

REGULATION OF WOOD HEATERS

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Senate Bill 910 (Substitute S-1)

Sponsor: Sen. Tom Casperson

(Enacted as Public Act 417 of 2014)

House Committee: Energy and Technology

Senate Committee: Natural Resources, Environment and Great Lakes

Complete to 12-3-14

A SUMMARY OF SENATE BILL 910 AS REPORTED BY HOUSE COMMITTEE

The bill would prohibit the DEQ from issuing a departmental rule limiting emissions from wood heaters used to heat homes or businesses and from enforcing any future federal regulation doing the same against manufacturers, distributors, or consumers of wood heaters.

Currently, the Department of Environmental Quality is required to promulgate rules that include, among other things, controlling or prohibiting air pollution and complying with the Clean Air Act. Senate Bill 910 would amend the Natural Resources and Environmental Protection Act (NREPA) to restrict the department's rule-making and enforcement authority.

The new Section 5514 would do the following:

- ❖ Prohibit the DEQ from promulgating a rule limiting emissions from wood heaters.
- ❖ Prohibit the DEQ from enforcing against a manufacturer, distributor, or consumer a federal regulation limiting emissions from wood heaters adopted after May 1, 2014.
- ❖ Define "wood heater" to mean a wood stove, pellet stove, wood-fired hydronic heater, wood burning forced-air furnace, or masonry wood heater designed for heating a home or business.

MCL 324.5512 and 324.5514 (proposed)

BACKGROUND INFORMATION:

A proposed federal rule change, the first since 1988, was issued in January 2014 to set particulate matter emission limits for new wood burning heaters used in homes. If adopted, the new standards would apply only to wood heaters manufactured after the proposed rules take effect and would include a phase-in period to provide time for manufacturers to comply. The new standards would apply to adjustable-rate woodstoves, pellet stoves, wood-fired hydronic heaters (indoor and out-door wood-fired boilers), forced-air furnaces, masonry wood heaters, and a type of woodstove known as a single burn rate stove. The rule change does not affect wood heaters currently in use, nor does

it apply to fireplaces; new or existing heaters fueled solely by oil, gas, or coal; or outdoor fireplaces, fire pits, pizza ovens, or chimineas.

FISCAL IMPACT:

Senate Bill 910 would have no fiscal impact on the State of Michigan or on local units of government.

ARGUMENTS IN SUPPORT:

Manufacturers of wood burning heaters impacted by the EPA's new rules say that the time frames are simply too short for compliance. Apparently, there are few, if any, newer models close to production that could meet the emission standards in the new rule. Therefore, an unintended consequence could be that the rule, instead of encouraging innovation in the industry, could discourage it. If manufacturers cannot meet the deadlines in the federal rule change, they will not have products to sell and could not continue to sell stocks of existing wood heaters that did not meet the new emission standards. Thus, some feel the bill disadvantages people in rural areas where heating options are few and expensive. Many farmers, small businesses, and lower income families, including seniors, rely fully or in part on wood heaters to heat their home, businesses, or other buildings during the coldest months of the year where fuel prices can be unaffordable.

Others voice concern over the likely price increases of the newer models that comply with the EPA emission standards. Even if manufacturers were able to produce compliant models, the price to do so, especially given the relatively short timeframe (i.e., considering what goes into the design, manufacture, testing, redesign, remanufacture, retesting, etc. process), could make purchase of a compliant model cost-prohibitive for many. Not only is this bad for consumers needing to upgrade their older equipment or for new purchasers, it is bad for small businesses that either manufacture and/or sell wood heaters. A loss of customers or a loss of products to sell would obviously have a negative impact on any business.

The bill would give some relief by prohibiting the DEQ from adopting or enforcing any new EPA regulations regarding wood heaters.

ARGUMENTS IN OPPOSITION:

The rules governing emissions from wood heaters have not been updated since 1988 and do not cover all the types of wood heaters in use such as outdoor wood boilers (hydronic heaters) and pellet stoves, which is why the proposed rule is broadened. However, the proposed rule will not pertain to heaters solely fired by gas, oil, or coal and does not apply to wood heaters or wood-burning appliances that are already in use. The rule also would not apply to indoor or outdoor fireplaces. The rule doesn't take effect until February 2015, and if adopted, would give manufacturers and retailers about five years to comply with the lower emission standards. The rule change appears to be spurred, at

least in part, by lawsuits brought by the American Lung Association and at least one state and is part of a consent decree.

According to the Executive Summary of the proposed rule change [as printed in the Federal Register, Vol. 79, No. 22, pg. 6331-6332, February 3, 2014], residential wood smoke contains fine particles that put older adults, children, and individuals with pre-existing heart and lung disease at greater risk for experiencing health effects such as carbon dioxide, toxic air pollutants (e.g., benzene and formaldehyde), and climate-forcing emissions (e.g., methane and black carbon). The summary goes on to say that residential wood smoke causes some U.S. counties to exceed, or nearly exceed, the EPA's national ambient air quality standards for fine particles. The proposed standards are expected to reduce emissions by 80 percent. According to a Greenfield, Massachusetts, online news article from February 2, 2014, the EPA "estimates that for every dollar spent to comply with these standards, the American Public will see between \$118 and \$267 in health benefits" with "total health and economic benefits of the proposed standards" estimated to about \$1.8 billion to \$2.4 billion annually.

Further, though production costs to meet the new standards are expected to increase prices to consumers for the new models, the price increases should not be burdensome. According to the Regulatory Impact Analysis (RIA) for Proposed Residential Wood Heaters NSPS Revision (final report) prepared by the EPA, estimated increases for what a consumer would pay for an EPA-compliant wood heater would be about 2.3 percent more for pellet stoves, 2.4 percent for forced-air furnaces, 3.3 percent for hydronic heaters, 4.3 percent for wood stoves, and 4.8 percent for masonry heaters. Single burn rate stoves would increase by 6.4 percent. Therefore, a top-of-the-line pellet stove currently selling for around \$1,000 would cost a consumer about \$43 more.

Importantly, the bill only stops state enforcement of the EPA changes. And it would stop DEQ enforcement even of EPA standards for wood heaters that were widely supported by the industry. Moreover, if consumers sought out wood heaters that were friendlier to the environment, Michigan-based businesses that either did not make or sell the EPA-compliant products could be at a disadvantage.

POSITIONS:

The National Federation of Small Business – Michigan (NFIB) supports the bill. (12-2-14)

A representative of Hawken Energy Inc. testified in support of the bill. (9-23-14)

Michigan Farm Bureau indicated support for the bill. (9-23-14)

Michigan Retailers Association indicated support for the bill. (9-23-14)

Home Builders Association of Michigan indicated support for the bill. (12-2-14)

A representative of the Michigan Sierra Club testified in opposition to the bill. (9-23-14)

A representative of the Michigan Environmental Council testified in opposition of the bill. (9-23-14)

Michigan League of Conservation Voters indicated opposition to the bill. (9-23-14 and 12-2-14)

Mom's Clean Air Force indicated opposition to the bill. (9-23-14)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.