

*Oil Substitution Act*

In Saskatchewan, Alberta and British Columbia, the provincial Governments have tilted the application of the program toward natural gas, which appears to conform with public preferences. In these provinces conversions to gas have represented 62 per cent of all conversions. It should be noted that past policies of federal and provincial Governments, together with the low price of natural gas and its public acceptance, led to significant conversion to gas in the west even before the introduction of COSP. In Alberta, urban and even rural gasification was almost complete by the end of the 1970s, as my colleague sitting to my right knows.

Manitoba may have made the greatest progress in the course of the 1980s to adopt gas and electricity for home heating. It is estimated that 24,000 of the 54,000 Manitoba homes on oil in 1980 have converted since then.

But COSP was aimed mostly at Ontario and Quebec, which in 1980 accounted for 73 per cent of residential oil use and for 73 per cent of the estimated realistic potential for conversion from oil. In fact, 75 per cent of the units converted under COSP have been in these two provinces. While these provinces represent by far the greatest potential for oil substitution in this decade, there are marked differences in the energy preferences of these populations. Gas has been preferred to electricity in Ontario by a margin of three to one. In Quebec, electricity is preferred four to one over gas. Moreover, total conversion activity has been significantly higher in Quebec where both electric and gas utilities have offered non-taxable cash grants for conversions in addition to COSP grants.

Only 11 per cent of COSP grants over the past four years has gone to the Atlantic Provinces, although they represent 15 per cent of the eligible housing stock. The region lacks access to natural gas, and for home owners in most areas electricity is at least as expensive for home heating as oil. The conservation assistance offered by COSP in Newfoundland and Prince Edward Island has had rather limited take-up, and while conversions to wood have been popular, demand now is approaching saturation.

With respect to the experience under CHIP, the program has provided grants up to \$500 per unit toward insulation and draught-proofing measures in about 2.5 million units. That represents about one-third of the eligible housing stock built before 1977. The program has been dominated by attic insulation activity and an installer force has grown up specializing in blowing insulation into attics by mechanical means. As demand for this measure has approached saturation, the industry has begun to diversify its service by including a comprehensive caulking and weather stripping, insulation of basements and to some extent insulation of walls. Energy savings attributable to work done under CHIP are estimated at the equivalent of 28,500 barrels of oil a day.

The take-up of CHIP by region reflects the length of time homes in various provinces have been eligible and the pattern of energy costs. On both counts, this has resulted in the most extensive use of CHIP in Atlantic Canada. The homes covered by CHIP represents 61 per cent of the eligible housing stock in Newfoundland, 89 per cent in P.E.I. and 91 per cent in Nova

Scotia. The figure drops to 35 per cent in Ontario, 29 per cent in Quebec and 31 per cent on average for the western provinces.

Activity under COSP and CHIP has been significant. The critical issue is how much of the activity can be attributed to the existence of the incentives and how much would have taken place anyway. These are important considerations but extremely difficult measurements to take. A formal evaluation has been taken of CHIP, establishing that the incrementality of the program, the extra activity for which it can take credit, was 29 per cent of total activity.

This is an impressive figure and puts the Government's investment in a favourable light compared with costs of tax concessions or grants devoted to the development of new oil or gas sources. However, the measurement was made when the grant consisted of 100 per cent of the costs of materials to a maximum of \$350 and one-third of labour costs to a maximum of \$150. This grant structure was fraught with a variety of problems and was changed in 1982 to 60 per cent of both material and labour costs. The incrementality of CHIP has probably declined since that time.

These programs were introduced at times when the progress to reduce energy and oil use was unacceptably low and the savings to home owners poorly understood. In Canada and other industrial countries, conservation is now a much more popular concept and the public is much better informed. Substantial progress has been made in the technology and installers have begun to expand their services to cover a more comprehensive range of conservation measures.

Similarly, public understanding and acceptance of the advantages of oil substitution are now much higher than they were in the 1970s. Competition for conversions between gas utilities and suppliers of electrical systems has been spirited. We need only look at the advertisements by electrical and gas utilities today to see that free enterprise is working well.

Canada must continue to make progress in both conservation and oil substitution: let me make that very clear to the House and the people of Canada. In the residential sector, this past decade has seen the average consumption of energy per household decline by 16 per cent. It is estimated that there is another 30 per cent to go—a 30 per cent reduction in energy use for the average home from such readily available measures as comprehensive draught-proofing, basement insulation and efficiency improvements in heating systems. These future savings would provide good pay-backs for the householder in reduced heating costs and, for the country, total energy savings equivalent to a further 60,000 barrels of oil per day.

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A further substantial amount of residential oil substitution will also make sense for the country and individual households. It will help preserve domestic supplies of oil; that is very important. The major alternative sources—natural gas and electricity—are in abundant domestic supply. Their increased use is supported not only by the federal Government but by the Governments of the provinces where the resources have been