



**PETROLEUM
MARKETERS
ASSOCIATION OF
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HOME OILHEAT EFFICIENCY TAX CREDITS AND HOME STAR LEGISLATION

ISSUE BACKGROUND

The Petroleum Marketers Association of America (PMAA) and the New England Fuel Institute (NEFI) represent nearly all of the home heating fuels distributed to American homes and businesses and also represent thousands of jobs directly related to the manufacturing and maintenance of oil heating equipment. The oilheat industry is a vital part of our nation's economy which is evolving into a cleaner and greener fuel through BioHeat®, ultra low sulfur diesel (ULSD) and highly efficient boilers and furnaces. While we applaud federal attempts to incentive home energy efficiency projects through the American Recovery and Reinvestment Act of 2009 (ARRA), also known as the stimulus package, we are concerned that the guidelines set out for qualifying equipment exclude a large portion of highly efficient oilheat equipment. PMAA and NEFI urge Congress to make changes to the stimulus bill which will allow the oilheat industry to benefit from several energy efficiency tax credit provisions designed to encourage the greater use of more energy efficient heating equipment.

The stimulus package contained provisions to extend home energy efficiency tax credits (**Section 25C credits**) through 2010 with a \$1,500 aggregate cap which allows taxpayers to deduct the whole amount for one single efficiency upgrade to their home if the system meets the following criteria: *Qualified Oil heat water boiler with AFUE (Annual Fuel Utilization Efficiency) rate of not less than 90.* Qualified oil hot water boilers with an AFUE of not less than 90 is unduly restrictive as less than one percent of the total available oil hot water boilers can achieve this AFUE rating, and our contention is that, for oil hot water boilers, the best measurement of efficiency does not fall exclusively within the AFUE rating. Furthermore, there are only four gas-fired boilers made in the U.S. that qualify under the ARRA and only one qualifying oil-fired boiler. All other residential boilers that qualify for consumer tax credits are largely manufactured overseas. We have manufacturing facilities in America whose workers would see an enormous benefit from our federal government's investment in expanding American energy efficiency objectives using American-made equipment.

STUDIES COMPLETED ON AFUE OILHEAT RATINGS

Department of Energy Laboratory studies show savings of 25 percent or more can be achieved by upgrading homes to high efficiency integrated heat and hot water systems. Field results are often much higher. Existing technology saves more energy than is recognized in the boiler AFUE rating method. As such, the boiler AFUE rating is not a predictive standard. See <http://www.nora-oilheat.org/site20/uploads/NORA%20Policy%20r7.pdf> for complete details of the DOE's Brookhaven National Laboratories study.

The experts at Brookhaven estimated that there are more than one million oil-fired boilers nationwide operating at efficiencies of 80 percent or less. Additionally, the DOE laboratory studies highlighted:

- The best performing system in the study is a proven American made oil heat system, which outperformed modulating condensing equipment with higher AFUE ratings.
- The systems are affordable, easy to service, use industry standards components, and have relatively quick payback periods.
- Upgrades typically are completed in one day.

Over the past 30 years, progress in oilheat technology has cut the national per-consumer annual consumption of heating oil from approximately 1,100 gallons down to 700 gallons – a reduction of more than 36 percent – and an associated reduction in emissions of all types, including CO2 emissions.

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PMAA and NEFI urge Congress to make a short-term, minor change in minimum AFUE ratings eligible for the federal tax credit which will allow greater a application of these technologies and greater reductions in emissions as a result...

CONGRESSIONAL ACTION NEEDED

Amending Division B, Title I, Subtitle B, Part III, sec 1121(F) Qualified oil heat water or steam boiler, or furnace – The term qualified oil hot water or steam boiler or furnace’ means any oil hot water or steam boiler or furnace which achieves AFUE rate of not less than 90, or

- 1) *Oil boilers with an 86 AFUE rating or greater that has temperature reset or thermal purge controls.*
 - 2) *Furnaces with an 86 AFUE that uses an electronically commutated blower motor.*
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HOME STAR – “CASH FOR CAULKERS” PROGRAM

The President’s HOMESTAR “cash for caulkers” proposal would expand the existing Section 25C tax credits for boilers and furnaces among other efficiency improvements such as air-sealing, attic insulation, duct seal or replacement, wall insulation, windows, air-conditioning and super efficient refrigeration. The Home Star Energy Retrofit Act of 2010 (H.R. 5019) and Senate Home Star legislation (S. 3177) set oil furnaces with an 86 AFUE rating or greater that use an electrically commutated blower motor and an oil boiler with an 86 AFUE rating or greater that has temperature reset or thermal purge controls are eligible for the federal rebates under the Silver Star and Gold Star programs. The bill would establish a six billion dollar program that would offer tiered rebates depending on the upgrades.

Under the Silver Star program, homeowners could receive as much as \$1,500 per retrofit but not to exceed \$3,000 or 50 percent of the total project cost (whichever is less). Eligible measures include insulation, duct sealing, water heaters and HVAC units, windows, and doors. Homeowners seeking to make major efficiency improvements would be eligible for up to \$8,000 under the Gold Star rebate program to retrofit their whole home to achieve a 20 percent energy savings. The program would provide direct rebates at the point of sale for certain items. Hardware stores and large national home improvement chains can provide rebates to the customer and then seek reimbursement from the Federal government. GOLD STAR performance standards would require an energy audit by a BPI (Building Performance Institute) accredited contractor or Residential Energy Services Network RESNET® Certified Rater before any HOMESTAR rebates would be released.

The heating oil industry recommends that an additional yet related prescriptive measure be included in the Silver Star proposal - the retrofit of existing hydronic equipment with Automatic Water Temperature Controllers. These electronic control configurations can be used with existing installed hydronic boilers installed at a fraction of the cost of complete equipment replacement, and yield 10 to 15 percent energy savings. While the performance-based concept has exceptional merit, the test-in/test out and modeling requirements add a layer of costs which reduce the funds available for the actual components of efficiency improvement. It is worth noting that the Gold Star program will have limited impact on jobs creation as many of the small business which is vital to effective delivery of consumer energy efficiency do not have the resources available for the requisite training and equipment needed to conduct relevant performance-based efficiency projects.

“THE ASK”

PMAA and NEFI urge Congress to pass HOME STAR legislation (H.R. 5019) (S. 3177) quickly and to make minor adjustments to Section 25C credits under the ARRA to reflect the HOME STAR eligibility language. Additionally, PMAA and NEFI urge legislators to include the Automatic Water Temperature Controller section above in the HOME STAR bill.

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