

# Planned Changes to Regulations Affecting Gas Utility Incentives

Presentation to HVAC Industry

December 1, 2022

# Objectives and Context



- Climate challenge is significant – no easy solutions
- Space and water heating make up most of building emissions
- Need to transition to the very highest energy efficiency equipment (COP 1 or higher)
  - Heat pump equipment (electric heat pumps, gas heat pumps, electric with gas supplement)
- Whether its electricity, natural gas or renewable natural gas, we need to use energy in the most efficient way possible
- Heating equipment has a long lifespan (20+ yrs) – important to start now

# CleanBC Roadmap to 2030

- The Province's plan to reduce emissions by 40% by 2030 and reach net-zero by 2050
- Released October 2021

## Commitments:

- After 2030, all new space and water heating equipment sold in BC will be 100% efficient or greater
  - Currently doing analysis on implementation, will consult next spring
- Update regulations to shift the focus of utility-funded efficiency programs to:
  - Move away from incentives for conventional gas-fired heating equipment such as furnaces and boilers
  - Support market readiness for future efficiency standards (ie heat pumps)



# About Demand-Side Measures (DSM) Regulation

- Roadmap commitment will be carried out primarily through an amendment to the DSM Regulation
- Created in 2008, this regulation has helped enable world-class incentive programs and levels in BC – our province has scored #1 in the Canadian Province Energy Efficiency Scorecard for 4 years in a row
- The planned changes will continue support a robust (but shifted) program portfolio
- Today's session focuses on amendments that affect the HVAC industry



# Timeline

- Aiming to amend regulations in the next few months
  - You can provide feedback until December 16
- Will only impact *future* gas utility program applications
  - FortisBC's 2024-2027 DSM plan
  - Pacific Northern Gas's 2025 DSM Plan
- Will not force gas utilities to renege on any signed customer agreements (e.g. commercial programs)

# Planned change: Phase out incentives for conventional gas equipment

- No incentives for conventional gas equipment that is <100% efficient: residential and commercial furnaces, boilers, tank and tankless water heaters, and fireplaces
- Exceptions:
  - Conventional gas water heaters for low-income and Indigenous customers in ground-oriented homes
  - Radiant tube and unit heaters used in garages and warehouses (no feasible heat pump alternative)



# Gas Utilities Can Continue to Run These Programs (Retrofit):

- Dual fuel / hybrid systems
  - E.g., air source heat pump with supplemental heat from furnace
- Gas heat pumps
- Prescriptive incentives for envelope, equipment maintenance, and controls
- Performance-based (\$/GJ) residential and commercial retrofit and deep retrofits that include insulation, heat recovery, controls, maintenance
  - Energy savings from conventional gas equipment replacement are not eligible for incentives
- Other end uses like cooking and domestic appliances
- Industrial processes (e.g. process boilers)



# Gas Utilities Can Continue to Run These Programs (New Construction)

- New home construction programs for gas-connected homes can continue, but:
  - Equipment pathway must specify gas heat pumps or hybrid heat pumps
  - Step code pathway is only for homes that provide space and water heating with hybrid or gas heat pumps





# Dual-Fuel System Performance Schedule

Space Heating Hybrid Performance Requirements - Residential		
Year offered	Minimum Performance for System COP	Description
2024	1.5 (modelled)	Similar, or slightly more stringent, to Better Homes
2025	1.5 (verified)	Similar, or slightly more stringent, to Better Homes
2026+	2.0 (verified)	Requires improved heat pump performance and control

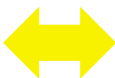
# Summary of Expected Impact on Gas Utility Programs



- Increased support for measures like insulation and hybrid heat pump systems; continued or expanded support for indigenous communities and low income customers



- End of incentives for gas furnaces, boilers, and water heaters
  - Gas water heaters for Indigenous & low-income homes will continue



- Changes to existing programs to incorporate heat pumps



- Many offers will not change

# Expected Impacts on HVAC Industry



- More demand for electric heat pumps, electric heat pumps with gas supplement/backup, and gas heat pumps
  - Requires supply chain planning; installer training
  - Residential HVAC contractor training subsidy (for course + wage subsidy) through the Home Performance Contractor Network
  - Households facing challenges with upfront cost can be directed to:
    - CleanBC Income Qualified Program – covers up to 95% of upfront cost
    - CleanBC Better Homes and Better Buildings incentives & Canada Greener Homes Grant
    - CleanBC low-interest financing offer
    - Canada Greener Homes Loan through CMHC



- Less demand for conventional gas equipment that is not part of a heat pump system
  - Exception: conventional gas water heaters in low income and indigenous programs for ground-oriented homes



- Customers will continue to need new space and water heating equipment

# Key Takeaways

- Only incentives will end—gas equipment can still be sold and installed
- Dual-fuel systems and gas heat pumps will still be eligible for incentives
- Heat pump incentives are available now from CleanBC and utilities to help cover upfront cost
- Heat pump use is ready to expand
  - Many cold climate electric models are on the market
  - Hybrid systems are part of the solution (air source heat pump with supplemental gas)
  - Commercial gas heat pump incentives are available from FortisBC, and residential pilot in progress
- Subsidies are available for HVAC training through the Home Performance Contractor Network (a requirement for BC residential heat pump incentives) – 100% of cost of courses + wage subsidy (see [homeperformance.ca/about-the-network/](https://homeperformance.ca/about-the-network/) )
- British Columbians are taking action on climate change by choosing heat pumps
- HVAC industry is a key partner in taking action on climate change – sourcing, promoting, and installing heat pumps

# Questions?

Please provide comments by December 16, 2022 to:

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