



Air Quality, Climate Change and the Oilheat Industry

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Air Quality and Climate Change Programs and the Oilheat Industry

- Energy world is and will continue to change dramatically due in part to environmental imperatives
- Today's summit is testament to the oilheat industry's determination to re-imagine itself in a low carbon future
- State environmental regulators value positive relationship that has developed with this industry

Air Quality, Climate Change and the Oilheat Industry

- Will discuss 2 significant environmental initiatives relevant to oilheat industry :
 - Low sulfur heating oil (LSHO)
 - Low carbon fuel standard (LCFS)
- Attempt to provide sense of longer-term implications of environmental challenges

The “Drivers” of LSHO & LCFS

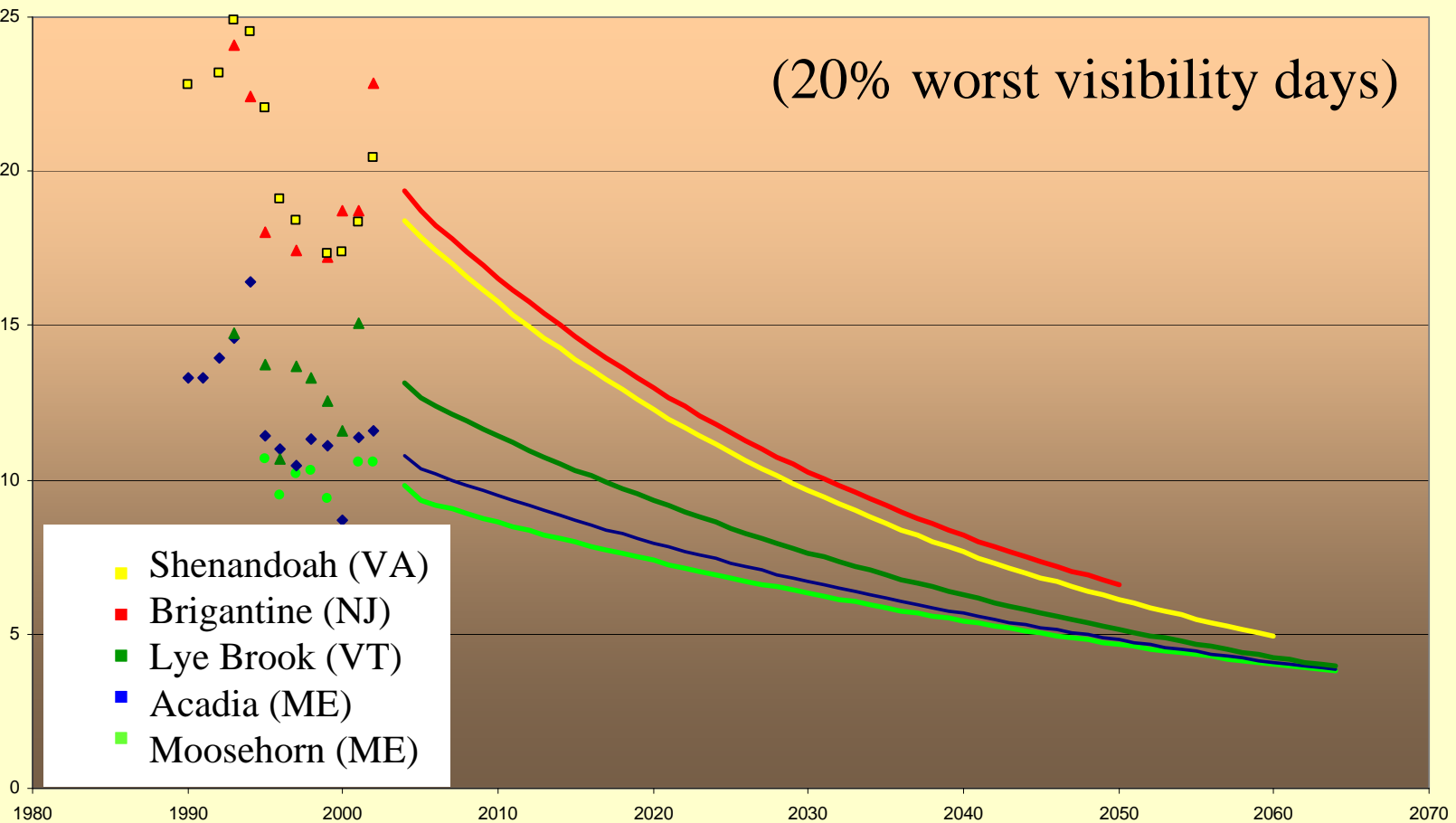
- The LSHO program has its genesis in the Congressional mandate for states/regions to develop plans to restore pristine air quality to National Parks and wilderness areas in the US
- LCFS initiatives is driven (at this point) by state legislative and executive mandates to reduce GHGs by 10% (or more) below 1990 levels by 2020 and 80% by 2050

Air Quality, Climate Change and the Oilheat Industry

- Achieving these goals will ultimately require virtual elimination of common man-made pollutants including sulfur and carbon dioxide
- Current efforts should be understood as first phase of more transformational requirements

Visibility Program Targets (90% of impairment from sulfates)

(20% worst visibility days)



Largest Sources of SO₂ Emission in the NESCAUM Region

Source Category	Emissions (tons/year)	% of Regional Total
Electric Generating Units	433,754	53%
Residential/Commercial Oilheat Burners/Furnaces	120,508	15%
Industrial/Commercial/ Institutional Boilers	58,683	7%

Other Environmental Problems Related to Sulfur in Fuel

- Fine particulate matter
 - Sulfates are dominant contributor to PM
 - No threshold for health impacts
 - EPA required to reassess NAAQS every 5 years
- Acid deposition
 - Many lakes and ponds still affected
 - Continuing effort is needed to enable ecosystems to recover

Opposition to Advocacy

- LSHO initiative demonstrated “win-win” opportunities can be found
- Over time we found mutual benefit could be derived: cost-effective emission reductions and an opportunity for oilheat industry to make itself more competitive in “greening” economy

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- Similar challenges and opportunities exists for GHG reduction strategies
- Our experience working together on LSHO provides insights on how to best approach climate change:
 - Need to share interests & concerns
 - Need to avoid “positional” negotiations that limit creativity
 - Willingness to engage in creative dialogue & be open-minded

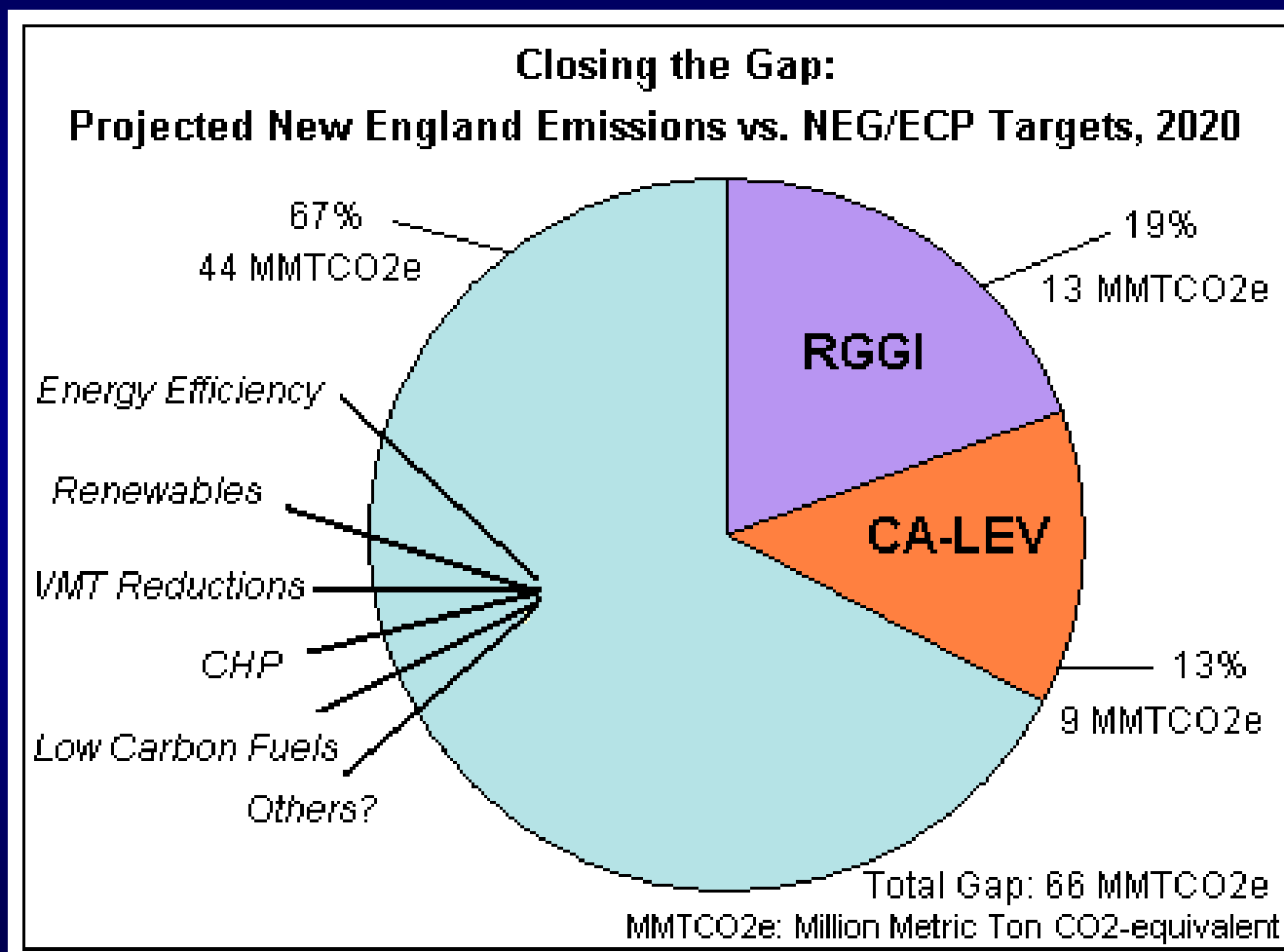
Regional LCFS

- LCFS is a key regional GHG strategy along with:
 - CA GHG car standards
 - RGGI
 - RES
 - Energy Efficiency
- Collaboration of 11 Northeast and Mid-Atlantic states

Goals of Regional LCFS

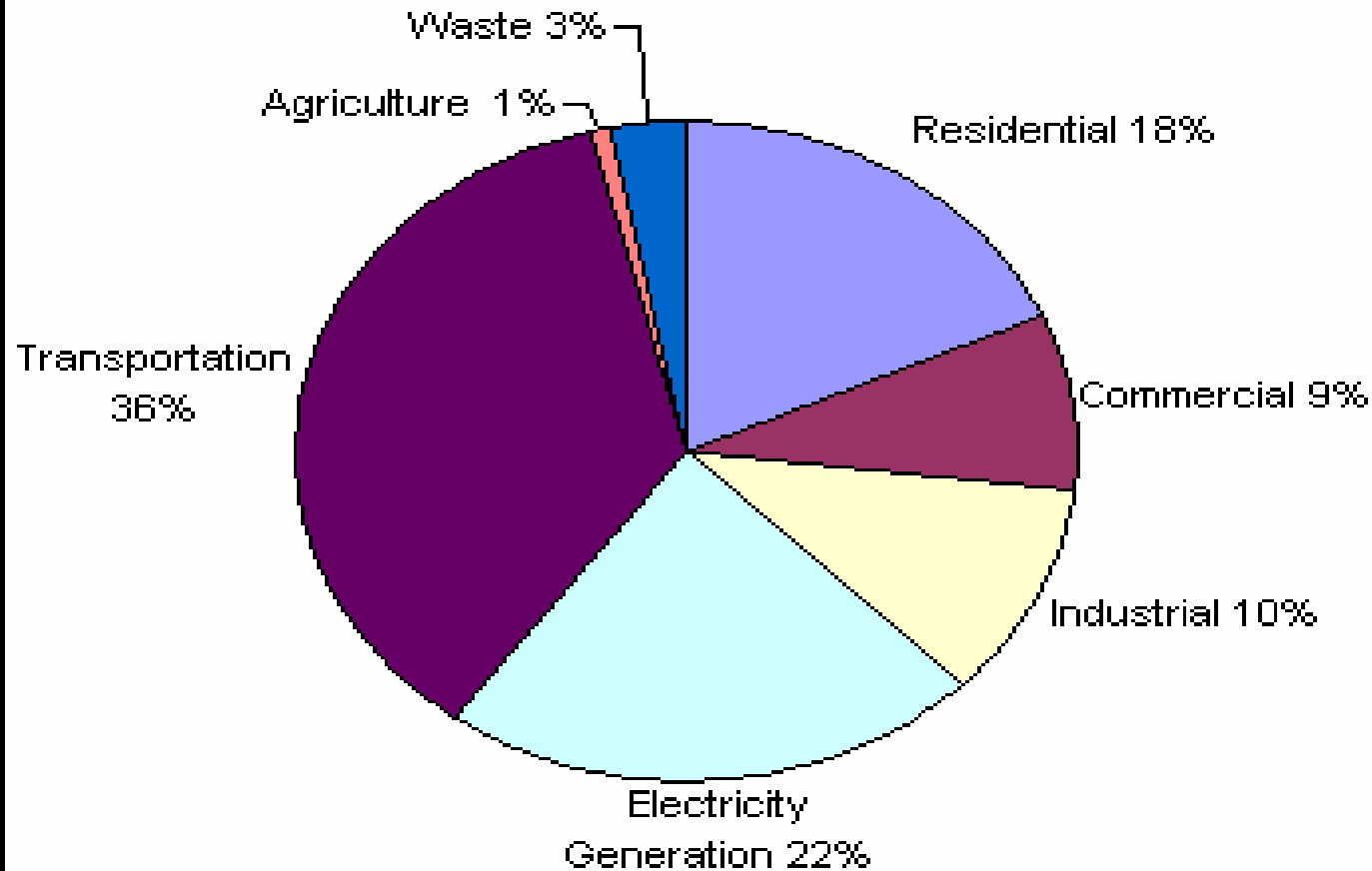
- Lower carbon intensity of fuel to reduce GHG emissions
- Energy security
- Harness market forces to drive technology development (e.g., EVs, advanced biofuels)
- Address lifecycle emissions
- Influence national policy

So Why are States Looking at LCFS?

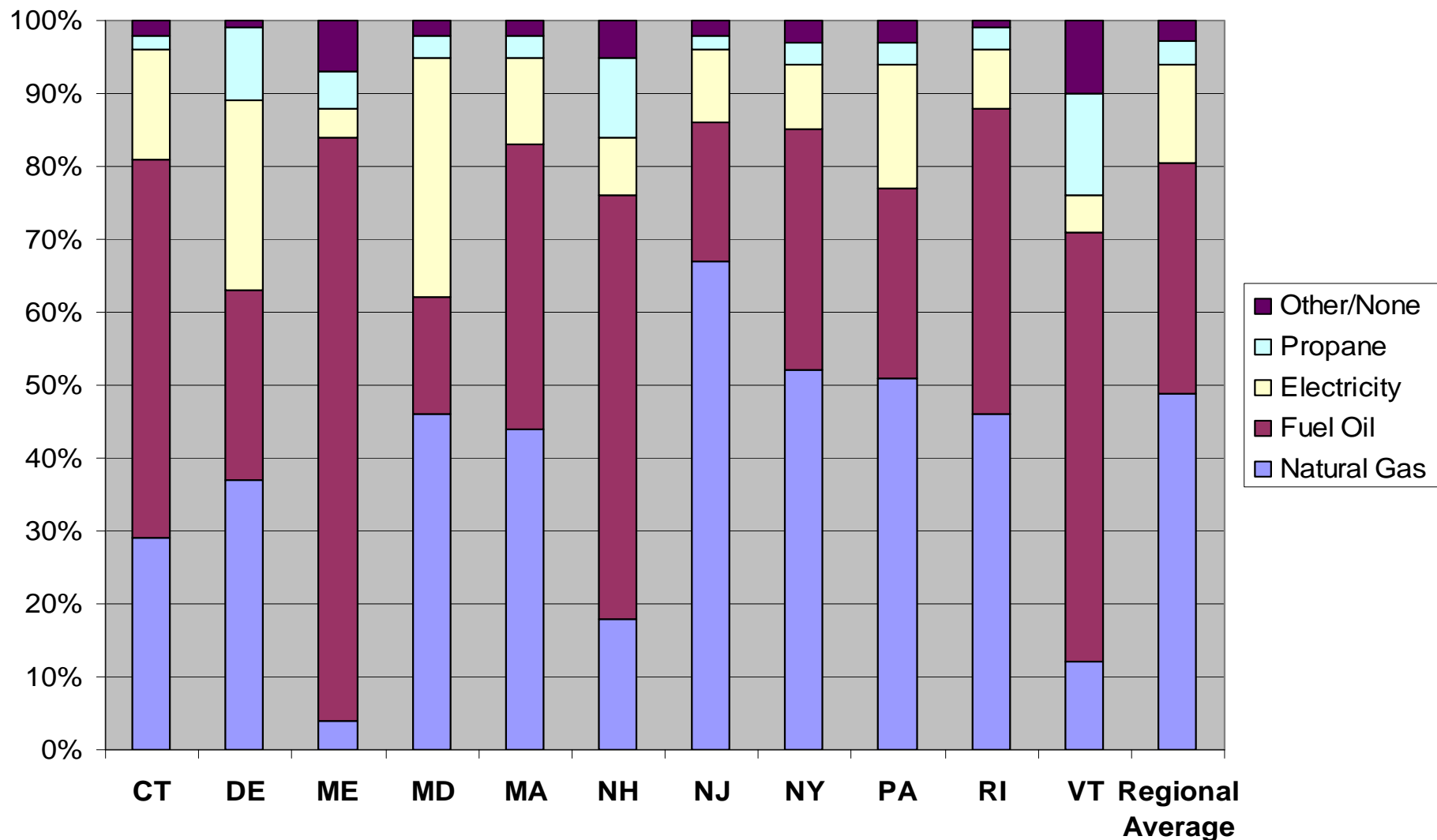


GHG Emissions by Sector

New England GHG Emissions By Sector, 2003



Home Heating Technologies, 2000 (Share of Households)



Source data: Energy Information Administration, *State Energy Profiles*.

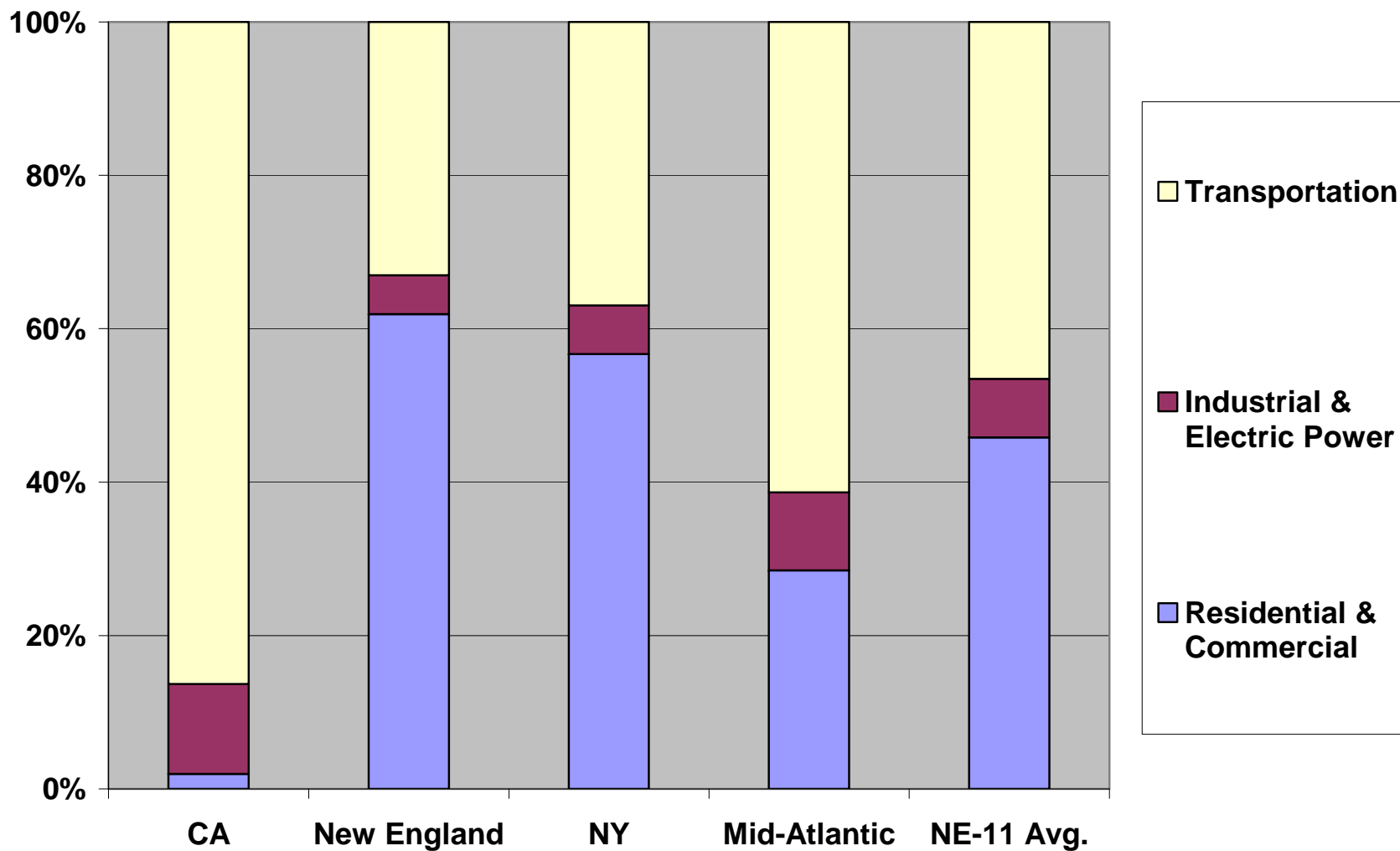
Current Status

- **Governors from 11 participating states signed Memorandum of Understanding, December 30, 2009 committing to:**
 - Collaborate in developing a program framework
 - Conduct economic analyses
 - Assess sustainability issues (e.g., iLUC)

Next Steps and Major Milestones

- 2010:
 - Q1: Develop economic analysis inputs, stakeholder input
 - Q2: Economic analysis, develop framework elements
 - Q3: Review economic modeling; develop framework and sustainability options
 - Q4: Draft and refine reports and recommendations with stakeholder input
- Early 2011: Agree to program framework
- 2011: Model rule, state rulemakings

Distillate Oil Consumption, 2007



Source data: EIA, State Energy Data System

Current Thinking on How to Address Heating Fuels in LCFS

- Include only #2 distillate heating oil
- Establish separate baseline
- Initially “no backsliding” requirement only
- Credits can be generated only from blendable liquid fuels
- One-way trading of credits (heating > transportation)
- Establishing future reduction targets for heating sector remains an option

Looking Forward

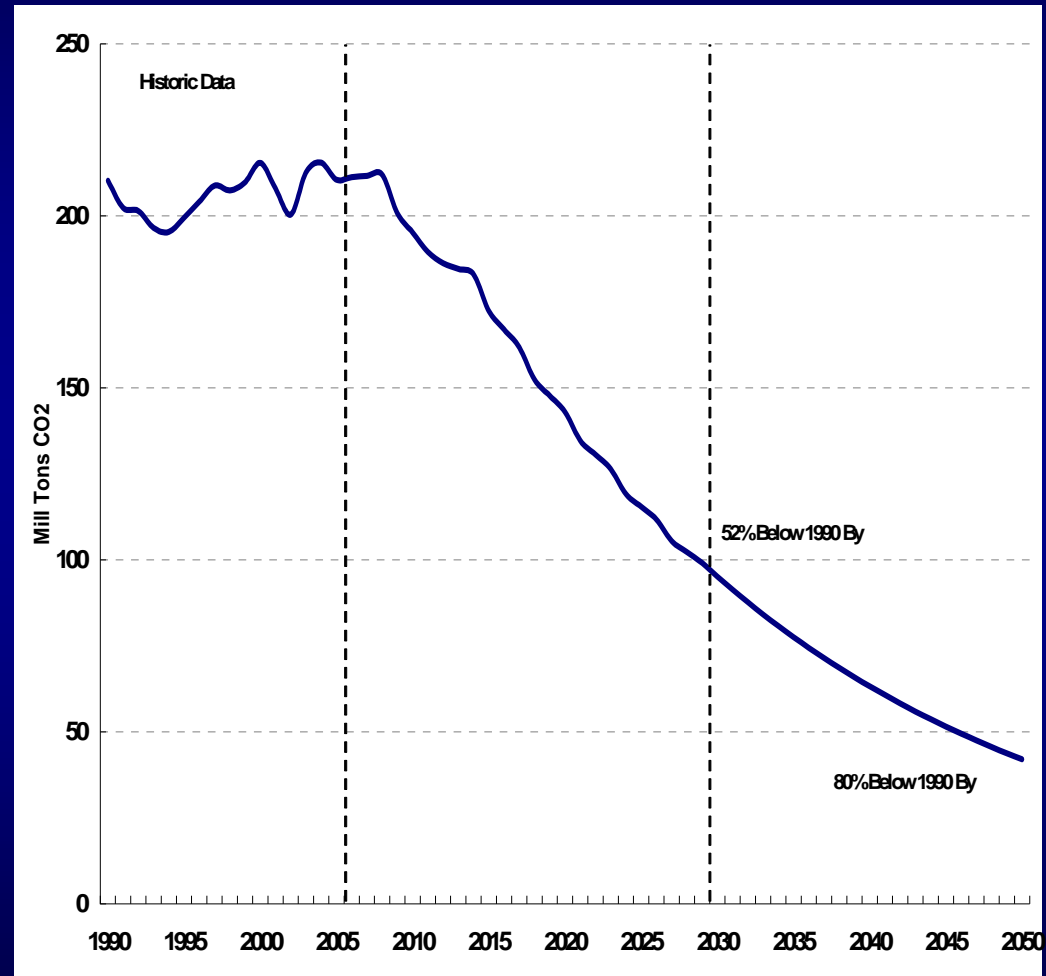
- NESCAUM values the relationship that has been established with the oilheat industry through the efforts of NEFI and NORA
- Acknowledge and applaud the changes your industry has undergone and continues to explore in response to environmental needs
- Appreciate oilheat industry's willingness to work with environmental regulators to come up with programs that make sense and hopefully meet our mutual interest

Looking Forward

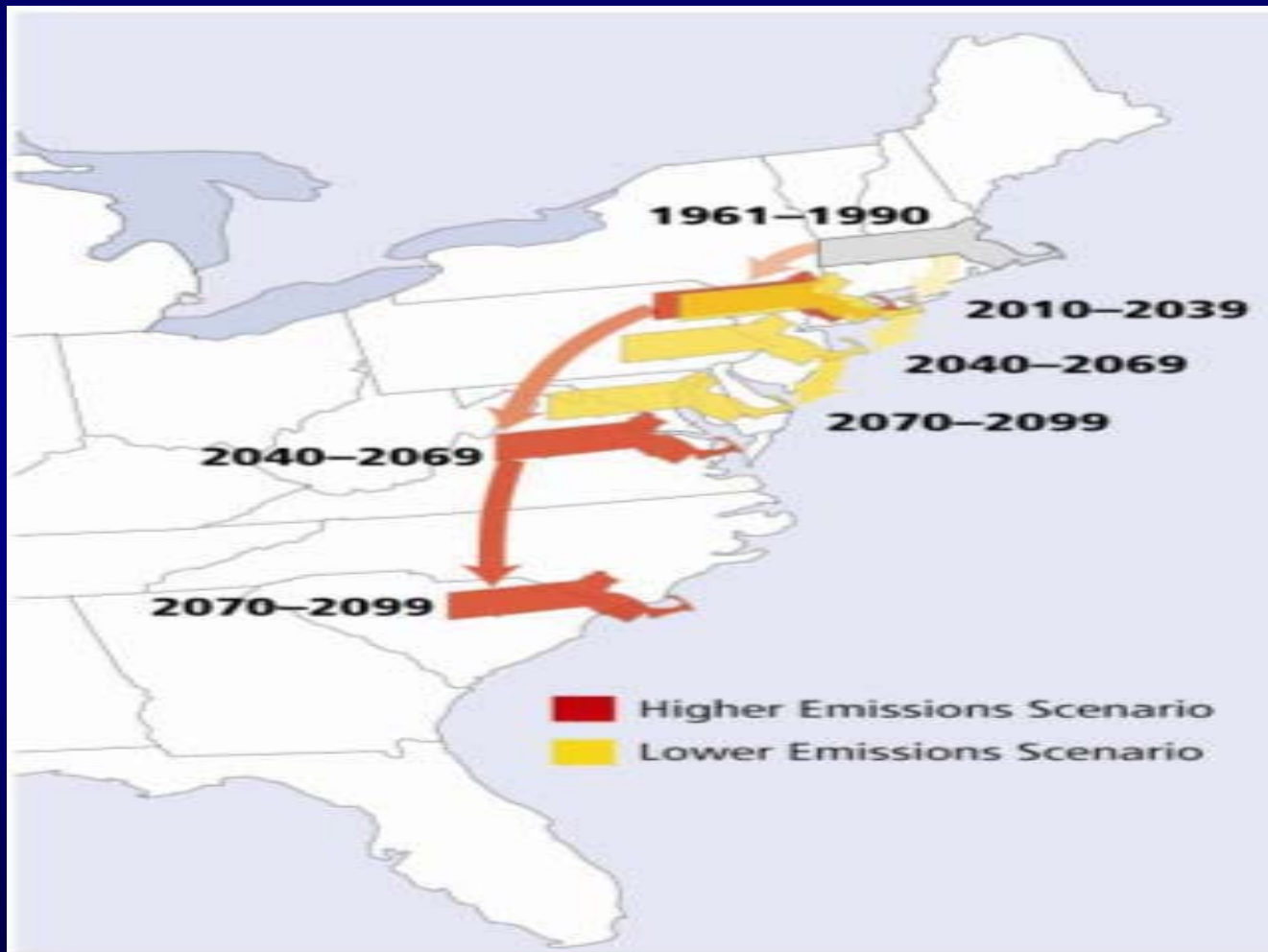
- States interested in exploring innovative approaches for reducing GHG from heating sector both within framework of LCFS and outside
- Might consider a industry-state workgroup to evaluate comprehensive approach that marries low carbon fuels, highly efficient oilheat systems, integrated solar, insulation, etc.

We Must Act Now

- With serious commitment, the nation might still achieve 1990 GHG levels by 2020
- By then ½ of the period from 1990-2050 will have passed and we'll still need reductions on the order of 80%
- Congress has yet to act



Why Oilheat Dealers Should Care



Thank You

