

Expanding Energy Efficiency Programs to Commercial and Industrial Heating Oil

Policy Summary: At present the electric utilities provide funding for heating-related efficiency measures in homes that use oil heat. There is no funding available for commercial and industrial (C/I) buildings that use fuel oil for heating. Expanding the programs to such customers could yield significant cuts in energy use and GHG emissions.

The Commonwealth took a small first step in the implementation of this policy when the Massachusetts Department of Energy Resources (DOER) decided to amend a regulation to allow a sliver of the commercial heating oil market (multifamily buildings) to participate in energy efficiency programs. Regulatory compliance is expected in 2016. The savings associated with this step are accounted for in the *All Cost Effective Energy Efficiency* policy.

	Savings from full policy implementation	% of 1990 level
Economy-wide GHG reductions in 2020	<<0.1 MMTCO ₂ e ⁵¹	<<0.1%
Oil savings in 2020	350,000 MMBtu	

Clean Energy Economy Impacts: These programs could result in increased employment in efficiency audits and installation of efficiency measures, and reduced spending on fuel oil imports, which keeps more money in the Commonwealth and thereby helps to provide jobs throughout the Commonwealth's economy. Companies using fuel oil could see lower operating costs, which increase their ability to continue operating in Massachusetts.

Rationale: The exclusion of C/I customers from oil heating efficiency programs is a significant missed opportunity for reducing energy use and GHG emissions. Given that heating oil is a relatively high-carbon fuel, and that the lack of programs in the past means that such buildings will typically have low efficiency levels, the savings both in energy and GHG should be relatively high per dollar of funds spent.

Design Issues: Although the statutory basis exists for the electric utilities to provide funding to C/I customers in the same way that they do for residential customers, DOER must promulgate a new regulation to realize this goal.

GHG Impact: A reduction in GHG emissions is estimated to be less than 0.1 MMTCO₂e in 2020, assuming that C/I customers participate at the same rate, relative to their total use of heating oil, as do residential customers starting in 2018.

⁵¹ The GHG reduction is shown as <<0.1 MMTCO₂e (<<0.1%), because no significant reductions are expected by 2020.

Other Benefits: Non-CO₂ air pollutants from fuel oil will be reduced due to lower consumption, including reductions in SO₂, NO_x, and particulates.

Costs: Costs are relatively small since C/I customers constitute only about one-quarter of total heating oil consumption in Massachusetts, with the rest being residential.

Equity Issues: Heating oil customers do not pay into a specific efficiency funding pool, as do electricity and natural gas customers. However, in almost all cases, they are also electricity ratepayers who do not receive the heating efficiency incentives received by other non-gas heated electric customers.

Uncertainty: Measures to improve the efficiency of building shells, heating systems, and heating distribution systems are well known and there is extensive experience with them. Thus, there is little risk of not being able to achieve cost-effective energy and GHG savings. The primary source of uncertainty for C/I non-regulated fuel efficiency funding is the time required to generate savings once the policy is adopted.