
THE ROLE OF HEATING OIL IN A SUSTAINABLE HEATING STRATEGY FOR EUROPE

UPEI welcomes the Commission's plans to propose new policy and legislative initiatives aimed at fostering energy efficiency in the heating sector in the efforts towards a low-carbon economy. UPEI stresses in particular that being the closest to the consumer in the fuel supply sector, independent fuel suppliers are in a unique position to respond to today's demand in the heating sector.

Within the EU, there are more than 120 million heating systems of which 20 million run on heating oil. These are mostly installed in rural areas where there are currently no affordable alternatives due to lack of infrastructure connections.

The European heating oil market is predominantly supplied by around 12,500 small and medium-sized enterprises (SME's).

UPEI's Members contribute to security of supply and provide diverse sources of heating oil by sourcing products from within the EU as well as outside, facilitated by the existence of comprehensive and decentralized infrastructures. Their flexibility is instrumental in covering the market share of heating oil that in some countries can be as high as 15 - 20% of the oil market. With their widespread market coverage, independent fuel suppliers contribute to promoting employment, competition and economic growth in Europe.

Whilst independent fuel suppliers continue to meet the demand for heating oil, they are also **responding flexibly to the need to reduce CO2 emissions**.

According to the World Energy Council,¹ **traditional fuels will prevail in the future energy mix until 2050** including in the heating sector but, at the same time, growth rates will be highest for renewable energy sources. These forecasts are also supported by the International Energy Agency (IEA)² confirming that by 2040 each of the three types of traditional fuel will account for around one-quarter of global energy demand, while the remainder will be met by low-carbon fuels.

The liquidity of the market allows diverse and competitive prices across Europe and in some countries, such as Germany and the UK, heating oil is more affordable than key competing energy sources (e.g. natural gas, LPG, district heating, pellets and electricity).

In a process of long-term transition, **UPEI's Members are committed to fostering smart combined solutions** and to promoting future-proof solutions in the market for heating, **particularly at a time when households continue to rely on traditional energies**.

¹ World Energy Council (2013), "[World Energy Scenarios: Composing energy futures to 2050](#)"

² International Energy Agency, [World Energy Outlook 2014](#)

In particular, independent fuel suppliers have been providing **incentives to their customers to upgrade or replace their old oil-fired boilers**. Austria and Germany for example offer a success story on how mineral oil distributors, in combination with the boiler industry and Government subsidies, incentivise the shift towards more efficient oil-fired condensing technology or a combination of oil-fired condensing and renewable technologies.

Modern condensing boilers bring an improved quality of the fuels deployed. Thus heating oil with a sulphur content of 50 parts per million (ppm) is increasingly replacing standard fuel with 1000 ppm. They can also achieve up to 30% reduction in heating oil consumption.

Blends of sustainable bio-components into heating oil (**Bio-heating oil**) are another option to meet higher CO₂- emission standards.

UPEI stresses that a **multi-energy hybrid system** should be regarded as the most promising way forward, achieving up to 40% reduction in heating oil consumption. Heating that combines various renewable technologies with a highly efficient oil-condensing boiler and a reliable heating oil storage tank offers households an ideal combination of increased efficiency, greener energy provision and security of supply at reduced cost. Solar, wood, electricity or oil heating should ideally be used on the basis of availability and cost-efficiency.

Smart metering technology is crucial to making this work, enabling the consumer to choose the cost-optimal solution from both an environmental and an economic point of view.

In this context, UPEI calls for a European energy policy for the heating sector to be designed, which respects the following approach:

1. Technology-openness

UPEI is committed to being a partner in promoting energy efficiency and innovative solutions, whilst ensuring that policies guarantee technology openness. Banning certain types of fuels and restricting the installation and/or use of oil-fired boilers in new and existing buildings will not favour market-oriented solutions to foster energy efficient transformations in Europe. **Public support and financial measures for modernised heating systems should be technology-neutral and based solely on energy efficiency gains.**

High subsidies granted to those converting to renewable energy sources for their heating systems have detrimental effects on poorer households who are not in the position to pay for such transition measures.

2. Tackling fuel poverty whilst achieving energy efficiency

Efficiency standards of buildings should be improved in a socially acceptable way. In this context, **fuel poverty** emerges as one of the biggest challenges: as a UK study has

shown,³ households off the main gas grid are more likely to be in fuel poverty than those on the gas grid. Data for 2011 found that 41% of British households with oil heating were in fuel poverty, compared to just 24% of those with gas heating. Incentives for energy efficient solutions should therefore be driven by such awareness.

UPEI calls for policy measures to empower the consumer to make the most efficient choice from an economic and environmental standpoint.

3. Modernising heating systems is only one element in the overall drive for more efficiency

When aiming at energy savings in buildings, modernising heating systems is nearly always the most effective and affordable solution with the exception of a basement ceiling insulation. Expenses for an exchange of windows and doors or the insulation of a roof or the exterior are considerably higher.

UPEI therefore calls for a holistic approach when assessing efficiency standards: **in the search for more efficient heating solutions, equal attention needs to be paid to the technical characteristics of the buildings and to the priorities of their inhabitants.**

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UPEI represents European importers and wholesale/retail distributors of refined petroleum products and their alternatives, supplying Europe's customers, independently of the major petroleum producers.

Independent suppliers, covering more than a third of Europe's demand, play a crucial role in an evolving market by bringing competition which is vital to the economy. Their independence enables them to respond rapidly to changes in terms of market structure, products and services, contributing to security of supply on a local, regional and national level.

UPEI was created in 1962 with the aim of ensuring a level playing field for the supply of energy on the European market and safeguarding a competitive approach. The organisation brings together national associations and suppliers across Europe.

Today UPEI also acts as an informed and responsible partner to Europe's decision-makers on the risks and opportunities involved in the transition to a genuine European Energy Union.

³ Consumer Focus Report 2012