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Star Group Tackles Carbon Reduction with B20 Bioheat® Fuel



Jeff Hammond
Chief Operating Officer
Star Group, L.P.

"We can certainly offer a much more economical option for reducing carbon emissions than many of the other alternatives out there."

Star Group, L.P. is a full service, multi-state energy provider specializing in the sale of home heating products and services to residential and commercial customers.

Star Group's retail operations operate under many brand names including Petro, Meenan, Region Energy, Burke Energy and more.

In order to offer its customers a viable heating fuel that reduces carbon emissions, Star Group has committed to providing a 20% biodiesel blend (B20) into all the heating fuel it delivers.

ICM's publisher, Don Farrell had the opportunity to chat with Star Group's Chief Operating Officer, Jeff Hammond, about their transition to B-20 Bioheat® fuel.

ICM: *It is my understanding that Star Group is committed to delivering blends of biodiesel up to B20 (20% biodiesel, 80% heating oil) across its entire customer base, is that accurate?*

Hammond: Yes, that is accurate. Star Group is very committed to providing B20 to all of our customers. We feel it is the right thing to do for customers and for the communities that we serve. There is a lot of dialogue about climate change, both at the state and the national level, and we really believe that our industry has to be a part of that discussion. If we continue to provide increasing levels of Bioheat® fuel, we can offer an easy and affordable solution to help meet a goal of zero carbon emissions by 2050.

Unfortunately, it seems most states and local legislators do not really know

that. I am not sure that we have done a good enough job educating them and they see heating oil companies as providers of "that old fossil fuel." Much of what we do and what we have done over the last few years aligns with everything they are trying to accomplish with carbon reduction.

We need to, as an industry, stand together and really get our message out there—explain it better to state and local public policy makers, as well our customers. Once people see what we have to offer and how we can help meet those goals, I think they are going to be quite surprised and it is going to be a welcomed surprise. We can certainly offer a much more economical option for reducing carbon emissions than many of the other alternatives out there.

ICM: *What was the driving force behind this? How did this get started within your company?*

Hammond: We feel that we are at a crossroads, and we have been hearing about climate change for a while. But unfortunately, many of retail fuel companies dodged the issue. We were not standing up and making the right decisions to move our industry forward. Meanwhile, state-after-state was implementing regulations that could have hurt our business.

There have been a few companies that have really put themselves in front of the pack and got on board with Bioheat® fuel very early on. They went through the growing pains, they tested it, they have proven-out a lot of the issues and concerns that we had. I give a lot of credit to those companies.



Petro, a Star Group brand

Internally, we felt that it was time that we also got on-board and really showed our support for the industry as it makes the move forward with a low carbon, renewable fuel.

Ten or 15 years ago, we first tried to deliver Bioheat® fuel and had mixed success. Our biggest struggle was supply. We are not a company that has its own terminal where all our trucks can pick up B10, B20 or whatever blend we choose. We rely on outside suppliers, so we needed everybody to get on board to help us have a consistent supply. We are starting to see some of the major suppliers get behind it. Many of the heating equipment manufacturers are being very supportive as well. It is certainly going to make our journey a lot easier.

However, in some ways it is like the chicken and the egg. Because we are so big, many companies are waiting for us to make the move. Now, it is all fitting together, I think the timing is right.

■ ICM: *You mentioned the term Bioheat® fuel, and of course, Bioheat® fuel is a registered trademark name for a blend of biodiesel with traditional heating oil. Are you talking about blending biodiesel only or do you have other renewable fuels you are working with, such as renewable diesel?*

Hammond: Right now, it is pretty much biodiesel. It is a more available and an economical option. Where that

goes in the future depends on the overall market. For now, we are very happy with our choice of biodiesel fuel.

■ ICM: *With biodiesel, good product is the key to getting this right, isn't it?*

Hammond: Absolutely, it needs to be ASTM D6751 biodiesel.

■ ICM: *When did Star Group make this decision?*

Hammond: Actually, it was late 2019 early 2020 when we were having some serious discussions about it. We met with Paul Nazzaro, Nazzaro Group, the National Biodiesel Board and Michael Trunzo, Shenker Russo & Clark, LLC, to talk about how we can make this happen. Nazzaro has been a great resource. He and his team have worked side-by-side with us. After those meetings, we just made the commitment and said, "we cannot keep talking about it, we have to get it done."

Early in 2020, we started having meetings with some of the major suppliers about it, then COVID-19 hit. It put everyone in a tailspin for a bit, fortunately, we have been able to work through that. This past winter, our goal was to have all our New England companies' customers (New Hampshire, Massachusetts, Rhode Island, and Connecticut) on B20. Because of COVID-19, some concerns about supply issues and some infrastructure work had to be addressed, we would

up with about 60% of that territory receiving B20. Little by little, that keeps creeping up as we are able to build a network and fill in the gaps. We are feeling very positive about moving forward.

This coming season we are expanding into New York. We are looking to secure that area, Long Island, New York City, upstate New York, a little bit in New Jersey, and maybe even a little bit of Maryland as well. The last step would be to fill in the rest of our southern markets. We are planning to be delivering 100% B20 by 2023 to match the *Providence Resolution** and I feel very confident.

■ ICM: *Would you care to share who you getting your product from?*

Hammond: We have agreements with Sprague, Global, Northville, quite a few folks.

■ ICM: *You had one heating season where you had at least 60% of your New England customer base on B20. Is that right?*

Hammond: Yes, it probably represented 15-18% of our total customers.

■ ICM: *Can you tell me what the total is?*

Hammond: We have about 400,000 heating oil customers.

■ ICM: *That equates to something like 70,000 customers on B20 for the entire heating season. Did you come across any equipment or tank issues with the B20?*

Hammond: Actually, it went very well. As we started to put things in place, it was not 100% just flip the switch on October 1, 2020. Throughout the summer of 2020 we had been adding locations. As we added a location, we watched it to see the impact. As we went through the winter, we could see it was almost a non-event. It was almost unnoticeable from a service standpoint, and we felt that to be good news.

**The Providence resolution was approved by attendees at the 2019 NEFI Industry Summit in Providence, RI. It proposes to reduce greenhouse gas emissions in heating oil by 15% by 2023 and 40% by 2030 and deliver a "net-zero" fuel by 2050.*

We are currently working with John Batey from the Energy Resource Center and the Oilheat Manufacturers Association to analyze service records in more detail. We are trying to establish some benchmarks that we can watch as we go through this process, to see how it impacts delivery and service changes, if at all. I can tell you when I did a preliminary analysis of the amount of service calls per customer over a six-year period adjusted for weather, the results were slightly better as far as calls per customer. However, it was almost unnoticeable. We really feel positive about that.

■ ICM: *You're saying that after your preliminary analysis, you are not finding any real detriment with B20, maybe even a little bit improvement of service calls?*

Hammond: Yes. I compared October through March results for the last six years. Interestingly, where I did find the first downtick in service calls was

when we went to ultra-low sulfur fuel. When we ran the numbers, we saw a little bit of improvement and that improvement has been maintained through implementation of B20. That is what we expected and are we are certainly anticipating going forward.

As we get the higher blends, there may be some challenges. I am sure the whole industry will work through them. Right now, everything looks pretty good.

■ ICM: *You're handling B20 at many locations. How are you blending, where are you blending and how are you storing?*

Hammond: That was part of our challenge. We really needed the product to come pre-blended. We have been working with some of the major suppliers, and I know they really got behind this and are working to provide it for us. Since we have so many pick up points and locations, it would be very difficult for us to do our own blending at every single termi-

nal. A good percentage of the terminals we pick up from, we do not own, we just have an agreement with them.

We need heating oil to be B20 when it hits the first terminal, or at least blended at that primary terminal, rather than relying on the secondary network to get that done. I do not feel we want to encourage people to get into splash blending and things like that. I really believe that the specs of heating oil should change in the future so that when you are purchasing oil, you are purchasing B20 at a minimum.

■ ICM: *Because you are not storing and blending high blends of biodiesel, did you have to make any modifications in your infrastructure?*

Hammond: No, we have not had to at this point. We have looked at some things we can do with some of terminals and if we need to, we certainly will. At this point, in most of the areas, especially in New England, we are picking up at the first supply point

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■ ICM: *Your company is publicly owned and traded. You have stockholders, unlike most oil companies that are privately owned. How was the move to biodiesel presented to the board or the stockholders and what was their reaction?*

Hammond: Certainly our board supports what we are doing. They understand and they believe it is the right thing to do. Obviously, we

disclose these things in our public 10K reports and everything else, so it is out there. However, we have not received too many questions from stockholders.

■ ICM: *You have not really identified yourselves as “Going Green”?*

Hammond: What we really wanted to do in the first phase, through the New England area and before we overcommitted or put ourselves out there with bold announcements, was to make sure we could consistently

provide this product. I think we are at that point now. Having gone through last winter, we feel very confident that we can continue to provide this product and really promote it. I think we have a lot of customer education that we are looking to do.

■ ICM: *Before we get to the customer, have your employees been educated on this, especially your service technicians? Was there anything you had to overcome there?*

Hammond: When I had early discussions with Paul (Nazzaro) we talked about what an important issue employee communication and education was and that there were some deep concerns about Bioheat® fuel that ran through many in the service tech community. The good news is, Paul and his team, and others like you, have done a lot of work on this. Everything has come a long way.

I think it was a good opportunity for us to dispel a lot of the myths and rumors that were out there. This was chance to update everyone on where we are today with equipment versus where we were 10 years ago.

We also held informal meetings with the technicians and other employees. We let them talk and ask questions and really take them through everything that has evolved to where we are today. That, combined with the fantastic support from our entire management team, has made this smooth.

You asked earlier about service issues, and I said it was unnoticeable, but we had a couple of things happen that people right away jumped and said, “it is the biodiesel”...but it was not. Once we clearly communicated what the real issue was, everyone was fine again. There are always going to be those people waiting for the shoe to drop, but overall, they reacted very well and it has gone pretty smoothly. With Paul’s team, and having other people, like John Levy and everyone else I mentioned, active and available so it is not me telling them what I heard, it is coming from the source. That has helped.

Additionally, we have just completed a series of high-level training sessions for all our management employees

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throughout our entire footprint. Once again, Paul and his team have been great. They took us through all the communications: *What is Bioheat® fuel? Where does it come from? Why we should be moving forward with this product and what is the industry doing to get on board? What is our company doing?* I have been receiving very good feedback from a lot of the attendees.

We have had local management teams asking for more specifics about certain items, whether it is our fleet mechanics or our delivery operations. It is really starting to pick up momentum.

■ ICM: *Star Group has about 400,000 retail accounts, around 70,000 of which have already been using B20. Did you have a consumer marketing campaign? And if you did, what is your customers' reactions?*

Hammond: As I mentioned earlier, the initiative in New England was somewhat of a test. We wanted to make sure, before we marketed the benefits of Bioheat® fuel, that we could actually get our supply. We also wanted to make sure that operationally we had no challenges that we could not work through. We did not do a lot of marketing this past winter. But now, we have starting to do that over the last month or so.

Our first foray into marketing was external customer communications on Earth Day. We have planned a series of customer emails, leave-behinds and invoice stuffers targeting the questions: *What is Bioheat® fuel? What are its advantages? How does it help the environment? How will it help me as a consumer?* We also want to address the things that they are hearing about electrification. We feel that if they are educated properly, many of them will choose to stay with our product.

■ ICM: *The electrification plan you mention is the strategy in many states to convert people from fossil fuels to electric heat pumps, and in these plans, the electricity will be generated by renewable sources. That is a long way down the road and may not ever be feasible. There are public policy makers in many states who have yet*

to even accept a low-carbon liquid fuel, like biodiesel or renewable diesel, as a viable solution in their road map to zero carbon. Are you getting into the legislative action side of it?

Hammond: We are certainly supportive of that and we typically look to someone like Michael Trunzo who has done a lot of work with us. Obviously, we are supporting the National Energy Fuels Institute and its efforts.

From a financial standpoint, we are putting our money where we need it to be. I think we have the right people as a resource for our industry to have those discussions. I have had several meetings with different legislators to explain to them how we are a big part of the solution. I think we all must be active in that. We certainly support all the efforts that everyone has been trying to do in that regard.

We are way past the point of should we or maybe... we must do this.

■ ICM: *Star Group, which has brands such as Petro and others, is such a large company, with 400,000 customers. Do you think you can have an impact on the market to move the needle for low carbon fuels?*

Hammond: We certainly hope that happens. In many discussions over the years, whether it is through our local organizations or state associations, we were reminded of our size and influence. We do not really try to influence the market, but we do support the industry.

We do not try to act like everything is about us, but it is funny that we keep being reminded that everyone is looking at us. We do feel that responsibility and we do feel that we need to take a leadership position. We are hoping that it moves the needle a little bit with some of the suppliers, and I think we are seeing that. I also hope it moves other companies that may be sitting on the fence. We really believe the whole industry needs to do it.

■ ICM: *What about higher blends? Do you have plans to go beyond B20?*

Hammond: Yes, absolutely. We know, like everyone else, B20 is not going to be enough. We know that we are going to have to go to higher blends. We think, with the timetable that has been laid out with initiatives like NEFT's *Providence Resolution* and the milestones for higher blends it sets, it is certainly achievable. We certainly will be right there with everyone else. We are going to look at our operations once we get past B20 in all areas. We are not waiting for those next milestones. We are going to try to do whatever we can, if we can get supply, to move to higher blends earlier. If everyone in the industry works together, I really think we can meet those goals.

■ ICM: *If you could give a message for those in the industry who think that this is unnecessary, what would it be?*

Hammond: We are way past the point of *should we* or *maybe*—we must do this. I do not know how much more evidence we need; you see it almost every day. You cannot get away from it. Climate change is being interwoven into every facet of our life. Our industry is one of the key targets and if we do not get on-board, we are going to get left behind.

There are so many benefits for our industry to move to higher blends of Bioheat® fuel. It is the right choice for so many of our customers out there and I think we'd be doing them a disservice if we allow them stay where they are, putting them in a position where they will not have a choice. They will have to move to electric or heat pumps or some other source when that is not the right thing to do. There is a positive answer here, but doing nothing at this point is not an option. I certainly understand that there may be some small retailers out there who do not think they have the resources to do this, but the options are not good at this point. The earlier we can make this move, the better off it is going to be for everybody. I really believe that in the end, they are going to be very happy that they made the right choice. ICM