumption by 5.7% annually by 2030—far more than mandating electrification of the small share of new homes built each year.

For these reasons, NAHB strongly supports the Energy Choice Act, and we thank Congressman Nick Langworthy (NY-23) for introducing this important legislation. The bill ensures that families—not government mandates—decide what energy sources and appliances best meet their needs. It preserves access to affordable, reliable energy options, including natural gas, renewable natural gas, hydrogen, liquefied petroleum gas, and electricity, by preventing state and local governments from banning or restricting these sources.

We respectfully urge the Energy and Commerce Committee members to support and advance the Energy Choice Act. Enacting this legislation will help protect housing affordability, strengthen energy reliability, and allow communities to pursue common-sense, cost-effective solutions that balance environmental goals with the economic realities of consumers.

Appliance Choice

Appliance choice is a critical part of housing affordability and consumer freedom. Federal efforts to limit or ban natural gas appliances—whether water heaters, cooktops, or stoves—would not only drive up costs and restrict consumer options, but also serve as a backdoor way of limiting

access to natural gas itself. Such actions undermine the very principle of energy choice by taking away a family's ability to decide which energy sources and appliances work best in their homes.

Earlier this year, NAHB strongly supported a Congressional Review Act resolution to block the Department of Energy's (DOE) Final Rule on gas-fired instantaneous water heaters. That rule would have forced the market toward more expensive condensing models, creating unnecessary challenges for builders and homeowners—particularly for remodeling and replacement projects in older homes. Thanks to the leadership of Rep. Gary Palmer (AL-6), the resolution passed both the House and Senate with bipartisan support and was signed into law by the President. NAHB is grateful for Rep. Palmer's efforts to stand with America's home builders and consumers, ensuring that federal agencies cannot use appliance standards as a backdoor restriction on natural gas—helping to protect affordability, reliability, and consumer choice.

NAHB has also long fought to protect consumer access to gas stoves. Efforts by federal agencies to advance regulations that would amount to a de facto ban on most existing gas stoves and cooktop models have been under consideration for several years. In response, NAHB has consistently made clear that we are committed to defending consumer access to natural gas appliances and ensuring that families retain the option of using natural gas in their homes.

In addition, NAHB has raised strong concerns with DOE's Final Rule Updating Energy Conservation Standards for Residential Furnaces which effectively bans non-condensing gas furnaces after 2028.[6] Condensing models are more expensive, often require major retrofits, and

[6] 88 Federal Register 87502 (December 18, 2023); 10 CFR 429; 10 CFR 430

may be impossible to install in some existing homes such as townhouses and apartments. This rule would drive up costs, reduce choice, and disproportionately impact seniors, low-income families, and small businesses.

Similarly, DOE's Final Rule Updating Energy Conservation Standards for Consumer Water Heaters would, beginning in 2029, effectively mandate that most new electric storage water heaters above 35 gallons use heat pump technology.[7] These products currently make up only a small share of the market and present challenges in many climates and building types. Shifting more than half of the market to heat pumps risks creating supply chain issues, installation delays, and higher costs for consumers.

Together, these debates underscore the urgent need for Congress to protect appliance choice. Proposals to limit the use of natural gas furnaces, water heaters, stoves, or other appliances would raise housing costs, reduce reliability, and take critical decisions out of the hands of consumers. NAHB urges policymakers to pursue energy efficiency goals in a way that respects consumer choice, promotes affordability, and allows builders to continue delivering the diverse housing options America's families need.

Building Energy Codes

Although referencing model building codes in federal legislation and regulatory programs is not new, over the past few years, the breadth of programs and issues for which more stringent building codes are purported to be the answer and the federal government's efforts to impose a

[7] 88 Federal Register 37778 (May 6, 2024); 10 CFR 430

de-facto universal federal energy code across the entire country are of increasing concern. These approaches unfairly burden and disadvantage new construction and often do little to meet the intended goals. One of the most common approaches to increasing the stringency of energy codes, for example, is to simply require higher insulation levels in walls, floors, and ceilings. Unfortunately, most new homes are long past the point where additional insulation will be cost-effective, resulting in a home that doesn't perform any differently and simply costs more to build.

The recent federal push to require certain new homes to meet the overly stringent energy efficiency requirements of the 2021 International Energy Conservation Code (IECC) is equally problematic and will price many home buyers out of the market. Although the IECC is designed to serve as a model for state and local governments, which can choose to adopt or amend the various provisions based on their localized economies, consumer needs, climates, construction methods, hazards, etc., implementing the IECC as a national energy code, with no consideration for local conditions, outweighs the diminishing returns of marginal energy efficiency improvements and is a misguided effort. Furthermore, a de facto federal energy code conflicts with the processes and cadence established by each state for review and adoption of a comprehensive suite of coordinated and state-specific building codes that cover all attributes of building design and construction, including fire code, structural code, electrical code, mechanical code, among others.

Further, unnecessarily forcing the nationwide use of costly and restrictive new codes will worsen the housing affordability crisis while limiting consumer choice and providing minimal benefit to

homeowners. According to Home Innovation Research Labs, compliance with the 2021 IECC—measured against the 2009 IECC baseline, adds between $9,600 and $21,400 to the price of a new home depending on the climate zone, though builders in practice have reported cost increases of over $31,000 per single family home. To make matters worse, the payback period for these added investments can stretch as long as 90 years, leaving homeowners to shoulder costs they will likely never recover.

In addition to adversely impacting potential home buyers, these increased requirements and higher costs can result in decreased production and longer permitting and construction times, further exacerbating housing affordability challenges. Federal programs restricting access to affordable financing tied to an aggressive national energy code would force consumers to limit their home search to older existing homes and further constrain supply of new homes. In the end, pushing for costly and restrictive energy code requirements at the federal level will result in fewer families achieving the American dream of homeownership.

Section 50131 of the Inflation Reduction Act

Section 50131 of the Inflation Reduction Act (IRA) allocated $1 billion to incentivize state and local governments to adopt the 2021 IECC and ASHRAE Standard 90.1-2019. While framed as a tool to promote energy efficiency, in practice this program has become a rigid mandate that undermines housing affordability, consumer choice, and the traditional authority of state and local governments in the code adoption process.

To be clear, NAHB supports reasonable and cost-effective energy codes and voluntary federal incentives that help states and localities with transition after the adoption of new codes. In fact, NAHB has supported and assisted our state and local homebuilder associations in pursuing funds through DOE's Resilient and Efficient Codes Implementation (RECI) program created by the Bipartisan Infrastructure Law. That program provides $225 million over five years to assist states in adopting any *updated* energy code, such as moving from the 2012 IECC to the 2018 edition. This approach helps jurisdictions modernize without forcing them into a single, costly edition of the code. Unfortunately, the IRA program takes the opposite approach, providing funding to state agencies but tying it exclusively to adoption of the unamended 2021 IECC. By doing so, DOE has effectively eliminated any flexibility and forced jurisdictions into a "one-size-fits-all" outcome.

Kansas City, Missouri, provides a clear case study as to why this program is problematic. In July 2023, the city adopted the 2021 IECC without amendments in hopes of qualifying for IRA funds. Immediately afterward, single-family construction permits in the city dropped by 22% in the first two months of 2024 compared to the prior year, while permits in the surrounding metro area—outside the city—rose by 117%. The sharp decline initially paralyzed Kansas City's housing market, even as neighboring communities thrived. The ripple effects were clear: fewer homes being built, fewer jobs, higher costs, and a shrinking tax base.

Even the energy savings touted by the 2021 IECC fail to justify the steep costs. One NAHB member in Kansas City built two nearly identical homes—one under an amended 2018 IECC and one under the 2021 IECC. Based on an analysis by a third-party rating organization in the

state, the 2021 IECC home saved $125 annually in energy costs compared to the older code home, but compliance added more than $12,000 in upfront costs. For a family with a standard mortgage, that translates into $102 more per month, or nearly $33,000 over the life of the loan—making the energy "savings" negligible in the face of the added cost burden.

For these reasons, NAHB has strongly urged DOE to halt further implementation of Section 50131. We were grateful for the leadership of Rep. Randy Weber (TX-14) in spearheading a congressional letter urging DOE to stop this program and restore flexibility to the code adoption process. Building on that effort, we commend Rep. Craig Goldman (TX-12) for championing H.R. 4758, the Homeowner Energy Freedom Act, which would eliminate Section 50131. This bill restores flexibility to the code adoption process and ensures that federal programs support affordability, consumer choice, and state and local decision-making. NAHB urges the Committee to swiftly advance this important legislation. Doing so will protect families from unnecessary cost burdens, preserve the authority of state and local governments, and help keep the American dream of homeownership within reach.

As Congress considers the future of federal energy policy, NAHB also encourages lawmakers to support voluntary programs like ENERGY STAR. ENERGY STAR demonstrates how incentives and consumer choice—not rigid mandates—can drive meaningful energy savings while maintaining affordability. This is a model that works: flexible, market-driven solutions that improve efficiency without pricing families out of homeownership. We do encourage ENERGY STAR to work closely with construction industry stakeholders to continue to refine its programs to make sure that consumers get the best value for their investment.

HUD and USDA's Final Determination of Energy Efficiency Standards for New Construction

Despite the lack of real-world cost savings for homeowners—and the fact that the vast majority of states have not adopted the 2021 IECC—the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA) under the Biden administration issued a final determination requiring all new single-family housing financed by these agencies to comply with the 2021 IECC. Additionally, HUD-financed multifamily housing must meet either the 2021 IECC or ASHRAE 90.1-2019.

This nationwide codes mandate was rushed through without adequate review or consideration of its impact on home buyers or renters. It will significantly raise housing costs—particularly in the price-sensitive entry-level market for starter homes and affordable rental properties—while doing little to curb overall energy use. Instead of helping the most vulnerable home buyers and renters, HUD and USDA risk pricing them out of the housing market altogether. According to NAHB data, around 100.6 million households already cannot afford the median price of a new home.[8] Even HUD's modest estimates indicate that compliance with the 2021 IECC would raise new home prices by an average of $7,200 per single-family home, pricing an additional 724,525 households out of the market.

The rule also conflicts with the current energy codes of 41 states, creating serious implementation challenges in the field, including construction delays, confusion over mortgage product eligibility, inconsistent appraisals, and a lack of qualified inspectors. Rather than

[8] NAHB, Nearly 75% of U.S. Households Cannot Afford a Median-Priced New Home in 2025.

boosting housing supply, this ill-conceived policy will deter new construction and worsen the affordability crisis.

NAHB is encouraged that the Trump administration has recognized these challenges and issued a six-month delay on implementation of the HUD/USDA rule to allow time for further review. However, more work is needed to ensure that federal housing policy supports affordability and availability rather than imposing costly mandates that limit consumer choice and hinder new construction.

Appraisals

The appraisal process remains one of the biggest barriers to incorporating residential energy efficiency measures that carry high upfront costs and long payback periods. Home builders have long expressed concern that upgrades—including energy efficiency enhancements—are often not fully accounted for in the appraisal process.

This disconnect is particularly problematic when homes are required to comply with costly codes like the 2021 IECC. These mandates do not necessarily reflect current consumer demand and therefore make it difficult for appraisers to assign an accurate market value. The result is that the additional costs of meeting these codes are not reflected in the appraisal, leaving a gap between construction costs and appraised value.

For home buyers, this gap creates a serious affordability challenge. When an appraisal comes in lower than the contract sales price due to unrecognized upgrade costs, the borrower must pay the

difference out of pocket. This means significantly higher down payments, additional out-of-pocket expenses, and in many cases, the loss of the ability to purchase the home altogether. In short, requiring costly energy code compliance without corresponding changes in appraisal practices creates another hurdle for families trying to enter the housing market. It places the burden directly on the buyer, while providing little assurance that the added costs will be recouped through energy savings or reflected in long-term value.

Existing Housing Stock

The American housing stock continues to age, and with housing production lagging in recent years, there is increasing pressure to keep existing homes in service longer—homes that often do not perform as well or as efficiently as newer ones. Out of the nation's 137 million housing units, 130 million were built before modern building codes took effect in 2010.

Compounding the problem, the latest Census statistics show that only about six out of every 1,000 homes built before 1970 are being retired each year. This extremely low rate of replacement means the U.S. housing stock will continue to be dominated by structures that are several decades old for many years to come. Older homes are inherently less energy efficient: they were not built to today's standards, they lose more energy, and they often rely on outdated heating, cooling, and insulation systems.

By contrast, newer homes clearly demonstrate the progress already made in energy efficiency. Modern construction practices and building codes have delivered significant improvements in reducing energy use in new homes. But it is equally clear that the most cost-effective gains in

new construction have already been realized, and additional code requirements will be increasingly expensive while delivering only marginal savings.

This is why focusing solely on new building energy codes is misguided. To meet national energy efficiency goals, improvements must extend beyond new construction and target the existing housing stock. According to the National Renewable Energy Laboratory, retrofitting existing homes could reduce U.S. electricity consumption by 5.7% annually by 2030. Given the scale of our aging housing stock, this represents far greater potential for meaningful energy savings than mandating ever-costlier requirements for new homes.

A wide array of retrofit opportunities exist—from upgrading doors, windows, insulation, lighting, and appliances to replacing heating and cooling equipment, installing energy management systems or heat pumps, or adding solar panels. These types of improvements must become a primary focus if the nation is to achieve measurable progress in energy savings. By emphasizing retrofits and improvements to existing homes, we can strike a better balance: advancing efficiency and environmental goals while keeping housing affordable for families.

Conclusion

Chairman Latta, Ranking Member Castor, and members of the Subcommittee, thank you for the opportunity to testify today. Preserving energy choice is essential to keeping housing affordable and attainable. Federal mandates that dictate fuels, appliances, or building codes strip families of options and drive-up costs at a time when too many are already priced out of the market.

NAHB urges this Subcommittee and Congress to advance policies that protect energy choice, respect state and local decision-making, and focus on solutions that deliver real benefits without sacrificing affordability. We stand ready to work with you to ensure that federal energy policy strengthens housing supply and preserves the ability of American families to achieve the dream of homeownership.