



# Empire State Petroleum Association, Inc.

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October 27, 2009

The Honorable Charles Schumer  
United States Senate  
313 Hart Senate Office Building  
Washington, DC 20510-3903

The Honorable Kirsten Gillibrand  
United States Senate  
478 Russell Senate Office Building  
Washington, DC 20510-3904

Dear Senators Schumer and Gillibrand:

I am writing to you regarding efforts in the U.S. Senate to address global climate change and domestic energy security, specifically the *Clean Energy Jobs and American Power Act*. As the Senate moves forward in considering this legislation, I ask that you consider the role being played by the Oilheat industry, especially in your home state of New York. I believe this is an opportunity to synchronize the industry's efforts with the goals of this legislation to help bring about a cleaner, greener and more secure energy future.

## **Oilheat Industry Overview**

The Oilheat industry is a vital component in the overall U.S. energy profile and it provides warmth, comfort and security to more than 7 million customers in more than two dozen states. New York dealers deliver quality Oilheat to more than 2 million households for space heating and hot water. Of the more than 1,000 oilheat dealers in the state, most are small, family-owned and operated businesses, employing over 9,900 highly skilled workers.

The Empire State Petroleum Association (ESPA) was established in 1941 and is the trade association representing the interests of petroleum marketers statewide. The association works in conjunction with the local oil heat associations within New York State who provide training for oilheat technicians and the continuing education that is needed to be proficient in the new, advanced technologies that are transforming oilheat into a "cleaner and greener" fuel. These associations are the Oil Heat Institute of Long Island; the New York Oil Heating Association; the Hudson Valley Oil Heat Association; The Oil Heat Institute of Eastern New York; and the Oil Fuel Institute of Central New York.

## **The Oilheat Industry is Transforming to Address Climate Change**

ESPA is proud of the voluntary steps our membership and industry have taken to reduce petroleum use, improve fuel and equipment, and make Oilheated-homes and businesses more energy efficient:

1. Most recently our industry held a national summit in Baltimore where consensus was reached on one of, if not *the* most important industry developments since the move from coal to a distillate fuel. Industry leaders from around the country **overwhelmingly approved a statement encouraging Congress and appropriate state bodies to help the industry move towards a greener product through adoption of an ultra-low sulfur heating oil standard, expanded use of biofuel blends and the use of solar technology**. Our industry is confident that we can bring sustainable bio-blended fuel to the market, blending as high as 20 percent by 2020 and 80 percent or higher by 2050.

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Blending at such levels will dramatically cut the greenhouse gas footprint of our product along the benchmarks outlined in your legislation.

2. **Over the past two decades, the heating oil industry has made laudable advances with fuel quality and improving the efficiency of heating equipment.** These efficiency advancements along with conservation measures encouraged by the industry have helped cut the average household consumption of heating oil by nearly 34 percent since 1978, from about 1300 gallons a year to a current rate of only 860 gallons annually. This significant reduction in petroleum use has helped consumers save money and become more energy efficient, and has helped the industry reduce its Greenhouse gas emissions profile.
3. **The Oilheat industry has a trained workforce of tens of thousands of highly skilled, licensed professionals to deliver home energy efficiency services.** Retaining these professionals, the majority of who work for full-service heating oil companies, enables us to further the goals of reducing the nation's carbon footprint. The industry's workforce is now being retrained in many states to broaden their focus beyond just the heating, ventilation and air conditioning (HVAC) system's efficiencies, *to services that address the entire home.*

### **We Stand Ready to Work With You**

The Oilheat industry is an important part of the nation's diversified and domestic energy portfolio, which means not putting our country into over-reliance on any single energy source or on our foreign adversaries for imports. Maintaining diversity in supply and not choosing home energy "winners and losers" is critical as we continue to work to develop a fuel that demonstrates a significant decrease in its carbon footprint. Further, home energy consumers deserve diversity in their choice in home heating fuels and the option of a full-service, home-delivered product based on personal preference, needs, family budget and safety considerations.

While we are supportive of the overall objectives of the *Clean Energy Jobs and American Power Act*, we take exception to the built-in measures that would benefit utility consumers over Oilheat and Bioheat® consumers and put our mostly small business dealers at a competitive disadvantage to big business gas and electric utilities. Specifically, we wish to discuss further the following areas of concern:

#### *Preservation of Our County's Small Business Community*

The industry believes that legislation should support, not undermine, the cleaner and greener transformation of the Oilheat industry. Additionally, we seek your support to enable us to provide ever increasing efficiency and environmentally-conscious home heating services to our customers. As cited, our industry is a network of mostly small, community-oriented businesses that are all part of the foundation of a new generation of complete home energy service companies. **We believe that Oilheat and Bioheat® dealers should be exempt from cap-and-trade measures. These restrictions belong further up-stream in the distribution chain, farther from the consumer.**

Also, we are opposed to legislation that is biased towards one home energy source provider at the expense of others just as we are opposed to any legislation that affords benefits to multi-state, multi-national utilities to the detriment of thousands of independent small businesses. As currently drafted, the *Clean Energy Jobs and American Power Act* exempts gas utilities from carbon caps until 2016 (Section 722). They would also receive grants for low carbon technologies in residential and commercial applications (Sections 181-182), as well as offsets and

other incentives to prevent methane leaks. **We want you to know that we are very interested in discussing ways in which S.1733 could similarly benefit Oilheat and Bioheat® consumers and small businesses.**

#### *Consumer Protections*

The Oilheat industry, on behalf of our more than 7 million customers, is concerned about the potential effects of climate change legislation on the cost of our product and the ability of homeowners and small businesses to affordably heat their homes and buildings. S.1733 would allocate "free allowances" to affected industries and consumers in order to provide "relief" from energy price increases. However, there is a disparity between programs for utility and non-utility consumers. As written, utilities would receive allowances directly for efficiency programs and ratepayer subsidies. This differs dramatically from the heating oil and propane provision, which would allocate allowances to state governments for use in existing state or non-governmental efficiency, weatherization and energy assistance programs. It does not involve our industry at all in determining the best way to get this relief directly to the consumer. **While ratepayers would see direct relief on their utility bills, non-utility consumers would have to apply for rebates on their home heating bills.**

#### *Green Jobs*

Your legislation emphasizes the importance of technical education to create the "green jobs" of the future that will help create a more sustainable and domestic energy future for our country. Our industry, thanks to your support for the National Oilheat Research Alliance (or NORA), has a nationwide technical training standard that is aggressively advancing more sustainable and efficient training programs for today's home energy professionals. **We believe your legislation should embrace technical and vocational training programs for these professionals.**

#### *Potential for Carbon Market Speculation*

ESPA has been a vocal advocate for greater transparency and increased oversight within the commodity futures markets. Along with dozens of organizations from the energy, agriculture, public power sectors and consumer advocacy groups, we have for years called on Congress to address the "dark market" commodities trading and excessive speculation that has seriously and adversely impacted our economy and energy consumers. With carbon trading markets expected to exceed \$2 trillion in five years, we feel it is extremely important that protections be placed both within this particular legislation and within the wider commodities markets to avoid the same type of radical instability and speculation-driven price run-ups we've seen in recent years. **Consumers must be protected from excessive speculation in energy and carbon markets and related swaps, derivatives and other complex investment instruments.**

#### **Moving Forward**

We are eager to see legislation advance that reflects the interests of small business home heating fuel dealers and their consumers, especially those in New York State, and we kindly ask you to consider us a readily available resource and ally moving forward. We sincerely look forward to working with you and your staff in pursuing a cleaner, greener and more secure energy future.

Thank you in advance for your consideration.

Respectfully Yours,



Thomas J. Peters  
Chief Executive Officer