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As we enter 2007, we are expecting changes in Washington, and NORA is continuing to work to help the industry change to meet the needs. The prevailing view is that we must continue to work with our customers to save energy, and be innovative in developing markets.

The industry is continuing to move towards selling less petroleum through energy conservation. This has been a proven strategy for many decades as equipment improves, it is better sized to meet the needs of the house, and it stays in tune for longer periods. At the same time, we are looking at ways to reduce consumption with alternative fuels. These might include solar, it could mean liquid natural gas, or it could mean biodiesel.

However, as important as our customers are, we need to ensure a future for an industry that has provided comfort for homeowners and families. As we consider changes to the industry we must always focus on who we are. At our core, we deliver liquid fuels to customers, and usually by truck. Therefore we have to work to ensure that these options are a primary choice for our customers.

Perhaps the most interesting project NORA has been working on is the development of bioheat™. When this idea was first broached several years ago, it was an industry in its infancy. The price of biodiesel was high, there was not a lot of product in the system, and how it would be used was uncertain.

However, NORA now has nearly 100 companies that have signed up to use the bioheat™. Many companies are actively marketing the product, and several large wholesalers are now distributing the product. Also, we have seen pipeline tests, and there is a credit for blending biodiesel into heating oil. There has been major developments around the liquid fuel which is designed for use in a home heating system.

Unfortunately, we have to make sure it will work in the 10 million homes using Oilheat. We have to make sure it works as well as the petroleum distillate that we sell today. What does that mean.

- 1) A full scale evaluation by Underwriters Laboratory (UL) to establish whether the fuel is functionally the same as the heating oil we have in the system.
- 2) Evaluation by the American Society for Testing and Materials to ensure that a B-5 blend is equivalent to the fuel we use today.
- 3) Studies of the relationship between the new fuel, the materials in tanks, to ensure we will not increase corrosion in tanks.
- 4) And finally ensuring that the local jurisdictions understand all this effort and bring it into their codes.

These efforts are being put forward by the major burner manufacturers, Riello, Carlin and Beckett, and the National Biodiesel Board.

Who would have thought a good idea, supported by all, and opposed by none would be so difficult and time consuming.