



MEGAFIRE ACTION

To: Interested Parties

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Subject: Wildfire Management: A Smart Strategy to Lower Costs for American Families

Introduction

A growing body of research suggests that the megafire crisis is placing an unsustainable financial burden on individuals and public systems across the United States. According to analysis from the Department of Commerce's National Institute of Standards and Technology, the full economic burden of wildfires for the U.S. is estimated to be between \$71 billion and \$348 billion annually (roughly \$100-500 billion in current dollars), including up to up to \$63 billion in direct costs and \$285 billion in damages.¹ At the same time, other research increasingly suggests that investments in wildfire management, including principally in wildfire risk mitigation and resilience projects, can yield significant return on investment, with some targeted investments yielding as high as a 7:1 benefit-to-cost ratio.²

This primer demonstrates that while wildfires are contributing to a growing affordability crisis for individuals and public systems across the country, targeted investment in wildfire management activities — including those enabled by the Fix Our Forests Act—can measurably mitigate risk and significantly increase affordability for individuals and the public at large.

Key Takeaways

- Destructive wildfires are driving up costs to homeowners and taxpayers.
- Wildfire mitigations, including home hardening, defensible space, and vegetation management reduce risk and more than double the likelihood that a home survives a wildfire.
- Wildfire mitigations make homeownership more affordable through lower insurance premiums, lower utility bills, and higher cost savings.
- Wildfire mitigations reduce costs to the public by avoiding destructive wildfires that lead to property and infrastructure losses, watershed degradation, suppression costs, and economic disruptions.

¹ U.S. Department of Commerce, National Institute of Standards and Technology, Nov. 2017, "The Costs and Losses of Wildfires: A Literature Survey," NIST SP 1215, <https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.1215.pdf>.

² Hjerpe, et al., 2024, "Return on Investments in Restoration and Fuel Treatments in Frequent-Fire Forests of the American West: A Meta-Analysis," *Ecological Economics*, <https://doi.org/10.1016/j.ecolecon.2024.108244>.



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Wildfire losses are driving up the costs of insurance and electricity

Across the country, natural disasters including wildfires have become stronger and more frequent, leading to billions of dollars in losses. The increasing costs of natural disasters and expectations of future losses have contributed to driving up insurance premiums. From 2021 to 2024, annual home insurance premiums increased by an average of \$648 across the country. This translates to a 24 percent increase, 11 percent higher than the cumulative inflation over the same period.³ In some states, the dramatic rise in insurance premiums is due in part to the rising frequency of destructive wildfires, with the biggest premiums jumps in areas with the biggest wildfire risk.⁴

- **California:** In California, average insurance premium rates in 2024 increased by as much as \$4,300 in zip codes with the highest wildfire risk.⁵ The catastrophic 2025 Los Angeles wildfires triggered an assessment of \$1 billion assessment of admitted-market carriers to cover the state's FAIR Plan losses, which translated to surcharges of 1% to 3% of policy premiums for policyholders across California regardless of their individual wildfire risk.⁶
- **New Mexico:** In New Mexico, counties with high wildfire risk say their insurance premiums increase 41-47% between 2020 and 2023 compared to the average New Mexico increase of 16% in the same time period.⁷
- **Oregon:** In Oregon, insurance premiums are up an average of nearly 30% since 2020, with policies on some homes near Ashland rising as much as 600% in the last four years.⁸
- **Montana:** In Montana, home insurance premiums rose by 18% in 2025, increasing the state's average annual premium cost up by more than \$300 in one year.⁹

³ <https://consumerfed.org/wp-content/uploads/2025/03/OverburdenedReport.pdf>

⁴ <https://headwaterseconomics.org/natural-hazards/wildfire-insurance-local-state-budgets/>

⁵ California: <https://www.sfchronicle.com/projects/2024/state-farm-california-rate-increases-map/>

⁶ Enhancing California's Resiliency to Natural Catastrophes Senate Bill 254 (2025) Study Report. (2026). <https://www.cawildfirefund.com/sb-254-natural-catastrophe-resilience-study>

⁷ New Mexico: <https://sourcenm.com/2024/08/21/fires-making-home-insurance-unaffordable-impossible-nm-lawmakers-say/>

⁸ Oregon: <https://oregoncapitalchronicle.com/2024/02/26/oregon-homeowners-face-soaring-premiums-few-property-insurance-options-over-wildfires/>

⁹ Montana: <https://insurancenewsnet.com/oarticle/wildfire-hail-building-costs-pushed-montana-home-insurance-costs-up-by-18-in-2025-insurify>



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- **Idaho:** In Idaho, premiums rose 37% from just over \$1,300 to roughly \$1,800 on average, in part due to rising wildfire risk.¹⁰
- **Colorado:** In Colorado, insurance premiums have increased by 58% from 2018 to 2023 in the most wildfire-prone regions.¹¹
- **Hawaii:** In Hawaii, home insurance rates have surged following the 2023 Maui wildfires, with new state data showing increases between 32% and 54% over the past year.¹²

Studies are increasingly tying rising electricity costs to a suite of systemic risks, including the megafire crisis. Utility costs associated with responding to these risks are typically passed through to consumers via higher rates, adding to an already severe electricity affordability crisis associated with a wide range of compounding pressures from aging infrastructure to inflation. A growing body of academic and regulatory analyses shows that wildfire risk now directly affects consumer bills through multiple channels of cascading costs: direct damage to transmission and distribution assets, multi-billion-dollar liability exposure, risk mitigation spending, escalating insurance costs, and credit rating downgrades that raise utilities' cost of capital.

- **California:** Multiple authoritative analyses identify wildfire-related costs as central drivers of recent electricity price increases in California. Wildfire-related charges now add approximately \$21-41 per month to the average residential bill for the three largest investor owned utilities (\$41 for PG&E, \$27 for SCE, and \$21 for SDG&E) comprising both wildfire liability costs and mitigation costs authorized for ratepayer recovery.¹³ A 2025 study in *Energy Economics* estimates that residential electricity rates for investor-owned utilities and community choice aggregators in California rose between 44-80% above inflation since 2019, with wildfire-related costs cited as a key contributor.¹⁴ The California Public Advocates Office finds that wildfire costs now account for roughly 10–24% of revenue requirements for major investor-owned utilities.¹⁵ At the same time, wildfire liabilities in the

¹⁰ Idaho:

<https://www.boisestatepublicradio.org/politics-government/2025-12-29/idaho-colorado-homeowners-in-surance-wildfire-climate-change>

¹¹ <https://source.colostate.edu/wildfire-risk-is-driving-up-insurance-costs-for-colorado-homeowners/>

¹² <https://www.hawaiinewsnow.com/2026/01/15/hawaii-home-insurance-rates-spike-after-maui-wildfires/>

¹³ Enhancing California's Resiliency to Natural Catastrophes Senate Bill 254 (2025) Study Report. (2026). <https://www.cawildfirefund.com/sb-254-natural-catastrophe-resilience-study>

¹⁴ Garcia, et al., Sep. 2025, "Wires and fire: Wildfire investment and network cost differences across California's power providers," *Energy Economics*, https://www.sciencedirect.com/science/article/pii/S104061902500020X?utm_source=chatgpt.com

¹⁵ The California Public Advocates Office, Jun. 2024, "2023-2024 Wildfire-Related Cost Increases of California's Three Major Investor-Owned Electric Utilities,"



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tens of billions (e.g., PG&E's ~\$13.5B Fire Victim Trust) and associated credit deterioration, including credit downgrades and even bankruptcy, have increased financing costs for utilities.¹⁶

- **Western States (beyond California):** Across the broader West, other studies document rapidly rising wildfire-related utility costs. A 2025 Pacific Northwest National Laboratory (PNNL) report finds utilities in states such as Oregon, Washington, and Colorado are sharply increasing wildfire mitigation investments while also facing growing liability exposure, insurance constraints, and credit downgrades, all of which place upward pressure on customer rates.¹⁷ Large wildfire liabilities, including multi-billion-dollar settlements for utilities like Hawaiian Electric, along with rising utility insurance costs—even for some that have not experienced extreme fire events in the past—illustrate how wildfire risk is materially increasing the cost structure of electric service across the West.¹⁸
- **Nationwide:** Nationally, wildfire-related costs are part of a broader pattern of climate risk driving higher electricity system costs and consumer prices. Federal research shows utilities across multiple regions are scaling up resilience investments—including wildfire mitigation, storm hardening, and risk management—while also experiencing increased credit rating pressure and higher borrowing costs tied to climate-related liabilities.¹⁹ Although wildfire-specific attribution is most pronounced in the West, the underlying mechanism—climate-driven risk leading to higher capital, liability, and financing costs that are passed through to ratepayers—is increasingly relevant nationwide as extreme weather risks intensify and expand to areas beyond their historical footprint.²⁰

Wildfire mitigations make homeownership more affordable

As it becomes ever more common for destructive wildfires to burn through whole communities, homeowners insurance has become increasingly more unavailable and

https://www.publicadvocates.cpuc.ca.gov/press-room/reports-and-analyses/wildfire-cost-increases-of-california-electric-ious?utm_source=chatgpt.com

¹⁶ The Brattle Group, Oct. 2025, "Wildfire Financial Risks for Utilities: Proactive Management, Regulatory Policy, and Strategy Recommendations,"

https://www.brattle.com/wp-content/uploads/2025/10/Wildfire-Financial-Risks-for-Utilities-Proactive-Management-Regulatory-Policy-and-Strategy-Recommendations.pdf?utm_source=chatgpt.com.

¹⁷ PNNL, Jul. 2025, "Wildfire Risk: Review of Utility Industry Trends,"

https://www.pnnl.gov/sites/default/files/media/file/Wildfire%20Risk%20Review%20of%20Utility%20Industry%20Trends_PNNL_July%202025.pdf?utm_source=chatgpt.com.

¹⁸ The Brattle Group, 2025.

¹⁹ PNNL, 2025.

²⁰ The Brattle Group, 2025; PNNL, 2025.



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unaffordable.²¹ Homeowners in high wildfire risk areas are faced with increasing rates of nonrenewal notices and skyrocketing insurance premiums that have increased by more than 50% in many western states.²² The best way to address the growing insurance crisis is to dramatically reduce the number of homes lost to wildfires. Pro-active mitigations including home hardening, defensible space, and vegetation management are proven methods for keeping wildfires from burning into neighborhoods and catching homes on fire.²³

Homeowners that carry out wildfire mitigations on their private properties not only reduce the risk of losing their home to wildfire but can also help make homeownership more affordable through lower insurance premiums, state tax credits, reduced utility bills, and other savings. Communities that have pioneered efforts to adopt these mitigations at scale to drop their shared wildfire risk have been able to secure insurance policies at significant discounts. These early success stories demonstrate opportunities to make homeownership more affordable through widespread adoption of wildfire mitigations that reduce the risk of home losses.

Insurance discounts

- **Nevada:** After seeing their insurance premiums dramatically spike and then issued a notice of nonrenewal due to rising risk of wildfires, the the McCloud Condo Association in Incline Village, NV was able to secure an insurance policy at a 33% discount (saving more than \$400,000 in the first year) after implementing community-wide defensible space and home hardening mitigations.²⁴
- **California:** Following the adoption of the 2022 Safer from Wildfire insurance regulations in California, insurers are now offering wildfire premium discounts as high as 50% for implementing home hardening and defensible

²¹ Senate Budget Committee (2024)

https://www.budget.senate.gov/imo/media/doc/next_to_fall_the_climate-driven_insurance_crisis_is_here_and_getting_worse.pdf

²² Headwaters Economics (2025). “Cascading wildfire insurance issues impact local and state budgets”. <https://headwaterseconomics.org/natural-hazards/wildfire-insurance-local-state-budgets/>

²³ Zamanialaei, et al., 2025. “Fire Risk to Structures in California’s Wildland-Urban Interface.” Nature Communications 16 (1): <https://doi.org/10.1038/s41467-025-63386-2>.

Loomis, et al., 2019. “Do fuel treatments reduce wildfire suppression costs and property damages? Analysis of suppression costs and property damages in U.S. National Forests.” Gen. Tech. Rep. PSW-GTR-261.USFS. <https://research.fs.usda.gov/treearch/57675>.

²⁴ *Tahoe Daily Tribune*, Dec. 31, 2025, “How an Incline Village HOA received a 33% insurance reduction amid wildfire driven increases and non-renewals”, <https://www.tahoelivingwithfire.com/general-news/how-an-incline-village-hoa-received-a-33-insurance-reduction-amid-wildfire-driven-increases-and-non-renewals/>.



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space mitigations on their private properties.²⁵ The Tahoe Donner homeowners association in Truckee, CA was able to secure a 39% insurance discount (saving \$35,000) after implementing selective thinning and prescribed fire mitigations in the forests immediately surrounding the community.²⁶

- **Colorado:** Insurance discounts for wildfire mitigation work are expected to become available in July 2026 as new state regulations take effect.²⁷
- **Montana:** Montana State bill HB 136 (2025) allows insurers to offer policyholders premium discounts for implementing home hardening and defensible space mitigation for wildfire risk reduction.²⁸

Utility bill savings

- **Nationwide:** Some wildfire home hardening upgrades can provide energy efficiency cobenefits that can significantly reduce electricity bills for homeowners. Upgrading from single-pane to the dual-pane windows as recommended under the IBHS Wildfire Prepared Home standards can reduce heating and cooling costs by an average of \$356-\$1509 per year depending on where the home is located.²⁹ Additionally, class A fire-rated roofs can also qualify as energy efficient cool roofs that reflect more sunlight and absorb less heat than standard roofs, reducing indoor temperatures and lowering air-conditioning usage. Upgrading to an energy efficient Class A fire-rated roof can save homeowners in hotter regions as much as \$160 per year off of their energy bills.³⁰

²⁵ Insurance for Good, Nov. 4, 2025, “Do California Insurers Reward Wildfire Resilience?”, <https://www.insuranceforgood.org/blog/do-ca-insurers-reward-wildfire-resilience>.

²⁶ UC Berkeley Law, Apr. 2025, “First Ever Wildfire Resilience Insurance Policy Written and Placed”, <https://www.law.berkeley.edu/research/clee/research/climate/climate-risk-initiative/wildfire-resilience-insurance-policy/>.

²⁷ Ludington et al., 2025, “From Risk to Reward: Insurance Discounts for Wildfire Mitigation”, Resources for the Future, Working Paper 25-30, <https://www.rff.org/publications/working-papers/from-risk-to-reward-insurance-discounts-for-wildfire-mitigation/>

²⁸ https://archive.legmt.gov/content/Sessions/69th/Contractor_index/CH0105.pdf

²⁹ EPA & DOE ENERGY STAR, Residential Windows, Doors, and Skylights Savings by Climate Zone (2023), https://www.energystar.gov/products/res_windows_doors_skylights

³⁰ Estimates from the Cool Surface Savings Explorer, Appendix P, Section 4 of Levinson, et. al., (2019). Solar-Reflective “Cool” Walls: Benefits, Technologies, and Implementation (No. CEC-500-2019-040; also LBNL-2001296). California Energy Commission. <https://doi.org/10.20357/B7SP4H>



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Tax Credits and other savings

- **Colorado:** Homeowners in Colorado are eligible for a state tax credit for conducting wildfire mitigation work.³¹
- **Utah:** Starting in 2026, homeowners that conduct wildfire mitigation work will be eligible for reduced fees that will be assessed for properties in high wildfire risk areas.³²

Wildfire mitigations reduce costs

Investments in wildfire mitigation are delivering measurable savings for the public by reducing disaster-related losses, lowering public-sector liabilities, and improving the resilience of critical infrastructure. Federal agencies, states, and independent researchers increasingly find that proactive fuel management, forest restoration, and other landscape-scale treatments significantly reduce wildfire risk at the community level. Across diverse geographies and various management activities, wildfire mitigation consistently demonstrates strong returns on investment, often paying for itself multiple times over through avoided structure and infrastructure losses, reduced public expenditures on response and recovery, and broader economic benefits.

- **Overall Benefit:** A 2024 meta-analysis of 16 prior studies on avoided wildfire costs found that, on average, every dollar invested in targeted forest restoration and fuel treatments can generate up to \$7 in benefits, representing returns on investment of up to 600%.³³ The benefits measured in this study include avoided public costs of response, avoided losses of housing, critical infrastructure, and property value, and avoided adverse effects on human health. In a separate study, the National Institute of Building Sciences found that targeted federal grants for mitigating wildfire risk can save approximately \$3 for every \$1 invested, primarily through avoided disaster losses and reduced public recovery costs.³⁴

³¹ <https://tax.colorado.gov/income-tax-topics-wildfire-mitigation-measures>

³² McKellar, Dec. 24, 2025, "Utah to start assessing fees on properties in 'high risk' wildfire areas to encourage prevention", *St George News*, https://www.stgeorgeutah.com/news/utah-to-start-assessing-fees-on-properties-in-high-risk-wildfire-areas-to-encourage-prevention/article_ae0d3b43-eebd-463f-b05e-e56d023cf7aa.html

³³ Hjerpe, et al., 2024, "Return on Investments in Restoration and Fuel Treatments in Frequent-Fire Forests of the American West: A Meta-Analysis," *Ecological Economics*, <https://doi.org/10.1016/j.ecolecon.2024.108244>.

³⁴ National Institute of Building Sciences, 2019, "Mitigation Saves: Federal Grants Provide a \$6 Benefit for Each \$1 Invested", https://nibs.org/wp-content/uploads/2025/04/ms_v3_federalgrants.pdf.



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- **Federal Investments in Fuels Mitigation:** The U.S. Forest Service has developed new outcome-based metrics to estimate overall savings from wildfire mitigation measured through avoided home and critical infrastructure losses.³⁵ Using these metrics, the agency found that \$1.2 billion in mitigation investments across 21 priority landscapes from 2021–2023 resulted in a measurable reduction in risk to more than \$700 billion worth of housing and critical infrastructure. Overall, this investment resulted in an estimated 12% reduction in wildfire risk to watersheds that supply drinking water, 8% average reduction in wildfire risk to critical infrastructure, and 8% average reduction in wildfire risk to residential housing. In FY 2023 alone, this reduction in risk translated into an estimated \$37 million in avoided residential property losses.³⁶ The benefits of these avoided structure losses compound beyond the value of the saved property, further saving costs to the public through avoided response and recovery expenditures, loss of income and economic activity, energy costs, and real-estate depreciation.
- **State Investment in Wildfire Mitigation.** A Greenline Insights study found that an eight-year, \$500 million investment in wildfire prevention in Washington State would help avoid approximately \$1 billion in long-term wildfire damages, while also supporting 1,100 jobs and generating \$174 million in economic output, demonstrating both fiscal savings and economic co-benefits for the public at large.³⁷
- **Utility Investment in Wildfire Mitigation.** An EEI-sponsored Guidehouse analysis found that sustained wildfire mitigation efforts can reduce insurance and capital costs for utilities serving high-risk areas. The report highlights that PG&E's wildfire mitigation progress in California contributed to improved bond ratings from Fitch in 2024, reflecting reduced wildfire-related liabilities and lower long-term financial risk borne by ratepayers and the public at large.³⁸

³⁵ U.S. Forest Service, Sep. 2024, "Outcome-Based Change Metrics: A new science-based effort to quantify landscape outcomes", <https://research.fs.usda.gov/rmrs/projects/outcome-based-change-metrics?utm>.

³⁶ U.S. Forest Service, Jan. 2025, "Confronting the Wildfire Crisis: Making a Difference" (Wildfire Crisis Strategy Annual Update), Report FS-1187h, <https://www.govinfo.gov/content/pkg/GOVPUB-A13-PURL-gpo236335/pdf/GOVPUB-A13-PURL-gpo236335.pdf>

³⁷ Greenline Insights, Jan. 2026, "The Economic Benefits of HB 1168 Wildfire Investments in Washington State", <https://www.greenlineinsights.com/wa-hb1168-economic-impacts>.

³⁸ Edison Electric Institute and Guidehouse, Jul. 2024, "Assessing the Broader Benefits of Investing in Wildfire Mitigation Measures", <https://www.eei.org/-/media/Project/EEI/Documents/Issues-and-Policy/Assessing-Benefits-of-Investing-in-Wildfire-Mitigation.pdf>.