

Propane: An Affordable, Reliable & Low-Emission Energy for Ontario

A submission to the Minister of Finance in advance of the 2024 Budget

By the Canadian Propane Association

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Introduction

On behalf of Ontario members of the Canadian Propane Association, I am filing our recommendations for Ontario's 2024-2025 fiscal year budget.

In many regions of Ontario, propane is the best and most affordable choice to heat homes and buildings, to power equipment for agriculture, transportation, mining and construction, and to support renewable energy applications such as wind and solar. 75,000 Ontario households depend on propane as a main energy source.

Faced with economic uncertainty, historically high inflation and rising interest rates, we believe that affordable and reliable energy is the foundation for strengthening the Ontario economy. Affordable, low-emission propane has an important role in ensuring all of Ontario's energy needs are met. As the province transitions to a low-carbon economy, it's critical to recognize that not all areas of the province are equally positioned, in the short term at least, to take advantage of a greener economy.

In its rush to electrification, the federal government has ignored affordable, low-emission programs that could feature propane and immediately reduce home energy costs and GHGs in Ontario.

For communities off the natural gas grid, goods are more expensive and transportation and energy costs are higher. The expanded use of low-emission propane is particularly well suited to mitigate these challenges and support the transition in these communities given its unique distribution infrastructure, affordability, reliability, and in providing real energy choice for Ontarians.

Low-emission propane has several benefits which include:

- **Affordability:** Propane is an affordable alternative to heating oil and electricity.
- **Reliability:** Propane is available in all parts of the province. The unique distribution system ensures that all Ontarians, no matter where they live, can always have access to affordable energy, especially when weather events disable the electricity grid.
- **Energy Choice:** Unlike their neighbours in urban communities, parts of rural Ontario will never have access to the natural gas grid. Their only choice should not be heating oil which is expensive and high carbon. Low-emission propane provides consumers with a real choice that is cleaner and more affordable.

The CPA believes the measures outlined below could deliver immediate benefits to Ontarians by promoting energy affordability, choice, and flexibility.

RECOMMENDATIONS

1. AFFORDABLE HOME ENERGY FOR RURAL ONTARIO

Recommendation: Implement a Rural Propane Retrofit Program (RPRP) that will offer an affordable cleaner energy choice to Indigenous, rural, and remote communities through a \$2,500 rebate to convert homes using heating oil to low-emission propane.

Ontario's Natural Gas Expansion Program has provided access to affordable 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. 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 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.

We are recommending 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**. The industry's infrastructure and distribution network is positioned to grow and develop propane as an energy solution for Indigenous, rural and remote communities. The **RPRP** would incent homeowners to carry out energy upgrades ahead of typical oil furnace replacement schedules and help reduce barriers that currently limit rural participation in existing energy programs while significantly reducing greenhouse gas emissions and costs for those on heating oil.

Through a \$2500 rebate, a **RPRP** could complement the Natural Gas Expansion Program and provide affordable energy choice to all regions of the province, including those beyond the natural gas pipeline system.

With the cost of installing a propane furnace around \$6,000 providing a \$2,500 rebate towards retrofitting households from furnace oil to high-efficiency propane appliances, the government can, as was noted above, complement natural gas expansion and show support for those regions that will never be serviced by pipelines.

A **RPRP** would also support the jobs of the thousands of Ontarians who are involved in the supply and distribution of deliverable energy and HVAC equipment in rural communities across Ontario.

2. AFFORDABLE AND CLEANER TRANSPORTATION

Recommendation: The government take action that will result in cleaner and affordable transportation through the expansion of auto propane.

Transportation accounts for 32% of Ontario's greenhouse gas emissions. The expanded use of auto propane in transportation would result in an immediate 26 percent reduction of greenhouse gas emissions compared to gasoline and 15 to 18 percent less than diesel. Auto propane also burns much cleaner than diesel meaning the air quality is much better with up to 98 percent fewer particulates compared to diesel. Auto propane also runs anywhere from 30 to 40 percent cheaper than gasoline and diesel and because it burns cleaner, the cost of maintenance is less. The government can take immediate steps that will result in affordable and cleaner transportation. This can be achieved through:

- **Reducing the Auto Propane Gas Tax**

Propane is unfairly subject to a 4.3 cents per litre fuel tax under Ontario's *Gasoline Tax Act*. The CPA proposes eliminating this tax on low-emission energy to level the playing field with carbon-intense automotive fuels such as gasoline and diesel.

When the government reduced the gas tax for gasoline and diesel-fueled vehicles, the tax on propane was not reduced. Ontarians who use propane for transportation deserve equal treatment to gasoline and diesel.

- **Replacing gasoline and diesel buses with low-emission propane buses**

The Ontario government should invest in a program that supports the replacement of diesel and gasoline-fueled school buses with those powered by affordable and low-emission propane. Many school districts in Canada and the U.S. are using propane school buses in their fleets. These buses are made in North America and can be put in service immediately.

3. INVESTING IN BIOFUEL RESEARCH AND DEVELOPMENT

Recommendation: The government invest in the research and development of biofuels. The CPA believes it is important for Canada to reach its net-zero targets by 2050. An important part of this is making low-emission propane even cleaner through the development of bio/renewable propane.

The Province of Ontario is facing a critical opportunity to invest in making existing fuels cleaner and even lower emission, which includes propane. Because of the huge investments and incentives under the *Inflation Reduction Act*, the United States is much farther ahead of Canada in biofuel research and investment. Canada and Ontario stand to lose out on critical investments in biofuels if the status quo is maintained.

The CPA has commissioned a study that examines the decarbonization pathways for Canadian propane. The CPA agrees that we must collectively work towards the goal of reaching net-zero emissions by 2050.

This is a complex goal, over which different companies that are part of the propane value chain do not have direct control, but fundamentally it means that propane as a fuel must progress towards net-zero or expect that in 2050 it will not be the green, affordable, versatile and reliable option for Canadians that it is today. Achieving this objective requires a better understanding of critical technologies, barriers, research and development requirements, and possible pathways to decarbonize propane within Canada. This report, the first of its kind for the Canadian propane sector, will explore the different technologies for producing bio-propane (or renewable propane) that could be a replacement for fossil propane in Canada, providing a market and barrier analysis for the technology options identified.

We are asking the Government of Ontario to invest in biofuel research so Ontario can be a leader in biofuel research and investment.

Conclusion

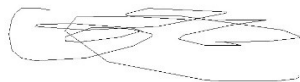
Thank you for the opportunity to submit recommendations that we believe will help the province achieve its priorities for Building Ontario, including making life more affordable for all Ontarians, no matter where they live.

Too often, the federal government has focused on electrification or makes puzzling policy choices such as a carbon tax carve out for carbon-intense heating oil but no such support for low-emission propane. This creates winners and losers among neighbours depending on the source of home heating energy. The benefactors are those using high-carbon heating oil while those using low-emission propane lose out. This approach is not fair.

The CPA members in this province believe that energy programming must be fair. Low-emission propane can and must play a critical role in helping to immediately reduce costs and emissions. This must be done in a way that ensures that affordable energy choice is available to all Ontarians.

Ontario's propane industry stands ready to help the government achieve that goal.

Sincerely,



Chris Crawford
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Canadian Propane Association