



Encourage Oil Heating, Energy Diversity and Greenhouse Gas Emission Reductions

**Document presented by the
Association québécoise du chauffage au mazout (AQCM)
on behalf of the fuel oil industry**

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In the last 25 years, the market share of fuel oil in Quebec has fallen from 80% to 10%.

Industry overview

The Quebec oil heating industry is not an abstract entity, but rather a group of men and women from here. The Association québécoise du chauffage au mazout (AQCM) represents the major distributors and manufacturers of the fuel oil industry, namely 7,000 direct and indirect jobs.

The fuel oil industry is distinguished from electricity and natural gas monopolies by the fact that it operates in a freely competitive market, thus providing a significant benefit to consumers. In addition, with our provincial distribution infrastructure, we provide consumers from all parts of Quebec with access to a historically economical, consistently reliable, high-quality source of energy, which, in some cases, complements that of Hydro-Québec. The right energy in the right place!

Our industry enables many Quebec households to get through the province's harsh winters comfortably and safely. Although the market share of fuel oil has declined substantially, it is estimated that approximately 10% of Quebec households continue to use fuel oil, including dual energy, as their energy source for heating and hot water.

In recent years, our customers, already satisfied with the comfort provided by oil heating, have enthusiastically embraced the option of energy-efficient systems and appliances, such as more efficient boilers and furnaces, more secure tanks, intelligent electronic thermostats, etc.

As a responsible industry, we propose jointly developing mutually beneficial programs with government authorities. We wish to be part of the solution in the effort to control greenhouse gas emissions (GHG), rather than to be excluded from it.

Reminder of the improvements made over the past 40 years

- We have improved the average combustion efficiency of over 30% of our equipment. If this improvement is applied only to the 300,000 homes that currently heat with oil, it represents a reduction of approximately 625,000 mt of CO₂.
- We have equipped our delivery vehicles with computers, which has allowed us to improve delivery management and avoid unnecessary trips, thereby contributing to reducing GHG emissions from road transport.
- We have substantially reduced the sulfur content in approximately 80% of the fuel oil refined in Quebec. In five years, the sulfur content in No. 1 fuel oil (stove oil) has been reduced from 4,000 PPM (parts per million) to 15 PPM. Similarly, the sulfur content in No. 2 fuel oil (heating oil) has been reduced from 4,000 PPM to between 15 and 1,000 PPM, depending on the refinery.

Two fundamental principles

Two important principles must guide the discussions: the **sustainability of the industry** and **fairness between Quebec consumers** who use oil for heating and those who use other energy sources.

1- Sustainability of the industry

It is important to maintain a strong oil heating industry with a major presence in the Quebec economy, not only in large urban centers, but also in the regions.

In this respect, it would be useful to quote from the *2006-2015 Quebec Energy Strategy*. On page 93, the strategy reads as follows:

“[Translation] It is important to protect consumers and the oil industry from the effects of a weakening of distribution networks...”

“ ... It is critical to find an answer to this situation: the oil heating industry contributes to the energy security of Quebecers, specifically by reducing peak-period demand by providing fuel to interruptible customers or customers using dual-energy systems ...”

The number of consumers using oil as an energy source cannot be dramatically reduced without seriously affecting our provincial distribution infrastructure and, as a result, threatening the energy security of several regions of Quebec. The weakening of our infrastructure would also have troubling effects on many jobs, on the gradual closing of warehouses and on the distribution of other petroleum products. (e.g. colored diesel for cultivators and fisherman, gas and diesel for commercial and forestry usage).

2- Fairness to Quebec consumers

Consumers who use fuel oil for heating and hot water should have access to the same programs and financial assistance as consumers using other energy sources, such as electricity and natural gas. Access to these assistance programs, from a regulated company, should be available to everyone. If consumers of electricity and natural gas are eligible for programs that are not open to consumers of fuel oil, the result is an unhealthy imbalance that artificially contributes to creating a discrepancy in the energy efficiency of the equipment fleets of each energy source. It is for this reason that the oil heating industry is requesting that the shares and yearly rentals given to the Government serves to put into place an energy efficiency program for the consumers. This oil heating equipment replacement program will contribute significantly to the reduction of GHG emissions and to maintain an adequate market share.

Fragility of the industry

Reminder of the main challenges currently facing the oil industry

1. The market share of oil heating in Quebec is falling annually.
2. The price of oil is unfavorable compared to electricity.
3. The current dual-energy program, which switches to fuel oil at -12°C, creates problems by increasing the demand for small fuel oil deliveries during peak periods.

4. There are problems with respect to the recruitment and training of qualified technicians.
5. The public has a poor perception of fuel oil.

Consequence: It is becoming increasingly difficult to maintain a critical mass of clients to ensure the sustainability of our delivery systems. As a result, it is becoming more and more difficult to respond to customer demands, particularly during peak periods and also in regions.

Joint work with government organizations

For the fuel oil industry, the first step in improving energy efficiency consists in replacing ageing equipment with modern equipment with an energy efficiency of between 80% and 97% (for condensing equipment) and in taking advantage of the upgraded equipment to propose the use of new, more secure fuel tanks, namely either double-walled, double-bottom or non-metallic fuel tanks. Of course, this measure is in addition to other initiatives designed to improve the insulation of the building envelope.

For example, by increasing the energy efficiency of heating systems from 80 to 97%, the result would be a CO₂ emissions reduction of over 180,000 mt for the 300,000 homes served—not counting commercial, industrial and institutional customers. Replacing 5 000 furnaces is equivalent to remove definitely 5 000 vehicles off the road.

Needless to say, consumers and society as a whole can only win from this type of measure. Some of the equipment, which can achieve a 97% energy efficiency, is already available in Quebec's market. The higher price of such equipment and the requirement for more specific training of our technicians currently put a brake on the demand. We are in the process of correcting this situation.

Other GHG reduction measures

Other alternatives for reducing GHG without adverse effects on our industry or Quebec energy security are worth exploring.

1. Continue to improve the quality of fuel oil.
2. Gradually introduce bio fuel oil, as it is currently being done in North America and Europe.
3. Encourage greater use of the dual-energy program, as it has been suggested by AQCM in several meetings with representatives of Hydro-Québec. For example, modify the transfer point (temperature at which oil heating takes over from electric heating) to reduce residential heating oil consumption of 50%, which could result in GHG emission reductions of approximately 284,000 mt of CO₂.

Conclusion

As we have shown, AQCM in no way opposes the government's commendable desire to reduce GHG. The government should encourage our consumers by offering them an assistance program similar to those offered in other sectors, which would encourage them to choose higher performance equipment. Therefore, it is by redistributing the amount of money coming from shares and yearly rentals given by the gas industry to

Quebec's government, that replacement of equipment programs could be put into place. These programs will enable the industry to continue to offer services to oil heating consumers and participate substantially to the reduction of GHG by promoting Energy Star heating equipments.

On behalf of our members, I thank you for your attention.