Data-driven Decarbonization of Residential Heating Systems

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ABSTRACT
Heating buildings using fossil fuels such as natural gas, propane and oil makes up a significant proportion of the aggregate carbon emissions every year. Because of this, there is a strong interest in decarbonizing residential heating systems using new technologies such as electric heat pumps. In this paper, we conduct a data-driven optimization study to analyze the potential of replacing gas heating with electric heat pumps to reduce CO$_2$ emission in a city-wide distribution grid. We conduct an in-depth analysis of gas consumption in the city and the resulting carbon emissions. We then present a flexible multi-objective optimization (MOO) framework that optimizes carbon emission reduction while also maximizing other aspects of the energy transition such as carbon-efficiency, and minimizing energy inefficiency in buildings. Our results show that replacing gas with electric heat pumps has the potential to cut carbon emissions by up to 81%. We also show that optimizing for other aspects such as carbon-efficiency and energy inefficiency introduces tradeoffs with carbon emission reduction that must be considered during transition. Lastly, we present preliminary results that shed light into the expected load exerted on the electric grid by transitioning gas to electric heat pumps.

CCS CONCEPTS
• Mathematics of computing → Linear programming.

KEYWORDS
Decarbonization, Optimization, Electric Heat Pumps

1 INTRODUCTION
Residential energy usage contributes nearly 20% of all greenhouse gas emissions in the United States [12]. In 2019 alone, buildings contributed over 1850 million metric tons of greenhouse gases [1]. Heating and cooling account for roughly 38% of these emissions [23]. To avert the disastrous effects of climate change, the energy system has begun a major transition towards a carbon-free future. The building sector will play a major role in this transition.

To date, a significant fraction of buildings in colder climates, such as regions of North America and Europe, depend on natural gas, propane, or oil for residential heating in the winter. For example, 82% of Massachusetts households use non-electric sources of energy such as utility gas, heating oil, or propane for heating [7]. On the other hand, only 16% of households use electric heating. The low adoption of electric heating is attributed to the historical inefficiency of electric heat pumps in extremely cold climates. However, recent technological advancements have made it possible to operate electric heat pumps efficiently even at very low temperatures of -15°C [31]. This has made modern heat pumps viable candidates for replacing fossil fuel based heating even in the extreme climates of North America or Northern Europe.

Electric heat pumps offer two key decarbonization advantages over fossil fuel based heating, such as utility gas. First, they are more energy-efficient, which means they use less energy than gas furnaces to generate the same amount of heat energy [26]. Second, their reliance on electricity means that as the electric grid transitions towards greener and renewable sources for energy production, the carbon footprint of electric heat pumps will also decrease. In contrast, the carbon footprint of fossil fuel based heating will remain constant as the energy efficiency of gas furnaces is reaching its limits [11]. As a result, replacing gas furnaces with energy-efficient electric heat pumps has great potential to not only reduce a building’s energy usage, but also reduce its overall carbon footprint.

A push for transition to electric heat pumps can come from either the utility or the end consumers. Although consumers do not have a direct incentive to reduce their carbon emissions, they do have a strong financial incentive to reduce their energy consumption, and ultimately their utility bills. However, the capital cost of such interventions is often a major bottleneck. To incentivize the switch, transition strategies are typically accompanied by significant rebates and cost savings. Often, subsidies provide assistance to make a building more energy efficient as a whole. For instance, in some states in the U.S., heat pump rebates can be as high as $10,000, and are accompanied with an additional 75-100% rebate for adding new insulation to the building envelope [24]. Despite these subsidies, consumers are still expected to make a major upfront investment, which presents a financial hurdle for many customers. Utilities, on their own, also do not have any financial incentives for decarbonization, which can require upgrades in the electric grid, as well as retiring parts of the gas network infrastructure before its natural end of life. However, they are increasingly being required by government policy or regulations to reduce carbon emissions in line with commitments made at the UN’s Paris Climate Agreement to limit the global temperature rise to less than 2°C [3].
Any transition strategy, be it from a utility’s perspective or a consumer’s, requires identifying a set of buildings to be retrofitted with heat pumps. The selection of buildings is non-trivial and traditionally depends on various factors, such as the total energy consumption and insulation levels. However, for decarbonization, two of the most important factors are the total carbon footprint and the carbon-efficiency of a building. The total carbon footprint quantifies the total amount of emissions from heating, irrespective of how much heat was generated and the efficiency of the process. Carbon efficiency, on the other hand, quantifies the amount of heat generated per unit of carbon emitted. The two metrics are related but distinct. For example, a building may have a large total carbon footprint, but be highly carbon-efficient. Therefore, while a carbon reduction strategy that targets the highest emitting buildings yields the greatest initial reduction in CO\(_2\) emissions, it does not fully exploit additional opportunities for improvements, such as increasing building energy efficiency. In addition, there are additional questions that need to be answered. How does the choice of one metric impact the other? How does carbon-efficiency differ from energy-efficiency from a decarbonization standpoint? How does carbon emission reduction impact energy consumption (also a proxy for heating cost) for the end consumers? Finally, since the transition is not instantaneous but rather a gradual process, which buildings should be transitioned first, and which should come later? The answers to these questions are non-trivial and require an in-depth analysis of real energy consumption data.

In this paper, we conduct a data-driven optimization study to analyze the potential carbon emission reductions from replacing gas-based heating with electric heat pumps in a city-wide distribution grid. Our empirical study is based on analyzing real natural gas and electric data from 13,800 and 6,445 smart electric and gas meters respectively collected over a one year period. We conduct an in-depth analysis of the heating demand of buildings and quantify their carbon footprint. We quantify CO\(_2\) emission reductions obtained when a carbon-optimal transition strategy is applied to the conversion from gas to electric heating. We then introduce additional goals such as CO\(_2\) efficiency and improving building efficiency to take advantage of further energy improvements in addition to CO\(_2\) reduction. In conducting our empirical analysis, this paper makes the following contributions.

**Energy Consumption and Emission Analysis.** We use a city-scale dataset to conduct an in-depth analysis of its gas consumption and the resulting CO\(_2\) emissions. One of our key findings is that the median building produces ≈ 32 MT of CO\(_2\) annually, with some buildings emitting ≥250MT CO\(_2\), which is 7.8x the median. This analysis motivates transition strategies that target buildings with higher emissions to meet aggressive decarbonization goals.

**Optimal CO\(_2\) Reduction.** We present a multi-objective optimization (MOO) framework that enables the flexible selection of a subset of homes for heat pump retrofits to achieve decarbonization goals. Our analysis of a transition and building selection strategy that achieves maximum possible initial CO\(_2\) reductions suggests that it fails to take advantage of other aspects of energy transition such as improving energy and carbon efficiency in buildings. Consequently, we update our multi-objective optimization framework to consider additional objectives of energy efficiency and carbon efficiency.

**Joint CO\(_2\) and energy-efficiency optimization.** In addition to a carbon emissions analysis, we analyze the energy inefficiency of buildings and its causes. We show energy efficiency can be improved by transitioning buildings from gas to electric heat pumps, to reduce emissions, while simultaneously improving energy efficiency via renovations, such as adding insulation to the building. We show the effect of prioritizing energy efficiency on energy demand and CO\(_2\) emissions. Our analysis finds that older buildings are generally less efficient and should be prioritized in transition.

2 BACKGROUND

In this section, we present background on the energy transition, decarbonization of heating, and electric heat pumps.

2.1 Energy Transition

The U.S., along with most countries in the world, still relies on non-renewable, fossil fuel-based energy sources — such as coal, natural gas — for a majority of its energy needs. For example, fossil fuel-based energy resources fulfilled more than 79% of U.S. energy consumption in 2021 [1]. To curtail the effects of climate change, there is a push towards cleaner sources of energy. The energy transition can be achieved individually for each of the major sectors of energy consumption, such as transportation, buildings, and agriculture. However, prior studies have suggested that a more effective pathway is to transition our energy needs to electricity while intensifying efforts to clean the sources of electricity production [21]. This hypothesis is supported by recent estimates that suggest that the carbon intensity of electricity (in g CO\(_2\)/kWh) in the U.S. decreased 30% between 2001 and 2017, largely due to the replacement of coal-fired power plants with natural gas and wind generation [30]. This trend is expected to continue as the use of renewable energy resources for electricity production increases. The electrification of buildings and transportation has received significant attention to accelerate the energy transitioning progress. In this paper, we quantify the impact of electrifying heating in the building sector via electric heat pumps on energy consumption and CO\(_2\) emissions, an important step for energy transition.

2.2 Decarbonizing Heating

Heating using fossil fuels, such as natural gas, propane and oil, accounts for more than 47% of overall heating energy consumption in United States [10]. Natural gas and propane furnaces use a gas burner to heat air or water, which is then circulated to heat the building. The combustion of natural gas produces carbon dioxide as a byproduct, which is released into the atmosphere. Heating and cooling in the residential sector is responsible for more than 38% of all CO\(_2\) emissions in United States every year [23]. The decarbonization of heating is an important step towards achieving overall carbon reduction goals. The decarbonization of heating, to various degrees, can be achieved in multiple ways by transitioning to geothermal heating, hybrid heating, and/or electric heat pumps. Heating through geothermal energy is an emerging technology, but may not be suitable for all locations [33]. Hybrid heat pumps combine electric heating with a secondary fuel, such as a propane tank. While these options may be cost-effective solutions in the short term, they are not a long-term solution if society is to transition to a carbon-free future. The use of energy-efficient electric heat
pumps has been proposed as an ideal pathway to decarbonization of the future grid [5, 6, 16, 19, 34]. As the electric grid transitions towards a carbon-free future, discussed in Section 2.1, the heating sector will need to organically transition to a carbon-free future.

2.3 Electric Heat Pumps

Electric heat pumps are a new and energy-efficient alternative to gas furnace heating during cold seasons, as well as space cooling during summer seasons. During winter seasons, heat pumps pull warm air from outside and concentrate it into your home space, making the inside warm. Conversely, during summer seasons, a heat pump moves heat from within a building to the outside atmosphere which cools the inside of the building. Since the main principle behind heat pump operation is heat transfer instead of heat generation, heat pumps are more energy efficient than fossil fuel based burners. The most popular type of heat pump available in the market today is an air-source heat pump [26], which transfers heat between the inside of a building and the outside air. Because these heat pumps rely on air heat transfer, as the outside temperature decreases, their heating capacity degrades. In the past, such heat pumps required a backup energy source to be used during extremely low temperatures, such as a gas furnace or electric heating [14]. However, recent advances in heat pump technology have made them efficient even at low temperatures, which makes them an ideal replacement for gas heating even in cold climates [9, 31]. In addition to increased energy efficiency, heat pumps also have other advantages over natural gas. Since they use electricity, as more electricity is sourced from renewable sources, their carbon footprint is lower than that of natural gas. Moreover, due to their reduced energy usage, heat pumps can reduce the cost of heating a building by up to 60%. This makes them an attractive source of heating from a carbon, energy efficiency, and cost perspective.

3 PROBLEM AND METHODOLOGY

In this section, we present the problem statement and key research questions we address in the paper. We also describe the datasets and experimental methodology we use to answer these questions.

3.1 Problem Statement

Given a set of residential buildings in a city or town, the primary goal of our work is to quantify the impact of replacing gas heating with electric heat pumps on carbon emission reductions, and the optimal order in which homes should be transitioned. Another goal is to understand the impact of introducing additional goals such as carbon-efficiency and energy inefficiency in buildings as priorities for such a transition, and the tradeoffs such goals have on emissions reduction. Specifically, we seek to answer the following questions.

1 What is the distribution of heating energy consumption, and how much gas is required to meet these heating requirements?

2 What is the impact of replacing gas heating with electric heat pumps on energy consumption and CO₂ emissions? What is the optimal order in which buildings should be transitioned from gas to electric heat pumps in order to minimize CO₂ emission?

3 How is this ordering impacted when additional goals such as carbon/energy inefficiency of buildings are introduced? How is CO₂ reduction impacted, and what are the tradeoffs?

3.2 Description of Datasets

The answers to these questions vary based on region and largely depend on seasonal factors such as the severity of winter weather, which in turn influences gas demand for heating. Other factors such as type and purpose of building e.g. industries, factories may also affect energy patterns. In this paper, we focus on residential data collected from a small city in the Northern region of United States. Since the gas and electric system design in this city is typical of many regions across the world, and residential usage is invariant across regions, we believe that our insights are widely applicable.

Gas and Electric Usage Data. Our dataset consists of electric and gas consumption data recorded by 13,800 electric and 6,445 gas meters. The data also includes a mapping of electric and gas meters installed at each building. To compute the aggregate load profile of a building, we sum up the load from the electric and gas meters installed in the building. Electricity demand data is recorded at 5 minute granularity and spans >5 years. Gas consumption data is recorded at hourly granularity, and spans the same duration. For the purpose of our study, we limit our analysis to the full calendar year 2020, which is the latest year whose complete data was available.

Building Property Data. In addition to load data, we collect property data for all buildings present in our dataset using public real-estate records. This includes the size of the building, type of building, e.g., single vs multi-family, etc. We use this data to augment our analysis, e.g., to generate a building’s energy profile, we normalize the load by the building’s size to enable comparative analysis across different buildings. We gather and parse this data from publicly available property information recorded as part of tax records.

Weather Data. Since our analysis involves measuring the impact of weather on energy usage, we gather weather data for the city from the Dark Sky API 1. We collect multiple data points such as temperature, humidity from the API. We gather this data at hourly granularity to match our hourly gas load data.

4 ENERGY USAGE AND CARBON ANALYSIS

To understand the impact of transitioning buildings from gas to electric heat pump heating, we begin with an analysis of the current load on the gas system and the resulting CO₂ emission. Specifically, we study the daily, seasonal and annual variations in gas energy usage across the whole system.

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1https://darksky.net/dev
4.1 Energy Demand Analysis

Figure 1 depicts the aggregate gas demand for the city under consideration over the course of an year. There are two peak periods — between Jan-Feb and Nov-Dec months. These peaks coincide with the most severe winter months. The average daily gas demand during winter months is 89.3 MMCF, which is 6× the daily average during summer months (14.5 MMCF). The data also demonstrates a strong negative correlation (-0.9) between temperature and gas demand — as the temperature falls, gas demand rises due to increased residential heating in buildings. Figure 2(a) depicts the daily aggregate demand for gas across the system. The figure shows that on most days, aggregate demand is < 25 MMCF. This is mainly due to the use of non-heating appliance such as stoves. The figure also shows a spread of high usage days during which demand is highest. For instance, the peak day consumes > 150 MMCF, which is 3.5× the average usage. Since these high usage days are predominantly made up of heating consumption, replacing gas heating with electric heat pumps has great potential to curtail CO₂ emission.

In addition to analyzing the aggregate daily demand, we study the variation in gas demand by time of day, and the periods during which the daily peak demand occurs. Figure 2(b) depicts the average gas demand by time of day during winter and summer months. During winter, gas demand exhibits a bi-modal peak — a sharp peak between 8-9am, and a moderate peak between 5-8pm. This coincides with the morning and evening routines during which occupancy and activity in homes is highest. The peak hourly demand is 5.08 MMCF, while the average demand is 3.72, indicating a 1.4 peak-to-average ratio. Lastly, gas demand during summer months does not show significant variation over the course of the day. This is because gas usage during summer is predominantly made up of appliance usage which is fairly constant throughout the year.

4.2 Carbon Emission Analysis

The combustion of natural gas produces carbon dioxide as a byproduct which is released into the atmosphere. When gas is used for heating, the amount of CO₂ emitted is driven by the amount of gas required to generate enough heat for a building. This is in turn driven by the temperature e.g. as the temperature decreases, more heat is required to raise the indoor temperature, as well as the building size i.e. larger spaces require more energy to heat. Further, building characteristics such as insulation affect how much gas is consumed e.g. buildings with poor insulation lose heat to the atmosphere faster than those with better building envelope, and therefore have higher gas demand.

To examine the CO₂ emission generated directly from gas heating, we compute the emission for each building by multiplying the total gas consumption for the year with the emission factor of gas. About 0.0551 MT of CO₂ is produced for each MCF of natural gas burned [2]. To estimate heating gas consumption, we subtract summer average from overall gas usage. Figure 2(c) depicts the distribution of CO₂ emitted by each building from heating gas combustion. The figure shows that the median building emits 32.4 MT of CO₂ every year. The figure also shows a long tail, with a small number of buildings emitting a lot more CO₂ compared to others. These buildings in particular form good candidates for transition to in order to reduce CO₂ emission from the heating. The highest emitting buildings contribute > 250 MT CO₂ during the year which is 8.1× the median emission and 7× the average CO₂ emission.

5 MULTI-OBJECTIVE DECARBONIZATION

In this section, we present a data-driven multi-objective optimization (MOO) framework that enables flexible selection of a subset of homes for heat pump retrofits to achieve decarbonization goals. We start the optimization with an initial goal of maximizing CO₂ reductions and iteratively add additional objectives of maximizing carbon efficiency and targeting energy inefficient buildings. In doing so, our formulation enhances decarbonization to not only aim for the highest emitters, but also target smaller buildings that have a smaller CO₂ footprint but are CO₂ or energy inefficient, with the aim of achieving a balanced transition. While the optimization can be extended to other objectives, in this work, we focus on CO₂ reduction, CO₂ efficiency and energy efficiency.

5.1 Optimizing for Carbon Emissions Reduction

Let \( H = \{h_1, h_2,...h_n\} \) denote the set of buildings, each indexed by \( i \). Let \( C^g_i \) denote the total CO₂ emission from the cumulative gas consumption for building \( i \) required for heating during the year. Let \( C^e_i \) denote the total CO₂ emission from the cumulative electric consumption for building \( i \) required for heating when using an electric heat pump. Let \( \alpha_i \) represent the transition-to-electricity status for the building \( i \) and \( S \) represent the denote the target number of buildings to transition to electric heat pump heating.

Given that, our objective is to select \( S \) buildings from the set \( H \) which when transitioned to electric heat pumps result in the lowest aggregate CO₂ emission possible across buildings. This objective can formally be described as follows.

\[
\text{min } \sum_{i=1}^{n} (1 - \alpha_i) \cdot C^g_i + \alpha_i \cdot C^e_i \\
\text{s.t., } \text{Equations (2) - (4)} \\
\text{vars., } C^g_i, C^e_i, \alpha_i, S \ \forall i
\]  

(1)

Our first constraint relates to the level of transition. Let \( \alpha_i \) denote a binary variable which indicates the state of transition for each building \( i \) such that \( \alpha_i \in \{0,1\} \). When set, the building is transitioned to electric heat pump heating, and when not set, the building remains on gas. Further, let \( S \) denote the target number of buildings to transition to electric heat pump heating. To ensure that only \( S \) buildings are transitioned, the sum of all values of \( \alpha_i \) must equal \( S \), as stated below:

\[
\sum_{i=1}^{n} \alpha_i = S
\]  

(2)

Our final set of constraints simply ensure that a building cannot have negative carbon emissions from either the gas consumption or the electric demand.

\[
C^g_i \geq 0 \ \forall i
\]  

(3)
We further elaborate the notion of carbon-efficiency when one unit area of a building is raised by one unit of temperature. We define the notion of carbon-efficiency as the amount of CO₂ emitted by size. We then compute carbon emissions per unit size. It should be noted that a simple ordering of homes based on their total carbon emissions can achieve the singular goal of selecting a set of buildings that maximizes carbon emission reductions after transition. However, we present this as a flexible multi-objective optimization framework so that additional objectives, discussed in subsequent sections, can be integrated into the same framework.

### 5.2 Optimizing for Carbon-efficiency

Optimizing for total carbon emission reduction targets buildings with highest carbon footprint. However, the large footprint may be a result of large residential area or large number of residents and the building itself may be making a highly efficient use of its gas demand. With CO₂ reduction as the sole goal, only larger buildings will be selected, and many smaller highly inefficient buildings will be left out. To capture this effect, we define the notion of carbon-efficiency. We define carbon-efficiency as the amount of CO₂ emitted when one unit area of a building is raised by one unit of temperature. We further elaborate the notion of carbon-efficiency next.

The notion of carbon-efficiency is based on the observation that electric heat pumps consume lower energy compared to gas to heat. However, since gas furnaces are inherently inefficient, maximizing...
To do so, we extend our analysis to not only consider gas energy value of either buildings, respectively. All of the binary variables can only take a status of heating inefficient, cooling inefficient, the remaining buildings, respectively.

Let $\eta$ be the absolute slope of gas CO2 emissions for the building $j$. Let $\lambda^g_i$ be the absolute slope of electric CO2 emission for the building $i$. Our joint optimization of minimizing carbon emissions and maximizing carbon-efficiency can be stated as follows.

$$
\min \left( \sum_{i=1}^{n} \left( 1 - \alpha_i \right) \cdot C_i^g + \alpha_i \cdot C_i^e \right)
$$

$$
\min \left( \sum_{i=1}^{n} \left( 1 - \alpha_i \right) \cdot \lambda^g_i + \alpha_i \cdot \lambda^e_i \right) \cdot \frac{1}{n}
$$

s.t., Equations (2) - (4)

vars., $C_i^g, C_i^e, \alpha_i, \lambda^g_i, \lambda^e_i, S \forall i$

As stated before, to maximize CO2 efficiency, we minimize the average absolute slope of CO2 emissions curve across all buildings.

### 5.3 Targeting Energy Inefficient Buildings

In addition to carbon-efficiency, building decarbonization strategies may also want to target energy inefficient buildings. Energy efficiency in transition is important for two main reasons. First, higher efficiency translates to a lower carbon footprint. Second, since nearly half of a building’s energy usage results from heating and cooling alone, improving efficiency of heating is one of the most effective ways for reducing a building’s energy bill.

The sources of energy inefficiencies include poor insulation, high temperature set points for heating and cooling, and inefficient appliances. In this section, we extend our optimization formulation to target buildings that have one or more energy inefficiencies. To do so, we extend our analysis to not only consider gas energy usage only, but also electric usage. We learn a building energy model and use it to identify energy inefficiencies which we target in decarbonization.

Let $U = \{h_1, h_2, ..., h_p\}$ denote the set of buildings with heating inefficiency i.e. high heating slope, each indexed by $k$. Let $V = \{h_1, h_2, ..., h_q\}$ denote the set of buildings with cooling inefficiency i.e. high cooling slope, each indexed by $l$. Further, let $W = \{h_1, h_2, ..., h_r\}$ denote the set of all other buildings i.e. all buildings with any other inefficiency except heating and cooling, as well as those without any inefficiency, each indexed by $m$.

Let $C_k^{g, u}, C_k^{g, d}$ and $C_k^{g, w}$ be the total carbon emissions from gas consumption in heating inefficient, cooling inefficient, and the remaining buildings, respectively. Further, let $C_k^{e, u}, C_k^{e, d}$ and $C_k^{e, w}$ be the total carbon emissions from electricity usage in heating inefficient, cooling inefficient and remaining buildings, respectively.

Let $\xi_k, \beta_l$ and $\gamma_m$ be the binary variables that indicate the transition status of heating inefficient, cooling inefficient, the remaining buildings, respectively. All of the binary variables can only take a value of either 0 or 1, which means that $\xi_k, \beta_l, \gamma_m \in \{0, 1\}$ for all $k$, $l$, and $m$. To transition only $S$ buildings, the sum of all set variables from all building groups must be equal to $S$.

$$
\sum_{k=1}^{p} \xi_k + \sum_{l=1}^{q} \beta_l + \sum_{m=1}^{r} \gamma_m = S
$$

Lastly, since buildings cannot have negative energy usage and therefore negative emission, we ensure that emission from buildings in all groups is greater than or equal to zero.

$$
C_{k}^{g, u} + C_{k}^{g, d} + C_{k}^{e, d} + C_{k}^{e, w} + C_{l}^{g, u} + C_{l}^{g, d} + C_{l}^{e, d} + C_{l}^{e, w} + C_{m}^{g, u} + C_{m}^{g, d} + C_{m}^{e, d} + C_{m}^{e, w} \geq 0 \quad \forall k, l, m
$$

With these constraints in place, our objective is to select $S$ buildings from the sets $U$, $V$ and $W$ such that when the $S$ buildings are transitioned to electric heat pumps, carbon emissions are minimized, while the portion of $S$ buildings selected from the heating and cooling inefficient groups is maximized. This multi-objective optimization problem can be formally stated as follows.

$$
\min \; f_u(u) + f_v(v) + f_w(w)
$$

$$
\min \; \sum_{k=1}^{p} (-1 \cdot \xi_k) + \sum_{l=1}^{q} (-1 \cdot \beta_l)
$$

s.t., Equations (8) - (9)

vars., $C_k^{g, u}, C_k^{g, d}, C_k^{g, w}, C_k^{e, d}, C_m^{g, u}, C_m^{g, d}, C_m^{g, w}, \xi_k, \beta_l, \gamma_m, S \forall k, l, m$

The composite functions $f_u$, $f_v$, and $f_w$ are defined as follows.

$$
\begin{align*}
f_u(u) &= \sum_{k=1}^{p} (-1 \cdot \xi_k) \cdot C_k^{g, u} + \xi_k \cdot C_k^{e, u} \quad (11) \\
f_v(v) &= \sum_{l=1}^{q} (-1 \cdot \beta_l) \cdot C_l^{g, d} + \beta_l \cdot C_l^{e, d} \quad (12) \\
f_w(w) &= \sum_{m=1}^{r} (-1 \cdot \gamma_m) \cdot C_m^{g, w} + \gamma_m \cdot C_m^{e, w} \quad (13)
\end{align*}
$$

Note that to maximize the number of buildings selected from the heating and cooling inefficient groups, we minimize the negation of all set binary variables from the two sets.

### 6 EVALUATION

In this section, we present the results for various decarbonization strategies presented in Section 5 and evaluate their efficacy in reducing carbon emissions and increasing energy efficiency. To do so, we introduce varying levels of transition across the system, where the transition rate represents the percentage of buildings converted from gas to electric heat pumps.

#### 6.1 Experimental Setup

The gas and electricity consumption data from the buildings (described in Section 3.2) provides building-level metering of the gas and electricity demand. We first disaggregate gas and electric demand data into two components: first, used for heating purposes, and second, used by all the other appliances such as stoves. To do so, we compute the average gas usage during the summer, and subtract it from the year-round data to get the heating component of gas usage. This removes usage from other appliances such as stoves, and ensures we estimate CO2 reduction from heating only. We also account for energy loss due to the inherent inefficiency of gas furnaces. To do so, we use an efficiency level of 87.5%, which lies between the typical efficiency of a standard and a high efficiency...
We compute the total carbon emission reductions for each building, and normalize the difference with the size of the building. Figure 6 depicts the distribution of carbon emission reductions per unit area across all buildings. The figure shows that normalized CO\textsubscript{2} reduction is normally distributed with the average building seeing an annual reduction of 0.018 MT/ft\textsuperscript{2}. Given that the median house size of single family home in United States is 2273 ft\textsuperscript{2} [8], each home has a potential to reduce 40.9 MT each year.

### 6.3 Maximizing Carbon-efficiency

Next, we analyze the impact of optimizing for carbon-efficiency on carbon emissions reduction. The goal here is to quantify the tradeoff between carbon emissions reduction and efficiency, i.e. how much carbon emissions can be eliminated while also ensuring that carbon emissions per unit area is minimized. We solve the optimization problem described in Section 5.2 and compare the aggregate carbon emissions after the transition with the carbon-optimal strategy results presented in Section 6.2. Figure 7 depicts the results for this analysis. The figure shows that carbon emissions reduction is lower than the optimal case for up to \approx 85\% transition, after which carbon emissions are similar to the optimal scenario. The magnitude of initial growth of CO\textsubscript{2} reduction is also lower. This is because some of the highest emitting buildings have high carbon efficiency. This indicates a tradeoff between absolute reduction and efficiency i.e. in joint optimization, some large emitters are foregone in favor of less-efficient buildings which have a lower absolute carbon footprint. The largest deviation occurs at 15\% transition, where 71 GT of carbon emissions reduction is foregone in favor of maximizing efficiency. However, carbon-efficiency increases by 1.9x. Utility companies can therefore choose between efficiency and absolute reduction depending on the weight associated with each outcome. Since there is not a significant deviation in carbon emissions reduction, utility companies can maximize carbon-efficiency while sacrificing only a small amount of carbon emissions reduction compared to the optimal case.

### 6.4 Targeting Energy Inefficient Buildings

We next examine the tradeoff in carbon emissions reduction introduced by prioritizing inefficiencies in buildings. We begin by performing building segmentation based on their unique energy inefficiencies and the underlying faults that cause such inefficiencies. Our fault analysis is based on the technique proposed in [17]. We apply the proposed technique to our data. Table 2 shows the indicator characteristics identified for each building along with the possible faults that underlay such inefficiencies. The third column shows the optimization group that we place each building in based on the identified fault.
on the identified characteristics. Specifically, we target homes that have heating and cooling inefficiencies since these would benefit most from transitioning from gas to electric heat pumps.

Figure 8 depicts the distribution of energy inefficiencies identified in buildings in our dataset. The figure shows that poor building envelope is the leading cause of energy inefficiency. This is true across buildings of all age groups. It also reveals that inefficient HVAC and heating units are the second and third most prevalent causes of energy inefficiencies of buildings, respectively. Since electric heat pumps are capable of operating as both heating and cooling units based on the season, this distribution of faults underpins the importance of targeting energy inefficient buildings in transition. The figure also shows that older buildings are more prone to being energy inefficient, while newer buildings show less prevalence probably due to improved building standards. This segmentation of buildings based on underlying energy inefficiency informed the basis of our targeted optimization, presented in Section 5.3. Targeting inefficient buildings offers multiple advantages over optimizing for carbon emissions alone. For example, transitioning to electric heat pumps typically comes with additional benefits such as building retrofits. This enables buildings to take advantage of these additional benefits during transition. Moreover, the amortized cost of transition may be reduced by performing multiple upgrades at once.

To quantify the tradeoff in carbon emissions reduction and targeting inefficiency buildings, we run the optimization described in Section 5.3 on our datasets and compare the resulting carbon emissions reduction with the carbon optimal scenario. Figure 9 depicts the results of this experiment, and presents some interesting observations. First, carbon emissions reduction show a gradual linear decrease from start to finish compared to the optimal case, and only converges at near full transition (≈ 98%). Since older buildings are more prone to energy inefficiency, this figure also indicates that this strategy has the effect of selecting older buildings first. Similar to optimizing for carbon efficiency, targeting inefficient buildings introduces a tradeoff between absolute reduction and improving energy efficiency. We find that the highest emitters are not necessarily the most energy inefficient. Since the end goal in both cases is CO₂ reduction, utility companies can choose to forego one for the other depending on the weight associated with each outcome.

Finally, we evaluate the impact of transitioning to electric heat pumps on the daily gas demand. Figure 10(a) depicts the average hourly demand of gas during winter and summer months after 100% transition to electric heat pumps. Similar to the observations made in Figure 2(b), we find that gas demand exhibits a bi-modal peak — between 8-9am and 5-8pm. The figure also makes two interesting observations. First, the average peak demand reduces by 78% compared to the case before transition. Second, the extremity of the peak is also reduced significantly. Before transition, the peak demand was 1.4× the average hourly demand. Post transition, the peak-to-average ratio is 1.2, indicating a 14.3% reduction compared to the value before transition. Lastly, the figure shows no significant change in daily usage pattern of gas during summer months since consumption is mainly made up of appliance usage which does not change with the introduction of heat pumps.

### 6.5 Impact on Energy Consumption Reduction

Figure 10(b) depicts the distribution of potential energy reduction for buildings in our dataset. It shows that electric heat pumps can reduce annual energy usage by 1,193 GWh, with a median reduction of 107.5 MWh. Most buildings reduce energy usage by up to 200 MWh, with a few large energy consumers seeing annual reductions of up to 800 MWh, which is 7.5× the median. Reducing energy consumption makes buildings more energy efficient, and this makes electric heat pumps an attractive replacement for gas heating.
After converting heating from gas to electric heat pumps, it is important to understand the expected load exerted on the electric grid. To compute the expected electric demand, we estimate the amount of heat energy generated from a building’s gas consumption, and compute the electric energy required to generate the equivalent amount of heat energy (details in §5). Figure 10(c) depicts the CDF of electric demand required by heat pumps across the entire system. It shows that the median buildings increase electric demand by ≈ 72 MWh annually. The figure also indicates that most buildings increase electric demand by up to ≈ 200 MWh and only a few buildings having an additional annual demand of > 200 MWh. Finally, the median annual gas energy is 179.1 MWh, which indicates a 60% reduction in absolute energy consumption. Further analysis is needed to study the impact of the extra load on the electric grid. However, these preliminary results show how the grid is expected to change as the penetration of heat pumps increases in buildings.

### 6.6 Impact on the Electric Grid

After converting heating from gas to electric heat pumps, it is important to understand the expected load exerted on the electric grid. To compute the expected electric demand, we estimate the amount of heat energy generated from a building’s gas consumption, and compute the electric energy required to generate the equivalent amount of heat energy (details in §5). Figure 10(c) depicts the CDF of electric demand required by heat pumps across the entire system. It shows that the median buildings increase electric demand by ≈ 72 MWh annually. The figure also indicates that most buildings increase electric demand by up to ≈ 200 MWh and only a few buildings having an additional annual demand of > 200 MWh. Finally, the median annual gas energy is 179.1 MWh, which indicates a 60% reduction in absolute energy consumption. Further analysis is needed to study the impact of the extra load on the electric grid. However, these preliminary results show how the grid is expected to change as the penetration of heat pumps increases in buildings.

### 6.7 Implications of Results

In this section, we present a summary of the implications our results have on energy policy.

First, we have shown that making CO₂ footprint reduction the sole objective of decarbonization has several drawbacks. For instance, when CO₂ footprint is the sole objective of the optimization, the largest homes, which tend to belong to more affluent homeowners, are picked. This is because they tend to be the highest CO₂ emitters. However, since heat pump conversions come with government subsidies, this approach directs most subsidies to higher income households, which may not represent the best outcome for government policy. By considering CO₂ and energy efficiency, inefficient smaller homes as well large emitters would be chosen for transition, which leads to a more balanced transition.

Second, our results show that older buildings tend to be more energy inefficient, and may benefit more from transition than newer ones. This is due to improved building standards over time, as well as wear and tear in the older building. Consequently, a transition approach should prioritize these buildings more in decarbonization.

Finally, we show that transitioning to electric heat pumps have significant potential to reduce CO₂ emission, up to 81%. Therefore, to combat climate change, energy policy must move with haste towards decarbonization pathways such as electric heat pumps.

### 7 RELATED WORK

In this section, we discuss prior work on the energy transition, decarbonizing heating in buildings and electric heat pumps.

**The energy transition.** Multiple studies on transition pathways to a clean energy future have been conducted. Most of these studies examine the economic, environmental and societal benefits of a successful energy transition. For instance, Santamarta et al [29] evaluated the potential of transitioning to geothermal energy showing that in addition to CO₂ emission reduction, 66% energy savings and 13% ROI can be realized. Heinisch et al [15] propose an optimization model that interconnects various sectors of the energy ecosystem i.e. the electric grid, heating requirements and transportation, and heat pumps. Gonzalez-Salazar et al [13] explore pathways to phasing out coal-fired heating stations in favor CO₂-free energy sources. These studies are performed at macro scale i.e. energy generation and CO₂ mitigation are performed from centralized point of view. Our work is complementary to this work as it evaluates the potential of distributed transition at high granularity.

**Decarbonizing heating.** There have been numerous studies on decarbonizing space heating in the building sector [4, 16, 22, 27, 32]. For instance, Padovani et al [27] quantified the economic and decarbonization implications of replacing propane heating with cleaner electric energy sources such as solar heat pumps. Waite & Modi [32] propose and analyze a dual transition approach. Instead of replacing all existing fossil fuel heating with electric heat pumps, they propose a mix of both energy sources that gradually phases out fossil fuels over time. Leibowicz et al develop an energy system optimization model for decarbonizing residential buildings that incorporates transitioning to greener energy sources, migrating to more energy-efficiency appliances and improving the thermal properties of buildings e.g. through insulation retrofits. Hopkins et al propose transitioning to electric heat pumps for heating buildings. Finally, Baldino et al [4] analyze the cost and decarbonization benefits of hydrogen and renewable electricity as a replacement for heating. Our work is complementary to this work, as we evaluate the impact of multiple building selection strategies on CO₂ reduction. Since transitioning involves shifting energy load from one system to another i.e. from gas to electric, our work also quantifies the impact of such transition on the electric grid.

**Electric heat pumps.** The viability of electric heat pumps in place of gas heating in residential buildings has been widely studied [19, 20, 25, 28, 32, 34]. While some studies focussed on the evaluating the
performance of heat pumps in extreme temperatures [25, 31], others have analyzed their potential to decarbonize heating at various geographical scales. For instance, Johnsson & Krishnamoorthy [18] analyzed the cost and economic implications of transitioning to electric heat pumps, and how it varies across different regions in the entire United States. Zhang et al [34] studied the decarbonization benefits of electric heat pumps using a simulated energy system of an entire city. Other studies [25, 31] have analyzed the applicability of heat pumps especially in extremely low temperatures. Our work is complementary to this work as we evaluate the viability of heat pumps at high granularity using real world data.

8 CONCLUSIONS

In this paper, we conducted a data-driven optimization study to analyze the potential of replacing gas heating with electric heat pumps to reduce carbon emissions in a city-wide distribution grid. We performed an in-depth analysis of gas consumption in the city [2136199, 2021693, 2020888 and 2105494] and showed that ≈ 17 BCF of gas is consumed directly resulting in ≈360 GT of CO₂ emission annually. We presented a flexible multi-objective optimization (MOO) framework that optimizes carbon emissions reduction while also maximizing other aspects of the energy transition such as carbon-efficiency and energy inefficiency in buildings. We showed that transitioning to electric heat pumps can cut carbon emissions by up to 81% and energy required for heating by up to 60%. We also showed that optimizing for other aspects such as carbon-efficiency and energy inefficiency introduces tradeoffs with carbon emissions reduction that must be considered in a transition strategy. Finally, we presented preliminary results that examine the expected additional load on the electric grid by transitioning gas to electric heat pumps. We showed that a median grid will add an annual load of 71.6 MWh to the electric grid.

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