



AHRI Policy Position Decarbonization and Electrification

The Air-Conditioning, Heating, and Refrigeration Institute (AHRI) is the trade association representing manufacturers of heating, ventilation, air-conditioning, refrigeration (HVACR) and water heating equipment within the global industry. AHRI's more than 320 member companies account for over 90 percent of HVACR and water heating residential and commercial equipment manufactured and sold in North America.

Industry Position

AHRI and its members are very interested in states' efforts to transition towards cleaner energy. Our manufacturers support legislative and regulatory efforts that promote a healthy environment and robust economic growth, while saving energy and ensuring a high quality of life for consumers. As an industry, our members are continuously working to review and design new higher efficiency equipment that improves consumer comfort without compromising consumer choice, product quality, or safety.

While many of AHRI's members manufacture products, such as electric equipment used for space and water heating, that will help states achieve goals of reducing statewide greenhouse gas, as an industry we believe policy makers must make critical considerations when assessing electrification and building decarbonization policies.

When discussing building electrification measures, we make the distinction between two policy approaches:

- *Electrification Policies* are designed to accelerate market transformation of the space and water heating sectors from combustion appliances to electric alternatives. Generally, this includes financial incentives for "fuel switching" and building policies that encourage the use of electric appliances, while preserving the flexibility to use fossil fuel-powered equipment when it is more practical and economically beneficial to do so.
- *Electric-only Policies* prevent the use of fossil fuels for space- and/or water-heating building end uses. This can include a prohibition on the construction or expansion of fossil fuel distribution infrastructure, or a ban on the sale of combustion appliances.

As an association that includes members that manufacture residential and commercial equipment that use electricity, as well as natural gas, propane, and oil, AHRI encourages market-based approaches to electrification, where such initiatives are under consideration, but does not support electric-only policies.

Critical Policy Considerations

Consumer Choice

Consumers should be free to select heating, cooling, and water heating equipment based upon several criteria, including desired comfort, household needs and budgets, as well as fuel type. Consider the following: approximately 87 million of the 118 million U.S. households in 2015 used natural gas, propane, or fuel oil for at least one appliance in their home. ¹ Many households using propane and fuel oil are located in remote areas where the electric grid can be unreliable especially during periods of severe weather such as ice storms when heat is a necessity.

In addition, more than 4.5 million residential gas storage water heaters and 3.5 million gas and oil warm air furnaces were shipped in the U.S. in 2018, a 4% and 12% increase, respectively, from 2017. This compares to 4.2 million residential electric storage water heaters and 2.9 million electric heat pumps shipped in 2018, a 2.5% and 12% increase, respectively, from 2017. ²

These numbers illustrate two things: one, restricting the use of combustion equipment in homes would impact a significant percentage of American consumers; and two, when it makes sense for them, consumers choose the electric alternatives.

Consumer Costs

While AHRI members offer a wide range of highly efficient electric HVAC and water heating products with measurable energy savings, several variables determine whether these products are viable for a particular homeowner. For instance, at current retail electric and gas rates, switching to electric sources of energy could lead to increased operating costs for home heating and water heating equipment. Higher rates ultimately put a strain on lower and middle-income families for operation of equipment that is essential for comfort, as well as health and safety. What's more, in some areas of the country, consumers are not able to replace existing combustion equipment with electric versions without costly home retrofits or risking losing access to life-saving heating during power outages.

Consumer Comfort & Safety

Consumers' comfort level can vary by season and geographic region. Nationwide, winter requires significantly more energy for heating than summer does for cooling. Today, many consumers with delivered fuel service can rely on a backup heating source if electricity service from the utility is lost. That's why it's imperative that policymakers consider the impact of electrification strategies on the grid, including larger electric loads and changes in peak demand, while also ensuring contingency options so that electric-only homes and buildings would be protected if electricity were to become unavailable.

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¹ EIA Residential Energy Consumption Survey, 2015.

² http://www.ahrinet.org/App_Content/ahri/files/Statistics/Monthly%20Shipments/2018/December_2018.pdf