FUEL NEUTRAL POLICIES

BACKGROUND

Unfair policies that favor one fuel over another, “fuel switching,” are threatening thousands of small, family-owned home heating oil businesses. Policy makers fail to acknowledge recent technological advances in heating oil efficiency. New high efficient oilheat equipment combined with the near elimination of sulfur content and BioHeat® makes heating oil cheaper, more efficient, safer and cleaner than natural gas. Unlike electric and natural gas utilities, oilheat infrastructure was developed without taxpayer or ratepayer money and none is needed to maintain it. Incentivizing oilheat customers to make costly conversions to natural gas and other fuels is not fair and is unlikely to result in lower heating costs or emissions. Additionally, Congress should be treating both oil and natural gas pipelines fairly but recent legislation favors natural gas over oil.

As crude oil prices plummeted in 2014, so did prices for residential heating oil prices which dropped to $2.80 per gallon, the lowest in five years. Many dealers now offer heating oil at prices that are lower than those of competing fuels. Heating oil has held this advantage for 25 out of the last 32 years. Investments in more efficient technology, fuel quality and the education of consumers and service technicians into safety and conservation has reduced annual consumption from an average of 1,700 gallons to 700 gallons per home over the last 40 years. Since the year 2000 alone, oilheat efficiency has improved by about 30 percent per home.

PRESIDENT’S FY 2016 LIHEAP BUDGET “FUEL SWITCHING”

The President’s FY 2016 Low Income Home Energy Assistance Program (LIHEAP) budget proposal encourages states to use LIHEAP funds to promote “fuel switching” from heating oil and propane to so-called “less expensive fuels” (presumably natural gas or wood pellets) as a long-term solution for reducing the energy needs of low income households. PMAA is concerned about this provision because it violates the administration’s fuel neutral “all of the above” energy policy. Moreover, it ignores energy market trends over the past 30 years that show periodic natural gas price spikes that surpass that of heating oil. The truth of the matter is that over the long term nobody can predict which form of home heating fuel will be the most cost effective for LIHEAP recipients. Heating oil and natural gas have alternated for years between high and low cost alternatives.

“Fuel switching” would produce no measurable gains in energy cost savings or efficiency. While the average cost of converting a home from oil to natural gas is approximately $10,000, in some cases, the total cost can exceed $18,000. Moreover, studies show that such conversions simply do not pay for themselves over the long run in terms of cost savings when fluctuating natural gas prices are considered.

PMAA believes that the most cost effective way to reduce fuel costs and increase efficiency is through improvements to existing heating systems and weatherization, not “fuel switching.” For example, upgrading an existing system to an energy efficient modern appliance is less than one-third the cost of fuel switching and can result in immediate savings of more than 40 percent. Other alternatives can produce considerable savings at even lower costs. This includes regular system maintenance (up to 10 percent savings) and the installation of programmable thermostats (up to 10 percent savings) and modern electronic controls (up to 20 percent savings). It is important the Administration and Congress work

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with heating oil customers to make simple, cost effective upgrades that are fuel neutral and produce true cost reductions and energy efficiency for the LIHEAP program.

**OPPOSE THE NATURAL GAS PIPELINE PERMITTING ACT (H.R. 161)**

PMAA opposes the Natural Gas Pipeline Permitting Act (H.R. 161) which would expedite interstate natural gas pipeline approvals at the Federal Energy Regulatory Commission (FERC). The bill requires FERC to act within 12 months after a company's completed application is received and within 90 days after final environmental reviews are considered. The bill would require federal agencies responsible for project-related licenses or permits for locating, building or operating projects to make decisions within 90 days of FERC issuing a final environmental review. Failure to meet this deadline would automatically approve the pipeline after 30 days which would negatively impact small business heating oil dealers as well as other small businesses and residents in the affected communities.

Rather than deregulate the natural gas pipeline permitting process, Congress should require that regulators and gas companies increase system efficiency by requiring that the thousands of miles of existing natural gas pipelines that are aging or obsolete be repaired or replaced. The capacity demands of the region's power generators can be more than met through proper utilization, maintenance and upgrading of existing natural gas pipelines and proper planning that includes the use of affordable and abundant fuel oil during periods of peak or unanticipated demand. Furthermore, FERC often sets 90 day deadlines for other agencies when reviewing a natural gas pipeline application, and therefore, this legislation is unnecessary and would simply create an automatic "stamp of approval" for new or expanded interstate natural gas pipelines.

PMAA also believes there is no need for public or ratepayer funded expansion of new natural gas pipelines. The heating oil industry has invested in billions of dollars in tanker trucks, SPCC-compliant bulk storage facilities and storage capacity to meet the needs for its customers without the help of the federal government. Furthermore, significant heating oil supply disruptions are rare compared to natural gas which has occurred over the last few winters. Proper planning can ensure adequate supplies of backup fuels and minimize the impact on residential consumers of those fuels. Therefore, interruptible contracts should be required to have enough backup fuel in advance to avoid supply disruptions. Heating oil has been the savior to natural gas supply interruptions and will continue to meet the needs for consumers.

“The Ask”

Despite passage of the Natural Gas Pipeline Permitting Act (H.R. 161) in the House, we urge the Senate not to include the bill in future comprehensive energy policy legislation. PMAA also urges the Administration and Congress to work with heating oil customers to make simple, cost effective upgrades that are fuel neutral and produce true cost reductions and energy efficiency for the LIHEAP program.

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