

Enhancements to the Oil to Heat Pump Affordability program



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The Oil to Heat Pump Affordability (OHPA) program offers grants to eligible households to switch from home heating oil to an electric heat pump. To qualify, households must own their home, have a household income at or below the provincial after-tax median level, and have purchased at least 1,000 litres of heating oil in the last 12 months. Apartments in multiunit buildings are not eligible.

From March 2023 to October 2023, the OHPA program offered eligible households a grant of up to \$10,000 toward the cost of a qualified heat pump. After October 2023 and until March 2027, the enhanced OHPA program offers eligible households in co-delivery provinces a federal grant of up to \$15,000, supplementary provincial grants, and a one-time bonus payment of \$250. At present, the co-delivery provinces include Newfoundland and Labrador, Prince Edward Island, and Nova Scotia, where the provincial governments have signed a co-delivery agreement with the federal government that dictates provincial administrative responsibilities and provincial grant requirements. Outside of the co-delivery provinces, the program continues to offer eligible households a grant of up to \$10,000, as specified in the initial OHPA program. The federal government has allocated \$750 million to the OHPA program over 4 years, starting in 2023-2024.

As of mid-October 2023, approximately 10,000 households have been approved for and/or received funding under the program. Based on current trends in program uptake, the PBO estimates that the program will cost \$797 million over 5-years.

5-Year Cost

\$ millions

Fiscal year	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Total cost	183	205	205	205	0	797

Notes

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).

· Totals may not add due to rounding.

The PBO estimates that there are up to 244,000 households nationwide that could be eligible for OHPA program funding. If all eligible households access the program, we estimate that the OHPA program could have a maximum potential cost of \$2.7 billion.

The 2023 Fall Economic Statement indicates the possibility of expanding the program to include homes heated by natural gas. PBO estimates that there are over 1.6 million households with natural gas heated homes that would meet the current OHPA program eligibility criteria (except the minimum purchase of 1,000 litres of heating oil).

Estimation and Projection Method

PBO estimated the number of eligible households in all jurisdictions using datasets from the Canada Housing and Mortgage Corporation (CMHC), Statistics Canada (StatsCan) and Natural Resources Canada (NRCan). Data from CMHC provided the number of owner-occupied households with incomes at or below the provincial after-tax median.

This number was then adjusted using data from StatsCan to exclude households that live in ineligible dwellings and multiplied by the percentage of households that heat their homes with oil, as derived from the Comprehensive Energy Use Database (NRCAN). Two further adjustments were made to account for the construction of new homes from 2016 to 2021; and to account for households that switched from heating oil to heat pumps since 2021.

Our analysis indicates that most oil heated homes consume far more than 1,000 litres per year, so we assume that the requirement to purchase 1,000 litres of heating oil does not limit otherwise eligible households. Our analysis further suggested that the cost of purchasing and installing a heat pump would likely meet or exceed the maximum grant provided under the program. The maximum potential cost therefore assumes that all eligible households participate in the program and receive the maximum grant available.

Program uptake was projected by extrapolating historical participation trends in the OHPA program (in its first 7 months) and comparing it to trends under the Greener Homes Grant. The PBO observed that new applications to the Greener Homes Grant were highest in the first week, then remained steady thereafter. A similar trend was applied to the OHPA program, then adjusted to account for the additional incentives introduced by the enhancements to the program. The PBO assumes that two-thirds of participants will continue to be in the co-delivery provinces, as observed in first 7 months of the program.

Sources of Uncertainty

Some households use another energy source such as wood or electricity in addition to heating oil. These households are assumed to have purchased at least 1,000 litres of heating oil within the last 12 months, though some may be ineligible if they primarily use their other energy source. This would decrease eligibility and the maximum potential cost.

Reliable data on the prevalence of heating oil is not available after 2020. Oil to heat pump retrofits other than those covered under the Greener Homes Grant would decrease the number of eligible households.

There may be an interaction between home ownership, income and the use of heating oil that is not directly captured by the model. For example, lower income households might be more likely to use heating oil than the provincial average. Conversely, homeowners with incomes below the provincial median may be more or less likely to use heating oil than renters which could introduce bias into our results.

The modelling assumes that no new co-delivery agreements are made with any provinces other than the existing agreements with Newfoundland and Labrador, Prince Edward Island, and Nova Scotia. The government has indicated that additional co-delivery agreements will be pursued which could increase uptake and program costs.

Program uptake may change in response to changing economic conditions that impact household energy-use decisions. For example, increases (decreases) in the price of heating oil could increase (decrease) participation in the OHPA program.

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Data Sources

Housing Market Information Portal

[Household Income, Structure Type \(CMHC, 2016\)](#)

Comprehensive Energy Use Database

[Residential Sector: Tables 5, 8 and 21-25 \(NRCan, 2020\)](#)

Structural type of dwelling by tenure

[Table: 98-10-0239-01, Owners \(StatsCan, 2021\)](#)

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[OHPA Program Participation \(NRCan, 2023\)](#)

Canada Greener Homes Initiative Updates

[June 2022 to September 2023 \(NRCan, 2023\)](#)

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