

The Fuel Merchants Association of New Jersey (FMA) represents small businessmen and women who distribute heating oil, gasoline and diesel fuel in the state. Our members distribute heating oil to residential, commercial and industrial customers and distribute branded and unbranded gasoline and diesel fuel to service stations they own, and to service stations they supply, as well as to state and local governments and commercial fleets. FMA's members also install and service central heating and air conditioning equipment.

The Oilheat Industry nationally is primarily composed of thousands of multi-generational family businesses, most of which have fewer than 50 employees, and many having fewer than 25 employees.

The survival of these businesses is directly threatened by the July 2009 NESCAUM proposal and I am here today to hopefully persuade you as to why a mandate or incentive to switch to a fuel that currently has a strong majority of households, natural gas, or to a fuel that would not be suitable in a state that is currently in non-attainment, wood, is wrong. While we wish to work cooperatively with NESCAUM and have shown this willingness on this issue and others, such as reducing the sulfur content of heating oil, this report appears to have a pre-determined outcome relative to our future; the only question that remains is that of timing.

FMA wants to make sure that any policies regarding reduction of the carbon intensity of fuel treat the carbon and carbon equivalent of all fuels equally.

It is universally agreed that the best means of reducing carbon and carbon equivalents is by reducing the amount of fuel consumed. On this front the Oilheat industry has been a leader.

Over the course of a generation our industry has promoted equipment sales that have reduced the average consumption of heating oil from approximately 1,700 gallons a year to less than 1,000 gallons a year. This has resulted in the reduction of 7 tons of CO<sub>2</sub> per customer per year. Unlike the regulated public utilities that have been granted the right to charge consumers for not selling fossil fuel energy by legislatures and public utility commissions, no one has paid Oilheat marketers for the reduction in their energy sales.

While increased efficiency reduces consumption it is inevitable that a fossil fuel energy source needs to be combusted to produce heat and in the near term that energy source will be a fossil fuel. According to the United States Department of Energy's Energy Information Administration coal, liquid fuels, and natural gas will meet 80% of primary energy needs in 2030. The Oilheat industry wants to ensure that the best equipment is available to combust as little of these fuels as possible while continuing to provide complete home comfort.

To this end it is encouraging that we are currently able to offer the highest "real world" efficiency hydronic equipment when efficiency is defined as how much fuel is combusted on a full cycle analysis since the AFUE rating is a faulty metric for measuring hydronic system performance.

As it relates to reducing consumption and CO<sub>2</sub> and CO<sub>2e</sub> emissions we are also working on developing better furnace technology. However, for our industry to be able to offer the highest

efficiency systems at economic prices requires the introduction of a heating oil with a sulfur standard equivalent to that of on-road diesel, 15 part per million sulfur.

The Oilheat Industry has worked with NESCAUM to implement an ultra low sulfur fuel which would reduce PM 2.5 emissions. This reduction of sulfur would also allow for the introduction of condensing furnaces on a much more wide spread basis. However, the biggest concern with this proposal is whether the refiners will make the investments to make this fuel. Unfortunately, the July 2009 NESCAUM proposal will make this fight much more difficult.

Considering the fact that (excluding jet fuel) the distillate market is a 64 billion gallon market annually in the US and that within 30 months the only distillate pool that will not be 15 ppm fuel is heating oil, FMA is extremely disappointed that the implementation of this requirement has not yet been made official, it is uncertain whether the end point for heating oil will be 50 ppm or 15ppm, and that the introduction of 15 ppm heating oil is still many years away.

While efficiency is important we also recognize the need for reducing the carbon and carbon equivalent intensity of fuels. To this end the Oilheat industry is supportive of a bio-fuel component being added to heating oil.

As of now the ASTM definition of heating oil includes a blend of up to 5% biofuel. The only limitation to ramping up the blend is ensuring that component parts in heating systems and the distribution system can easily accommodate higher blends and preliminary research shows that this is indeed the case.

FMA recognizes there has been debate concerning the issues surrounding land use and biofuel production. In respect to the time given here today we are submitting a copy of the Oilheat industry's comments to the USEPA on this topic.

While I have demonstrated our industry's commitment to reducing fuel consumption and to reformulating the composition of heating oil I would be remiss if I did not address the serious issues in the July 17, 2009 NESCAUM report.

In reading the report it is rather evident that NESCAUM does not want the heating oil industry around anymore. Below is from this report (page 4-12 to 4-13):

*There are a number of reasons why the northeast states might consider including No. 2 fuel oil in an LCFS. First, the region has a unique opportunity to substitute regionally available low carbon fuels – such as woody biomass and electricity – for No. 2 fuel oil in home heating applications. Other substitutes for No. 2 fuel oil could be used to lower the average carbon intensity of fuels used for space heating, such as heat pumps, natural gas, and advanced biofuels, even though these might not be produced in the region. Further, the replacement of inefficient oil burning furnaces with modern, higher efficiency wood burning furnaces, such as pellet stoves, would reduce carbon emissions in the region. From an economic standpoint, the use of available woody biomass feedstocks would assist the contracting northeast paper industry and could help alleviate the cost burden on low-income households when heating oil prices rise. The use of*

*woody biomass and electricity as substitutes, combined with increased natural gas use for space heating, provides near-term low carbon fuel options for the Northeast.*

After having spent years meeting with NESCAUM to implement a strategy to reduce PM 2.5 emissions, a strategy that hasn't even yet been implemented, NESCAUM is proposing to increase wood burning?! The newest wood pellet stove emits 16 times the PM2.5 emissions of a current Oilheat system and 1,000 times an ultra low sulfur heating oil system, which incidentally is the effective equivalent of natural gas emissions in this regard.

Is PM 2.5 no longer an item of NESCAUM concern? If PM 2.5 is no longer of concern to NESCAUM is economic development now one of NESCAUM's guiding principles? It appears that it is.

The above quote references the desire to, "... assist the contracting northeast paper industry..." Why isn't assisting the long-term economic well being of the contracting heating oil industry equally paramount? Why is it only investor owned public utilities and the paper industry that pass the NESCAUM "worthy industry" test?

FMA believes NESCAUM should want to help both industries and pursue wood to liquid research and waste to liquid research that will provide for regionally sourced feedstocks for low carbon fuels as well as support all multi-generational "contracting" industries. The current biofuel mix of soybeans, algae, etc. will provide us the bridge necessary until these wood and waste industries can scale up to meet the demand.

As for natural gas the Oilheat industry has a road map that will get us to reducing our CO2 emission from today's fuel and in the very near future we will be equivalent to and then surpass natural gas without the homeowner needing to make substantial investments that will never repay itself.

As it relates to natural gas has NESCAUM factored the CO2e of increased drilling for natural gas in Pennsylvania and New York, let alone the impact to drinking water aquifer and individual potable wells?

In light of the above FMA believes that any inclusion of heating oil in the low carbon fuel standard would be a vehicle for incentivizing conversion from heating oil to gas heat which would assist investor owned, and in some cases foreign, companies at the expense of local multi-generational family owned businesses; result in no short term decrease in CO2/CO2e emissions once the new fuel formulation is in place and result in higher CO2/CO2e emissions as larger bio-blends come on line; and cost homeowners a fortune they will never recover in heating system replacement, unfortunately NESCAUM appears to have already made up its mind and for this reason FMA opposes any inclusion of heating oil in the LCFS for the Northeast.