

# The Canadian Gas Fireplace Industry:

## Opportunities, Challenges, and the Path Forward

By HPBAC

### Executive Summary

The Hearth, Patio & Barbecue Association of Canada (HPBAC) presents a comprehensive overview of the Canadian gas fireplace industry, highlighting its significant contributions to the Canadian economy, along with opportunities and challenges the industry faces. Including hundreds of businesses and tens of thousands of jobs, this industry plays a pivotal role in providing reliable, efficient, and affordable heating solutions to Canadians.

- **Efficiency and Reliability:** Gas fireplaces have evolved to meet stringent efficiency standards, offering consumers environmentally conscious and cost-effective heating options. Their reliability, including during power outages, makes them a preferred choice for more than 3.2 million Canadian households.
- **Contribution to Energy Transition:** Gas fireplaces serve as a bridge to renewable energy sources like renewable gas and hydrogen blends. As demonstrated in British Columbia, the integration of renewable natural gas (RNG) into existing gas infrastructure is a promising avenue for reducing emissions and ensuring energy resilience.
- **Decentralized Energy Solution:** Gas-powered appliances provide a decentralized energy solution, reducing strain on the electrical grid during peak demand periods and offering homeowners flexibility in managing energy consumption.
- **Challenges:** The industry faces challenges such as regulatory restrictions. Bans on gas appliances and jurisdictional complexities hinder innovation and impact consumer choice. A collaborative approach is needed to address these hurdles.
- **Path Forward:** HPBAC is asking for partnerships with government to drive innovation, ensure regulatory consistency, and support research and development initiatives. By fostering a deeper relationship with government, the industry aims to contribute to progressive policies that balance environmental considerations with consumer needs.

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The Canadian gas fireplace industry stands at the forefront of energy transition, offering efficient, reliable, and environmentally friendly heating solutions to Canadian households. Through collaboration with government, the industry seeks to address challenges, drive innovation, and contribute to a sustainable energy future for all Canadians. By leveraging its expertise and commitment to excellence, the industry is poised to play a vital role in shaping Canada's energy landscape for generations to come.

"With Archgard Fireplaces being located right here in Mission, I see firsthand the positive impact of the industry on the local economy. Like people in many BC communities, our rural residents often rely on natural gas fireplaces as a way of ensuring a reliable heat source in their homes. Frequent power outages from extreme weather and inadequate electrical infrastructure in outlying areas mean that gas fireplaces are still a very practical feature in our homes."

—Paul Horn (Mayor of Mission, British Columbia)

## Who We Are: An Introduction to the Industry

The Hearth, Patio & Barbecue Association of Canada (HPBAC) is a national, not-for-profit association that represents businesses that manufacture, sell and service gas fireplaces in Canada. Several major fireplace manufacturers are based in Canada. The Canadian gas fireplace industry includes hundreds of businesses and tens of thousands of direct and indirect jobs. Revenue for the Canadian gas fireplace industry was U.S. \$484.7 million in 2023 and is projected to reach U.S. \$825.42 million by 2031.<sup>1</sup>

<sup>1</sup> The Insight Partners (2024). North America Hearth Market: Market Size and Forecast (2021–2031)

Efficiency requirements and standards for gas fireplaces have become increasingly stringent over the past several decades. Manufacturers have striven to meet these new requirements, and the products they develop often exceed them. In fact, a growing number of heating models now meet EnerChoice standards, as the number of qualifying appliances increased by 36% from 2018-2021.

Gas fireplaces provide a reliable source of heat for many Canadians because they can still operate during power outages. More than 3.2 million homes in Canada have a gas fireplace, and over half a million Canadians report using their fireplace daily.<sup>2</sup> Canada's reliance on natural gas goes far beyond heating fireplaces, as 36% of energy final demand in Canada was met using natural gas in 2021 and roughly ⅓ of Canadians used natural gas in 2022. Natural gas also remains one of the more affordable home heating options available, as the average residential natural gas bill was \$1,332 per year in 2022, and the delivered cost has declined by 7% since 2006. There is also a new version of EnerChoice, which recognizes smaller, lower-BTU appliances that use significantly less fuel.

Natural gas and propane serve as bridge fuels to renewable energy through low-carbon fuel sources like renewable gas and hydrogen blended gas, and many of the gas fireplaces already installed in homes are equipped to use them. These fuels will be crucial to achieving emissions goals and are being used residentially in provinces like British Columbia.

As of March 2024, FortisBC is receiving Renewable Natural Gas (RNG) from 14 RNG suppliers. The company's regulator, the BC Utilities Commission (BCUC), has approved an additional 17 projects. Once all these projects are active and producing RNG to their maximum contracted capacity, FortisBC could be delivering more than 23 million gigajoules (GJ) of RNG a year to its customers, which amounts to the gas

<sup>2</sup> The Insight Partners (2024). North America Hearth Market: Market Size and Forecast (2021–2031)

needs of more than 256,000 homes in BC based on average annual usage of 90 GJ per home. Canada also has an existing network of 584,000 kilometres of gas transmission, distribution, and service pipelines. This infrastructure will continue to deliver natural gas while supporting the integration of renewable and low-carbon gases, such as hydrogen, in the future.

Existing gas infrastructure is necessary to support transitions to cleaner energy, and that includes gas heating appliances. Gas fireplace manufacturers are constantly innovating their products to become more efficient and help reduce emissions. Gas fired appliances also provide a low-cost way to heat homes—even when the power goes out.

Altogether, the reliability, efficiency, and affordability of gas fireplaces makes them a key household heat source in Canada's energy future.

### **Where We Fit: Opportunities for the Industry, the Economy, and the Environment**

HPBAC and our members support the transition to cleaner forms of energy and are particularly active within the residential sector. Energy system transition will be done over time, and the sector will transition its product lines in lockstep with customer demand. While doing so, we will work to ensure the reliability, efficiency, and affordability of our energy systems are not unduly impacted.

Gas fireplaces, for example, are celebrated for their exceptional energy efficiency, providing an environmentally conscious and cost-effective means of heating a targeted area of the home. These appliances are designed with advanced combustion technologies that maximize heat output while minimizing energy waste.

Additionally, many models come equipped with

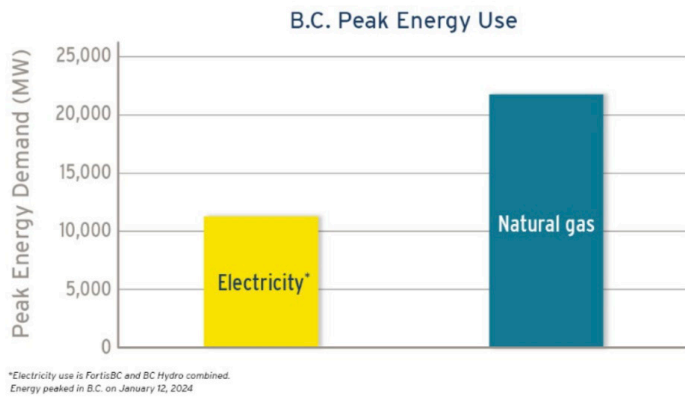
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programmable thermostats and remote controls, allowing users to regulate the temperature with precision, further optimizing energy consumption. Cleaner combustion of gas supports greenhouse gas reduction strategies as an efficient means of heating.

Overall, the energy efficiency of gas fireplaces not only enhances warmth and ambiance but also aligns with energy conservation goals. This efficiency translates directly to affordability, with many gas fireplaces running at a minimal cost.

Natural gas and propane will remain critical bridging fuels for decades to come. Indeed, gas is essential to enabling renewable energy sources and sustainable solutions for long-term emission reductions and a sustainable energy future. Canada's existing network of natural gas transmission, distribution, and service pipelines can continue to deliver natural gas while supporting the integration of renewable gas and hydrogen blends.

One example that illustrates this need for a mix of energy options was British Columbia's cold weather snap on January 12, 2024, the day the province was at its coldest. FortisBC's gas system delivered approximately double the energy BC's electricity systems provided—21,763 megawatts compared to 11,300 MW, at the highest point of demand (illustrated in the graph below). This is thanks in large part to the gas system's ability to store large volumes of energy, either in gas storage facilities or within the lines



<sup>7</sup>Source: FortisBC “B.C.’s energy systems work together to meet demand during cold snap”

themselves.

The variety of energy options present in the home plays a significant role in alleviating electricity distribution grid constraints. Gas-powered appliances—such as stoves, water heaters, furnaces, and fireplace inserts—offer a decentralized energy solution that reduces over-reliance on the electrical grid. This can be particularly beneficial during peak electricity demand periods when the grid may experience constraints. Homeowners using gas appliances can seamlessly switch between electricity and gas, providing flexibility and helping to manage energy consumption more effectively.

Additionally, during power outages, natural gas and propane appliances continue to operate, ensuring essential services like heating and cooking remain functional. This dual-fuel capability not only contributes to individual household resilience but also collectively eases the strain on the electricity distribution grid during times of high demand, thus reducing the need for expensive grid upgrades as other sectors of the economy, including transportation, electrify. As part of a diversified energy strategy, the use of gas fireplaces in homes helps balance and stabilize the overall energy infrastructure.

Natural gas and propane appliances also meet the demands of Canada’s cold winter climate. Heat pumps, while highly efficient and environmentally friendly in moder-

ate climates, can face limitations in cold weather conditions. One primary challenge is the reduced efficiency of air-source heat pumps as outdoor temperatures drop. In colder climates, the air-source heat pump’s ability to extract heat from the outside air diminishes, requiring supplementary heating methods to maintain indoor comfort. This often results in a switch to less energy-efficient auxiliary heating systems, such as electric resistance heaters, which

can significantly increase energy consumption. Fortunately, natural gas and propane-fueled heating appliances can serve as important back-up systems when required.

These factors, ranging from convenience and efficiency to affordability and resilience, make gas fireplaces an attractive choice for homeowners seeking a reliable, efficient, and aesthetically pleasing heating solution for their homes. HPBAC and its members see a valuable role for its products now and into the future, while supporting Canada’s energy transition.

To that end, our industry is committed to fitting into a net-zero economy by 2050. We are com-

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mitted to continuously innovating our product lines to ensure that we remain an important segment of the Canadian energy landscape and that our customers can continue to enjoy the products that are embedded in their lives.

### **The Road Ahead: Challenges the Industry Faces**

The Canadian gas fireplace industry is grappling with challenges that amount to significant obstacles to its sustainability and growth. One pressing issue is the imposition of bans on gas and gas appliances in certain jurisdictions. These bans and restrictions not only generate uncertainty within the industry but also negatively impact consumer choice, limiting their options for home heating solutions. The importance of gas fireplaces as a reliable and readily accessible back-up heating option for consumers becomes even more evident in the face of these restrictive measures.

Decarbonization must be done fairly and viewed as a dial rather than a switch that would negatively impact consumer choice and affordability. Indigenous, rural, and remote communities that live beyond the natural gas grid need to be considered.

Additionally, bans prevent gas lines being run to new developments, which in turn prevents access to future renewable gas and hydrogen blends. This will result in continued strain on the electrical system and restrict access to back-up and supplementary heating options.

In British Columbia, this challenging regulatory landscape is also marked by jurisdictional confusion. The provincial government's Zero Carbon Step Code has a target of 2030 for implementation of its most intensive step, but it allows municipalities to accelerate their implementation timeline. Some municipalities have chosen to adopt the top step of the code as early as this year. Beyond the obvious impact of accelerating such a significant change by six years, this creates overly

varied conditions for industry and consumers.

Any efforts by federal, provincial, or local governments to restrict or ban gas should include realistic timelines, industry consultation, and an understanding of current and future energy needs. The impact of these changes on consumers and small, medium, and large businesses is significant. Consultation with HPBAC and industry will contribute positively to the government's goals. We can provide expertise with and understanding of new technologies, efficient appliances, and safety.

Another challenge confronting the Canadian gas hearth industry is the imperative for innovation. Certain components and specific products lack readily available substitutes. The demand for innovative solutions is underscored by the changing regulatory environment and the need to align with evolving consumer preferences. The process of innovation and change takes time. While the industry collectively understands the need for innovation, manufacturers need the time and resources required to facilitate a smooth transition. Bans and restrictions on existing clean, efficient products do not help the process of innovation and adaptation. They require manufacturers to shift focus from innovation to further compliance with new regulations. Government should consider incentivizing behaviour rather than restricting choice.

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Gas fireplaces are no longer the simple steel boxes of the past, and a great deal of innovation has taken place over the last several decades.

The Canadian gas fireplace industry is ready to continue confronting challenges arising from regulatory restrictions, jurisdictional complexities, and the imperative for innovation. Navigating these hurdles requires a collaborative approach that considers the interests of government, industry stakeholders, and consumers. It is critical we balance the need for transition and regulatory compliance with the preservation of consumer choice, recognition of affordability concerns among consumers, and the promotion of innovative solutions.

### **The Bottom Line: How Our Industry Moves Forward**

Canada's gas fireplace sector is actively committed to contributing to the ongoing energy system transition towards sustainability. Recognizing the pivotal role we play in providing energy-efficient solutions for home heating and outdoor living, industry stakeholders are eager to collaborate with government entities to drive innovation and explore pathways to continuous improvement in energy efficiency and overall sectoral sustainability. This partnership is crucial for fostering research and development initiatives, incentivizing the adoption of cleaner technologies, and implementing policies that encourage sustainable practices within the sector.

By working hand-in-hand with the government, HPBAC aims to accelerate the development and deployment of environmentally friendly products, ensuring that the transition to a more sustainable energy system is not only effective but also widely accessible to consumers. This collaborative effort will play a pivotal role in shaping the future of home and outdoor energy consumption, fostering

a greener and more resilient living environment for communities at large.

### **HPBAC members call for partnerships with government in the following areas:**

- Codes, standards, and regulations:
  - Consistency in codes and standards nationwide is required to better support innovation and adaptation.
  - Regulations should be clear and informed by industry consultation. Indirect impacts on industry should be considered.
- Funding to support industry research and development, specifically through programs offered by:
  - Natural Resources Canada's Office of Energy Research and Development
  - Natural Resources Canada's Office of Energy Efficiency

More generally, HPBAC and its members wish to foster a deeper and more meaningful relationship with the Government of Canada, along with provincial and local governments. Recognizing the industry's vital role in Canada's energy landscape, we have a genuine desire to actively participate in consultations and collaborative initiatives.

This open and constructive dialogue with government can lead to the development of policies and regulatory approaches that not only support the industry's future but also address environmental considerations and consumer needs. By working together with the government, our sector aims to contribute to the formulation of policies that are both progressive and reflective of the diverse interests of the Canadian populace. This collaborative approach will not only enhance the industry's sustainability but also ensure that Canadians continue to enjoy the benefits that our products provide.

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