



2. REGIONS: Northeast's addiction to oil remains strong (08/09/2010)

Saqib Rahim, E&E reporter

Since 2006, some Northeasterners have received an annual reminder of their dependence on foreign oil: They get it donated by Hugo Chávez.

Oil prices had bounced throughout the decade, and millions of Northeasterners depended on a petroleum product -- heating oil -- to warm their homes.

To keep people from having to choose between heat and other needs, New England and a few Northeastern states accepted millions of gallons of free home heating oil from Citgo Petroleum Corp., the Venezuelan-owned refiner.

"A lot of people have said, 'We need help and we value any help we can get,'" an energy official from New Hampshire told the Associated Press in 2008.

Pressures have arguably intensified since then, with the Gulf of Mexico oil spill and increasing public concern about climate change.

Last week, Lane Burt, a buildings analyst at the Natural Resources Defense Council, estimated that 14 million homes use some form of oil for heating. By his calculations, retrofitting them would not just save carbon emissions; it would also [save](#) oil to the tune of two Deepwater Horizon oil spills a month.

Yet for the millions of Americans who still rely on heating oil, observers say, there is no dramatic change in the offering: Northeastern homeowners, the major consumers of heating oil, remain unlikely to kick it anytime soon.

States and utilities have embarked on energy-efficiency programs, but they have had limited success. The lack of natural gas pipelines in the Northeast makes a switch a costly and long-term proposition. Electricity prices are among the highest in the country, so electric heat remains unattractive.

Coping with 'a historic situation'

For the moment, most Northeasterners have no choice but to use oil, which causes more greenhouse gas emissions than natural gas but less than the coal-dominated grid.

"It's a historic situation," said Gordon Holness, a building engineer whose 30-year career has focused on the Midwest and the Northeast.

Early last century, the region started using oil in lieu of coal for home heating to save space and cause less pollution. As decades passed, the rest of the country began building natural gas pipelines, and today, about half of Americans get their heat from natural gas furnaces.

But the Northeast was far from the major gas supplies in the central United States and Canada. Oil was cheap and plentiful, at any rate, so an extensive gas network was never built. Today, Holness said, "the cost to take a natural gas pipeline up there of any substance would be very significant."

So the typical Northeasterner has become used to the rite of winter: He buys oil from a company that visits with a truck and fills up his home's tank. The tank might last half the winter before another fill-up is needed.

He is also used to riding the price roller coaster that comes with using a fuel that is traded on the world market.

"Devastating" is the word John M. Kerry uses to describe the 2008 spike in the price of oil. Kerry directs the Maine Governor's Office of Energy Independence and Security; about 80 percent of Mainers use oil for heat, the highest rate in the country.

Yet by the end of 2008, topsy-turvy oil markets had his office predicting oil prices of \$5 a gallon, a truly frightful number for Mainers. "All that speculation, combined with the geopolitical supply and production level reductions, it all led to a serious cost," Kerry said. "We were definitely in serious trouble for heating oil."

But \$5 oil never came -- instead, the global economy plummeted and prices dropped.

Potential for change is great, but pricey

Kerry said Maine is promoting efficiency programs and biofuels. Most programs do not directly address heating oil, but homes with better windows and insulation will burn less. The state is in the process of measuring how much less oil it is using, but Kerry said his ballpark is 5 to 10 percent less.

Nevertheless, the alternatives are not obvious; natural gas is rare in Maine, and electricity is expensive. Renewables systems like solar heating and geothermal hold promise, but they are even pricier than gas furnaces. "The potential [for change] is great; the reality is going to be challenging," he said.

Jennifer Amann, director of building programs at the American Council for an Energy-Efficient Economy, said part of the issue is cost: Furnaces can last a long time, and switching to gas likely means pricey fixes to other parts of the home, such as the chimney.

A bigger issue, she said, is that many efficiency programs are utility-run. The programs are usually designed to reduce electricity and gas use, since these are utility-provided; since oil comes from small retail businesses, programs don't always directly deal with oil efficiency.

She said some new oil furnaces have reached high efficiency levels, so they are likely to be around for some time.

Kevin Rooney, who runs a group representing the heating oil industry on Long Island, agrees. Rooney, CEO of Oilheat Institute of Long Island and a DOE official under President Reagan, said he feels "fantastically secure" about oil's long-term prospects there.

He said almost 70 percent of homes and businesses on Long Island use heating oil. While natural gas is a growing alternative, he said the economics tips toward the new generation of efficient oil furnaces.

A dirtier fuel remains a tradition

A new unit might cost \$4,500 and reduce energy bills by a quarter, he said; a natural gas unit could cost up to \$7,000 for the same energy savings, with a lot more modifications to the house. Over 10 to 20 years, he thinks a customer would say, "Gee, why should I convert to gas? It doesn't make any economic sense."

Rooney said he does not worry about efficiency programs that would reduce the use of oil; he said they would keep the industry lean and competitive with gas and electricity. "If we can reduce the total amount of heating oil that's used, that's good," he said.

Others expect oil to eventually disappear.

"Oil heat's a major fuel; it's dirtier. There's really not a lot of arguments for it. It's there for historical reasons," said Mark Wolfe, executive director of the National Energy Assistance Director's Association.

In the short term, he admitted, Northeasterners have few choices other than conservation. But in the next 15 to 20 years, he said, natural gas prices will stabilize because of new U.S. supplies; oil prices will remain moody as ever. Gradually, people will switch to natural gas for climate and price reasons alike. "That just seems to be the trend that's going on," he said.

For Ann Middleman of Westbury, N.Y., gas won't be a near-term option. To get gas lines to her neighborhood would mean tearing up the streets, and the public response would not be kind.

"I'm thinking about putting solar panels on my roof, but even that is a pretty steep investment," she said in an e-mail. "I'm willing to make it, but my husband isn't. Oh, well. I'm stuck."

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