

Oil Substitution Act

ment it was expected that OPEC would push world prices dramatically higher. Equally at that time almost 40 per cent of all Canadian homes were heated by oil and Canada was consuming more petroleum products than it was producing. In other words, we were highly dependent or becoming more highly dependent on imports for our supply of petroleum products. Residential oil substitution was then identified as a priority, and a grant system was introduced as a vehicle to lower our petroleum consumption.

The basic grant was one-half the eligible cost of materials and labour for conversions of oil-fired space heating and water heating systems, to a maximum \$800 per individual unit. Over the past four years COSP has paid out more than \$530 million in grants for the conversion of some 900,000 housing units across Canada. It is estimated that some \$125 million has probably been returned to the federal and provincial Governments in the form of taxes.

Members of the House should be aware that the program did not have good regional balance. Three-quarters of all activity was in Quebec and Ontario. COSP was not needed much in the Prairie Provinces because they were already largely off oil. They had already moved in large part to home heating by natural gas. It was not much help to the Atlantic Provinces because they did not have alternative supplies or alternative opportunities for cheaper fuel consumption other than the availability of wood.

In 1981-82 gas conversions represented 48 per cent of that year's COSP activity, electricity was 36 per cent, while wood represented 14 per cent. In 1983-84 gas conversions had decreased to 25 per cent of all activity and electricity had risen to 55 per cent. This decline in gas conversions is partly accounted for by a decline in conversions in the Province of Ontario. In 1981-82 conversions in Ontario accounted for 43 per cent of all conversions in that year. By 1983-84 Ontario's share declined to 20 per cent. Furthermore, within the province gas conversions accounted for 63 per cent of activity in 1981-82, but it dropped to 43 per cent in 1983-84. From the beginning of the program until the end of December, 1984, Quebec led COSP activity with a total of 400,000 units converted off oil. By comparison, Ontario had 277,000 units converted off oil. COSP has paid \$235 million for grants in Quebec, representing 44 per cent of the funds disbursed under the program across the nation. Quebec Hydro, at the same time the national grant system was in place, provided a parallel program of non-taxable grants in the amount of \$650 for conversions to dual energy systems using both electricity and oil. The complementary nature of the two programs proved very attractive to consumers in the Province of Quebec.

Electric conversions in Quebec accounted for 73 per cent of all electric conversions in Canada. Collectively, electricity accounted for 41 per cent of all conversions, natural gas for 35 per cent and wood for 20 per cent. The remaining 4 per cent represents propane and a very small number of conversions to other renewable energy sources, such as solar energy and other conservation measures.

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COSP grant applications have been slowing down rapidly in the last nine months, except for the period starting in December following the Minister's announcement. Apart from conversions to electricity in Quebec, which have accounted for 50 per cent of all COSP activity in the last nine months, the level of conversions nationally has dropped by 45 per cent from its height in 1982, except for the last three months.

It is extremely difficult to assess the real impact of COSP on energy conservation and petroleum consumption in Canada. Some 900,000 units have been converted from oil. This represents a possible displacement of some 32,000 barrels a day, by itself a significant amount of consumption and a great deal of conservation.

In my own riding of Nepean-Carleton, my impressions are that most of the constituents who took advantage of the program were those in the middle- and upper-income brackets. Very, very few of the lower-income people in my riding were in a position to take advantage of it. In addition to the inequitable distribution across Canada, possibly there has been inequitable distribution of the use of this program across the income groups. However, a trend has been established toward installation of medium- and high-efficiency natural gas furnaces. Some of these furnaces burners now achieve an efficiency as high as 90 or 95 percent, all of which are being made available at declining or at least much more competitive prices. Dual energy systems, such as plenum heaters and heat pumps, are offering savings, comfort to home owners and advantages of load management to utilities. A broad range of combustion wood-burning systems are now available. They are much safer, much more efficient and it has been a boon to many, many hundreds of thousands of rural residents across Canada who have access to reasonable and abundant supplies of wood. Equally, such safer wood-burning space heaters, furnaces and combination furnaces are now available on the markets across the nation.

To preserve a share of the residential market, oil dealers and manufacturers of oil-heating equipment are now marketing much more highly efficient oil burners for retrofit purposes. These efficiencies have moved from the order of 55 to 60 or 65 per cent where some of the burners are now capable of delivering as much as 80 per cent efficiency. In this mature and competitive environment, one would anticipate retrofit for more efficient oil burners to continue and, with that, an ongoing rapid decline of the household consumption of petroleum, regardless of what may happen to COSP.

COSP helped utilities' become permanent customers for gas and electricity. They may be interested in providing conversion grants of their own in this particular market arrangement. Oil substitution is a competitive business in the key central Canada markets. Massive campaigns are being mounted for both utilities and manufacturers to promote conversion. This will probably continue and should be encouraged.

Turning my remarks to the CHIP program, CHIP was provided as taxable contributions of up to \$500 of insulation and draught-proofing measures in existing homes. It was