



Canadian Association
Propane canadienne
Association du propane

Mr. Ahmet Erdem
Senior Advisor
Ministry of Energy
6th Floor, 77 Grenville St.
Toronto, ON M7A 2C1

Email: Ahmet.erdem@ontario.ca

Dear Mr. Erdem,

Ontario's Natural Gas Expansion Program has provided access to energy choice for thousands of Ontarians. However, many regions of Ontario will never have access to natural gas pipelines due to distance, population, and geography. They include Indigenous, rural, and remote communities. To provide real affordable energy choice and meet the true objectives of its Natural Gas Expansion Program, the province should broaden its approach to ensure that these communities can also transition away from heating oil and diesel to cleaner and more affordable energy. Cost-effective, low-emission propane is the ideal solution to ensure these communities will not be forgotten in the transition to a low-carbon future.

The Canadian Propane Association (CPA), the national association for Canada's propane industry, is proposing the Natural Gas Expansion Program be renamed to the *Gas Expansion Program*. This will allow the program to meet the needs of Indigenous, rural, and remote communities and include propane, a derivative of natural gas that can provide essential low-emission energy to these communities that are currently using heavier emitting fuels such as heating oil and diesel. As part of the Gas Expansion Program, the Ontario government can offer a program that would address gas expansion beyond the natural gas grid – the **Rural Propane Retrofit Program**. This program would provide support for those wishing to change their oil furnaces to low-emission propane – it is outlined in detail in our recommendations submitted for the 2024-2025 Ontario budget. We look forward to discussing our proposal with Ministry of Energy officials at an early opportunity.

Background

Indigenous, rural, and remote communities face unique challenges. Electricity, even with a provincial subsidy amounting to over \$6.5 billion per year, is costly. These areas face increased costs in all manner of goods, including food and clothing. Transportation and energy costs are also much more expensive.

Because of the challenges facing these communities, affordable and low-emission propane is particularly suited to address their energy needs, especially given its portability and unique distribution infrastructure.

Unlike natural gas, propane is not restricted by pipelines. Propane energy is unique in that it is distributed to every corner of the province. Importantly, propane is 30% to 40% cheaper than heating oil.

From a greenhouse gas perspective, propane, like natural gas, is much cleaner than gasoline, diesel, and heating oil. In addition, as renewable propane and propane blended with renewable dimethyl ether come on stream in Canada—as we are seeing in Europe and the U.S.—propane energy will become even cleaner.

Public Concerns

We have received feedback from propane customers expressing concerns about the Natural Gas Expansion Program. They worry about the overall costs involved in bringing natural gas to their homes and fear that this expansion could limit their access to an affordable energy source that they've been using for years – low-emission propane.

The United Way of Simcoe-Muskoka has raised another critical concern: there are no assistance programs for low-income households who are finding it difficult to pay for the propane used to heat their homes. Programs such as the Low Income Energy Assistance Program (LEAP) are not available for propane users. We recommend that LEAP be amended to include propane to ensure that low-income households also have access to financial support.

In addition, there is the issue of supply of natural gas, a member reports that, *“We have seen a big increase in demand for propane to back up and/or supplement the natural gas infrastructure in Ontario. We are currently working on large installations for greenhouses and smaller agricultural installations like corn dryers all with the same issue. These customers were not propane customers previously, but are now installing dual fuel units because the natural gas supplier cannot meet the needs of their business, frankly speaking, they can't supply enough gas.”*

Propane – an Energy Solution for Indigenous, Remote and Rural Communities

To date, there has not been substantial discussion, to date at least, of how we get through the transition and particularly how we can ensure that Indigenous, rural, and remote communities are not left behind. We think the introduction of a program like the RPRP would go a long way towards providing fair access to affordable low low-emission energy.

[CPA response to the Energy Ministry's consultation on the future of natural gas expansion and home heating affordability](#)

The CPA has responded to four questions related to the ministry's discussion themes regarding the Natural Gas Expansion Program and details how propane can complement the program and meet the objectives of the natural gas expansion program.

Theme #3: Natural Gas Expansion and Indigenous Communities

Are there any additional or unique concerns and priorities that you or your community experience or have identified regarding heating options, cost, and affordability?

Many Indigenous communities are not connected to the electricity grid and rely on diesel for their heating and electricity. Providing these communities with cleaner and affordable energy choices, which includes propane, is vital to ensuring they have access to reliable sources of energy. Any renewable energy installation will need backup and propane is the ideal option in these off-grid locations.



Incentives that provide price assistance to propane that are currently available to diesel is an important aspect. Just like diesel in remote communities, propane power generation can be scaled up to meet those communities' energy/electricity needs.

Propane emits 38% fewer GHGs than furnace oil. Because propane is not a GHG gas prior to combustion, it does not harm air, land or water if spilled. It simply dissipates into the air. Millions of dollars are spent each year in Indigenous, rural, and remote communities to remediate diesel spills. That cost would be eliminated.

CPA member Keith Maracle, a member of the Mohawks of the Bay of Quinte First Nation and owner of Tyendinaga Propane in Shannonville, participated in a consultation session with the Electricity and Energy Transition Panel on March 15. He believes that in addition to the many advantages of low-emission propane, it is also important that those delivering services to the community – including energy – are from the community; at the local level, energy planning is uniquely important.

“People appreciate that local businesses from our community are able to service their needs. For us, this includes working with our clients with any budgeting challenges through setting up equal billing. We know our customers and can work directly with them. That is a different level of service from what they could expect from natural gas companies or electric utilities.”

Keith Maracle, Member of the Mohawks of the Bay of Quinte First Nation
and Owner of Tyendinaga Propane in Shannonville

Theme #3: Natural Gas Expansion and Indigenous Communities

Are there any specific environmental concerns that you or your community feel should be considered or prioritized in current and future natural gas planning?

Everyone agrees about the importance of reducing Canada's carbon as much as we can, as quickly as we can. The CPA is developing our plan this fall for our industry to be net-zero by 2050. We believe the transition to a green future is best achieved with a **“dial approach”**. This allows for fairness, affordability, and energy choice for all consumers, no matter where they live or their economic circumstances.

This is an “all-hands-on-deck” approach that will not only reduce emissions but also provide affordable, reliable, and secure energy. As green technology continues to develop, the intensity of the dial can be increased.

A **“switch approach”** will not work as it would leave many, including Indigenous, rural, and remote communities, out in the cold.

Energy policies that directly or indirectly negatively affect low-emission propane would be doing a disservice by denying those communities that do not have access to natural gas, an affordable energy choice, adding to the current stress of already paying higher costs for heat, food, and transportation. A “switch approach” would only accelerate the challenges they currently face.



We know this because our members, many of whom are multi-fuel distributors, see it every day. They know the struggles their customers faced last winter with the prohibitive cost of heating oil. At some points, the price per litre of heating oil was almost a \$1 per litre more than propane. We also know this because experts who have been studying the transition have been telling Canadians that there are significant costs involved in rapid decarbonization.

It should be noted that under the Federal Fuel Charge, propane has a lower carbon intensity than heating oil and is taxed less. The Federal Fuel Charge on a litre of heating oil on July 1, 2023 was 17.43. For propane, it was 10.06 cents. Fast forward to 2030 and that same litre of heating oil will include a carbon tax of 45.57 cents compared to 26.30 cents for a litre of propane.

Price per tonne	\$20.00	\$30.00	\$40.00	\$50.00	\$65.00	\$80.00	\$95.00	\$110.00	\$125.00	\$140.00	\$155.00	\$170.00
FUEL	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Diesel	5.37	8.05	10.73	13.41	17.43	21.45	25.47	29.49	33.51	37.53	41.55	45.57
Gasoline	4.42	6.63	8.84	11.05	14.37	17.69	21.01	24.33	27.65	30.97	34.29	37.61
Propane	3.10	4.64	6.19	7.74	10.06	12.38	14.70	17.02	19.34	21.66	23.98	26.30

By 2030, the full pricing effect of the Canada Fuel Regulation (CFR) will come into force. According to the federal Parliamentary Budget Officer, at that point diesel and heating oil will increase another 17 cents which will bring the total carbon tax on a litre of heating oil to 61.57 cents a litre.

Like natural gas, propane is a gaseous fuel and will not be affected by the CFR. As a result, by 2030, the carbon tax on propane will be over 35 cents less than a litre of heating oil. Propane is an extension of natural gas. Its low emissions and affordability relative to the cost of heating oil is a critical benefit for Indigenous, rural, and remote communities. Those advantages must be reflected in government energy policy development.

The last point is an important one and where some communities risk being left behind. Combining heat pumps with natural gas furnaces makes sense, but this is only currently available to parts of Ontario that have access to natural gas. But what about the communities that do not have and never will see natural gas? Again, propane is an extension of natural gas and can play a critical role in supporting heat pumps.

While Enbridge delivers programming for Ontarians not on natural gas as part of its agreement with Ottawa under the Canada Greener Homes Grant, the experience of our members is that is a rare occurrence. There is not much incentive for them to reach out beyond natural gas customers. The bottom line is that propane customers need the same type of program support which will encourage them to acquire heat pumps.

Theme #3: Natural Gas Expansion and Indigenous Communities

Are there any specific concerns or priorities that you or your community or organization associate with future natural gas planning (e.g., community involvement in the planning of natural gas infrastructure expansion, relevant economic opportunities, and partnerships)?

While it's well known that propane is available where natural gas is not, what is less known is that propane also plays a key role in providing immediate energy when there are intermittent natural gas outages.



CPA member Dave Karn's family has been in the propane business in the St. Thomas area for three generations. He reminds us that, **"In some cases, the natural gas is available but not enough of it at peak demand, so propane is still required. Propane energy fills in the gaps where natural gas is limited. Whether it's corn dryers, tobacco curing, frost fan protection, livestock barn heating or greenhouse heating, propane is used to produce synthetic natural gas that addresses intermittent natural gas outages."**

The benefits of propane to the general public include:

- Portable and able to provide energy where natural gas is not available, including in remote and Indigenous communities across the province.
- Cleaner source of energy when compared to diesel, gasoline, and heating oil.
- As a low-emission energy, propane is taxed lower when compared to gasoline and diesel.

Theme #4: Future of Natural Gas Expansion

Alternatively, what other energy technologies could be considered instead of natural gas expansion?

Propane is critically important to the province's long-term energy planning. This is due to the following:

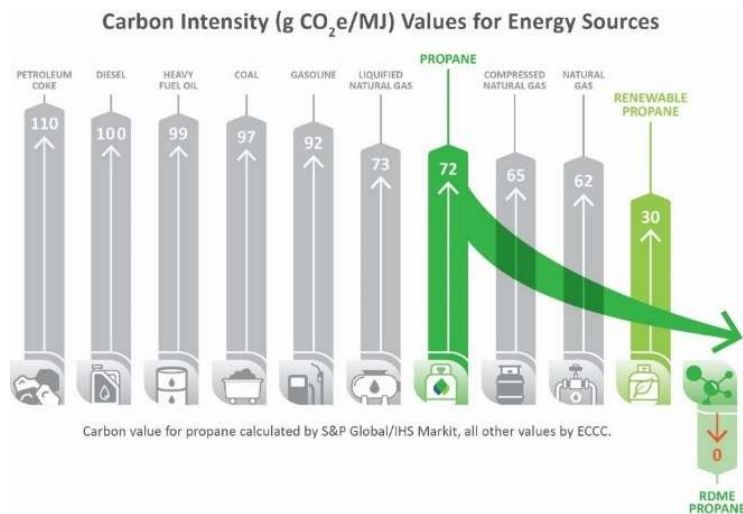
- Propane is an affordable, accessible, and low-emission energy source. As a lower carbon energy, propane is an essential component of the decarbonization of the national energy system.
- Propane is used daily by millions of Canadians, from heating homes, drying crops, and powering forklifts to transporting children to school.
- Propane is highly portable and versatile, with unmatched distribution infrastructure across Canada, perfect for rural and remote locations.
- Propane is efficient, with furnaces running as high as 98% efficiency, saving residents up to 30-45% of heating costs and reducing emissions by about 38% compared to oil furnaces.
- Propane is energy's 'first responder,' ideal for critical infrastructure like hospitals. It continues to work, even when the electric grid fails.

Propane becomes even cleaner with the onset of renewable propane, produced from renewable and recycled carbon feedstock, which is currently being produced and sold commercially in Europe and the U.S.

As the chart below shows, propane is already a low-carbon energy (72 gCO₂e/MJ). Renewable propane is even cleaner (30 gCO₂e/MJ).

Propane and renewable propane emissions can be even further reduced through blending with rDME (renewable dimethyl ether) – with emissions of approximately 0 gCO₂e/MJ. rDME is currently in production in California.





There are many Indigenous communities that are not connected to the electricity grid and rely on diesel for their heating and electricity.

Providing these communities with cleaner and affordable energy choices, which include propane, is vital to ensuring they have access to reliable sources of energy. Any renewable energy installation will need backup and propane is the ideal option in these off-grid locations. Incentives that will provide price assistance to propane that are currently available to diesel is an important aspect. Just like diesel, in remote communities, propane power generation can be scaled up to meet those communities' energy/electricity needs.

Propane emits 38% fewer GHGs than furnace oil. Because propane is not a GHG gas prior to combustion, it does not harm air, land or water if spilled. It simply dissipates into the air. Millions of dollars are spent each year in Indigenous, rural, and remote communities to remediate diesel spills. That cost would be eliminated.

Theme #4: Future of Natural Gas Expansion

What other alternative government initiatives do you think could be in place to support cost-effective home heating in Ontario?

Our proposed **Rural Propane Retrofit Program** is an important policy opportunity to ensure that for areas of the province that do not have access to natural gas, there be an incentive to encourage the use of propane as a replacement for carbon-intense furnace oil which is still often used as a primary energy. Simply put, the expanded use of propane would serve to reduce costs and emissions.

The CPA has developed a rural off-oil proposal that would lower energy costs and reduce GHG emissions for lower-income Ontario homeowners.

- 3.1 tonnes of annual CO₂ reduction per house (-38.2%)
- \$1,385 average annual heating cost savings per Ontario house (five-year average: 30%)
- Reduce insurance costs by up to \$500 per year



Conclusion

There are 400 members of the Canadian Propane Association. Our 125 Ontario members make up about 31% percent of the membership. The Association is comprised of producers, wholesale marketers, transporters, retailer marketers, and MACE (CPA members that manufacture and sell appliances, cylinders, and equipment).

While you will find that all member categories are represented in the province, most are retailer marketers and MACE who live and work in communities right across Ontario.

Whether it is Dave Karn and the Karn family who have been in the propane business in St. Thomas for generations or Keith Maracle who founded Tyendinaga Propane in Shannonville some thirty years ago, propane members in this province have one important commonality that is unique to the energy industry – their ties to the community.

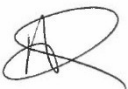
Ontario CPA members not only provide affordable, low-emission energy and jobs to their communities, but they are also important members of the community. They sponsor sports teams, fundraise for local charities, lead community groups, and serve their local chamber of commerce. They are also on the front lines as we transition to cleaner energy. Many of them are multi-fuel distributors. They see the excessive costs that diesel, gasoline, and furnace oil present. They live it every day.

They also see the advantages that affordable and low-emission propane offers today and in the future. Ontario's propane industry is positioned better than any other to help lead the energy transition at the community level across *all* of Ontario.

They can turn heating oil customers into propane customers (and one day soon, renewable propane customers), but they need to be recognized as full partners in the energy transition and supported by government policies and programming.

The communities that CPA members serve – Indigenous, rural, and remote – are at a considerable risk of being left behind in the rush to electrification. Not because government does not care but because the challenges of rural energy delivery are not as “newsworthy” as announcing low-emission energy projects that are far better suited to their urban neighbours who have more affordable and low-emission options for home energy, food, transportation, and the like.

As we have said, decarbonization and energy transition is best achieved as a dial approach. The challenges facing Indigenous, rural, and remote communities require expanded solutions. Programs such as like the Rural Propane Retrofit Program would go a long way in providing affordability and fairness.



Allan Murphy
Senior Vice-President, Government Relations
Canadian Propane Association

