

Questions and Answers about NORA, the GAO Audit, and NORA's Reauthorization Legislation

Q. What Does the Oilheat Industry mean to America?

A. The nation's Oilheat industry operates in 24 states in the country, with 7,000 mostly small businesses serving 7 million consumers. The Oilheat industry employs some 160,000 people ranging from professional energy conservation technicians to office workers and the industry's contribution to the economy exceeds \$60 billion. While Oilheat comprises less than 2% of the nation's energy mix, it is an important economical alternative fuel for homes and businesses.

Q. What is NORA

A. The National Oilheat Research Alliance [NORA] was enacted by Congress in 2000 as Title VII of H.R. 2884 and was signed into law by President Clinton as Public Law No. 106-469. NORA, is similar to 23 other industry "check-off" programs operating under federal law, places a fee of one-fifth of one cent per gallon on all heating oil sold in the nation.

Q. How Has NORA Used its Funds?

A. The roughly \$12 million this fee raises annually is used for important research and development of Oilheat equipment, for the training and education of our industry's workforce to raise their technical abilities in furthering energy conservation, improving safety and reducing reliance on foreign energy, and in consumer education efforts that enable consumers how to conserve energy and use heating oil more wisely, as well as equipment options and biofuels blends. 75% of the funds NORA collects get redistributed back to qualified state associations from the states where the funds were raised so that the majority of the funds are spent locally.

Important to note that for every \$1 we expend on energy conservation we save \$3 in avoided energy costs.

Q. What Has NORA Achieved Since Its Inception?

A. NORA's research and development projects include the development of several new high energy efficiency products. NORA has developed a boiler that is rated to 93% efficiency, and a furnace at 95% efficiency. Prior to NORA, these products were rated at 86% efficiency. NORA's work with its qualified state associations has proven

that for every \$1 we invest in raising energy conservation we avoid \$3 in higher energy costs

NORA's work in research and development and training and education directly supports the jobs of the industry's employees throughout 24 Oilheat states in the nation.

NORA's consumer education efforts in the areas of energy conservation and encouraging the use of domestically produced renewable fuels has assisted 7 million consumers to make intelligent fuel choices in the marketplace that reduces the nation's reliance on foreign energy and encourages the development of more renewable fuels in our supply.

NORA has established the Liquid Fuels Research Center (LFRC) that has developed many new technologies. Among the issues LFRC is studying on behalf of the Oilheat industry is a systematic evaluation of the fuel component of the Oilheat system to maximize fuel performance for Oilheat customers. This study includes:

- * Fuel Interactions and stability, and the impact on fuel performance;
- * Better understanding of what cause fuel to degrade in storage.
- * How heating oil and BioFuel work can be safely integrated into existing equipment.

NORA has developed the scientific evidence which has encouraged the industry to use low sulfur fuel. This evidence shows that this fuel is good for the environment, good for energy efficiency and good for customers

NORA also evaluated the efficiency of combined appliances. While these appliances are very efficient at delivering heat and hot water, there has not been an effective way of measuring their efficiency.

NORA conducted a wide-ranging and thorough study in conjunction with the New York State Research and Energy Development Authority (NYSERDA). This research was translated into a calculator for service technicians to use in helping customers evaluate and select the most efficient boiler for their home. This project needs to be expanded to provide technicians an easy way to evaluate equipment in homes, and compare it to new equipment.

NORA has also developed educational resources for the heating oil industry, educating new technicians, and improving skills for thousands of energy technicians. Each of these individuals is qualified to help customers operate their equipment safely and efficiently. Additionally, NORA has worked to ensure that tanks are installed and maintained correctly, reducing the incidences of unintended releases.

NORA has also established a robust consumer education program, making customers aware of energy efficiency options, from installing programmable thermostats, to replacing the boiler with a high efficiency model.

During the years of NORA's existence, there has been a sharp drop in oil consumption, as customers are working with their Oilheat service companies to reduce consumption.

Q. There was a Government Accountability Office [GAO] review of NORA recently completed. What were its results?

A. Senator Jeff Bingaman [D-NM], Chair of the Senate Energy and Natural Resources Committee, called for an audit of NORA and PERC last year and the report by GAO is now complete. We've worked closely with the GAO during the review of our program and been responsive to their every request. The core mission of the GAO review was to determine the extent to which our funding was used for its statutory purposes and what needs to be done to strengthen the program. NORA is fortunate as its leadership and state associations are scrupulous and diligent in their handling of NORA funds. No NORA funds were used for political purposes or lobbying. There were a few instances where the NORA logo had been inadvertently placed on association letterhead or on an association website in the wrong place. The few instances of misplaced NORA logos were all corrected months ago.

We take the GAO review and Congressional oversight of the NORA program seriously, and while the GAO review found nothing consequential we have, nonetheless, already taken steps in the legislation we will propose to strengthen the program, are addressing each and every one of GAO's observations with actions that will strengthen the program. We will strengthen the ability of NORA to audit the uses of funds that go beyond what NORA already does to ensure its proper uses. With a cleaner, greener fuel on the horizon, NORA can make more use of funds for research and development of high efficiency equipment that we have been unable to use while the industry has had a high sulfur fuel. No one looks forward to being audited. In our case, we're gratified that the GAO audit of NORA does not reflect what we read of other check off programs where there have been serious allegations made about misuses of funds. In NORA's case, our management at NORA and throughout the 24 NORA states have done well to build a record to be proud of in research & development, training and education and consumer education.

We will continue to work with the Senators who have been leaders in our effort including Senators Shaheen, Snowe, and Reed, and Representatives Pitts and Welch. Over the past two years, we have been working with them to make appropriate

changes to the underlying statute. They have also been working very hard to advance a bill reauthorizing NORA in a very tough political climate.

Q. What Is Proposed for NORA's Future, given that the law expired February 6, 2010?

A. NORA is the only federal check-off program of the 24 on the books today that has a periodic sunset. This sunset affords us the opportunity to return to Congress and explain what we have done up to now and what are plans are for the future.

The legislation drafted for NORA's reauthorization through 2019 includes several key components. First, we have specifically addressed every concern raised by the GAO audit to strengthen our administration of this program to guarantee the appropriate use of funds. Second, we are requesting a renewable fuel standard for heating oil that will serve the purpose of reducing our reliance on foreign energy by displacing more than 800 million gallons of traditional heating oil with cleaner, domestically produced renewable fuels. Transitioning our present heating oil to a cleaner burning, environmentally friendly product strengthens our energy security as a nation and reduces consumer costs.

Our legislation, once passed and signed into law, will make us among the cleanest heating fuels available in the nation. This cleaner fuel will enable NORA to expand its research and development activities into higher efficiency heating. The higher efficiency equipment we can produce domestically in more than 32 Congressional Districts across the nation means more manufacturing jobs for American workers. Higher efficiency equipment used by consumers means lower net energy use and lower net energy costs.

Developing new equipment also carries with it the responsibility to ensure that professional, licensed energy conservation technicians are properly trained by NORA in how the new equipment is installed and maintained for the benefit of consumers.

Q. NORA's legislation seems to address important issues that have been raised regarding climate change?

A. Whether or when Congress determines to deal with the issue of climate change, the fact remains that the U.S. EPA has announced its intention, by rulemaking, to require states to demonstrate through amendments to their 1990 Clean Air Act "state implementation plans [SIPs]" who each state will achieve reductions in CO2 emissions. Further, there are a variety of regional, state and even local initiatives dealing with climate change. We can meet the challenges of reducing greenhouse gas emissions through improvements in energy efficiency and with better fuels, if we have a single,

federal standard instead of trying to cope with the chaos of a patchwork quilt of different approaches.

Q. What Is Our Next Step?

A. We are meeting with our Members of Congress during their summer recess to explain what NORA is, what NORA has done, and what our vision is of NORA's future. We need to explain how important the NORA legislation is to the industry, and that it is vital to the industry's efforts to develop a clean, green, renewable fuel. Senators Shaheen [D-NH] and Snowe [R-ME] have written to Senate Energy Chair Bingaman and asked for a hearing on the GAO/NORA report at the earliest practical date, and have advised the Chairman of their plans to move forward with a full reauthorization, and to make appropriate changes. We look forward to the opportunity to explain the great work that the program has done for fuel efficiency and safety, proper education of professional home energy specialists and protecting American jobs and small businesses – not to mention to help create a more secure energy future for our nation.

We are working hard to have legislation introduced in the fall in both the House and Senate. We will work with the Senate and House to be considered a part of whatever energy legislation may come about in September, or at a later date.