

*Oil Substitution Act*

outlays and government costs in the 1985-86 fiscal year by up to \$35 million. This would reduce by more than one-third the program savings pledged in respect to COSP toward the deficit reductions announced by the Minister of Finance and the President of the Treasury Board.

The second part of the program is the CHIP program. This has provided taxable contributions of up to \$500 toward insulation and draft proofing measures in existing homes. It was introduced in 1977 and the Canadian Home Insulation Program Act provided for its termination at the end of 1987. One of the surprising things about this program was the very slow uptake of this opportunity by Canadians. For the first several years it was questionable whether this program would be a very useful adjunct in our energy policy. The crunch did not really come until it was clear that energy prices were reaching such levels as to make this a clear cost advantage. In fact, the proportion of people who took advantage of this program in the end are not generally in the category that the Member for Vancouver-Kingsway indicated. When energy prices started to increase dramatically people who were following budgets closely were the ones who responded quickly by taking advantage of the program. I was surprised at the low initial uptake of those programs.

The amending Bill will provide for a two-stage phase-out under which the Government's share of eligible costs is reduced to 33.33 per cent from 60 per cent effective January 1, 1985. The program comes to an end on March 31, 1986. In the final 15 months of CHIP the maximum contribution is unchanged at \$500.

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An extra year is provided for CHIP, which is beyond the termination date of COSP, in recognition of the fact that suppliers and installers of residential conservation materials across Canada needed the time to prepare for the withdrawal of the CHIP program.

The end of the program has been anticipated for some time by both industry and Government. For example, the reduction of the contribution rate to 33½ per cent is a natural and important step which follows an early reduction of the rate for materials to 60 per cent from 100 per cent. Moreover, homes have been admitted to the programs sequentially on the basis of their date of construction and the process is now in its final state. The last group to become eligible—the 1.3 million homes built between 1971 and 1977—will have had two years to use the program by the time it concludes next year.

That further period will also be helpful to many small contractors across Canada who are working in a trade that is still relatively young. They have rarely had notices of changes in CHIP and this phase out period gives them some time to expand the scope of the conservation work that they can do, and also improves their ability to explain the advantages of conservation to householders.

In this respect, we are indebted to the National Insulation and Energy Conservation Contractors' Association which represents insulation installers across Canada. We are indebted

to them for advice and support, not only in the phasing out of the program but throughout the entire CHIP Program.

The Association recognized early last fall that CHIP might have to be discontinued and it volunteered options for the orderly conclusion of programs. The suggestions were very helpful in preparing the recommendations which have now been brought forward. The Association was later able to identify the likelihood of a backlog of orders for work and materials that would arise in advance of changes in the contribution rate on December 31.

A modification which has been accepted permits applicants to sign for the work by December 31, but to have it performed in the first three months of 1985 at the 60 per cent rate. More than 80,000 applicants have taken advantage of this provision.

In the budgetary savings that we expect from the changes in the CHIP and COSP Programs, the expenditures in the current fiscal year, that is the budgetary savings, will total almost \$350 million. The termination of COSP and the phasing out of CHIP will provide continued savings from the appropriation levels for the two programs of \$180 million in 1985-1986 and \$315 million in 1986-87. These are major and necessary contributions toward reduction of the federal deficit.

Our decisions have been made not just because we addressed the deficit, however. Our decisions recognize that the market place has changed and that the Government's role with respect to both oil substitution and energy conservation must change with it.

COSP was first introduced in October, 1980. At that time, OPEC dominated the world's view of the future for oil. It was expected to control world supply and push world prices much higher. Almost 40 per cent of Canadian homes were heated with oil and most of those home owners had little knowledge of oil substitution. Residential oil substitution was identified as a priority and a large consumer grant was introduced as the instrument to make it happen. It is difficult to establish how much of the activity which has taken place since 1980 can really be credited to COSP. Almost a million units have been converted under the program, representing oil displacement of 32,000 barrels of oil per day. Over this period, the financial benefits of oil substitution have become more than familiar to home owners. A trend has been established toward installation of medium and high efficiency natural gas furnaces which are being made available at a steadily declining and more competitive price.

Dual energy systems such as plenum heaters and heat pumps are offering savings and comfort to home owners and advantages in load management to the utilities.

A broad range of controlled combustion and woodburning systems is now available. Hundreds of thousands of homes across rural Canada use wood as their only source of space heating and obtain their supplies at very low cost.

To preserve a share of the residential market, oil dealers and manufacturers of oil heating equipment are marketing new, high efficiency oil furnaces and retrofit packages for existing oil furnaces. In this maturing competitive environment, we can