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Setting the Record Straight on Appliance Efficiency Standards

Appliance Efficiency Standards present one of the most effective ways to accelerate energy efficiency. Appliance standards bring energy and cost savings to consumers, relief to our strained energy system and significant reductions of harmful emissions to our planet. In *Appliance and Equipment Efficiency Standards: A Money Maker and Job Creator*, a 2011 report issued by the American Council for an Energy Efficient Economy and the Appliance Standards Awareness Project, the authors reported that national appliance energy efficiency standards generated about 340,000 jobs in 2010 – a relatively small but not insignificant number. Unfortunately several groups (i.e. Heritage Foundation, Competitive Enterprise Institute, Americans for Prosperity), fueled by strong conservative, anti-regulation philosophies, and often aligned with the fossil fuel lobby, have spread damaging misinformation about minimum efficiency appliance standards, both state and federal. Fortunately, appliance standards have developed a proven track record over 20 years which provides a fact-based foundation to respond from. Below NEEP addresses the most recurring assertions.

1. **CLAIM: If energy efficiency is a "no brainer," government mandates and regulations are unnecessary**

   FACT: In countless instances, consumers make rational decisions about energy efficiency every day. However, there are a number of market realities that complicate the purchasing decisions for a number of other consumers. For example, a 'split incentive' exists between landlords, who often provide appliances, and renters who operate and pay for the energy used by those appliances. There are few incentives for landlords to make investments in more efficient equipment when someone else will be paying the utility bills.

   Another market barrier standards help overcome are the so-called "emergency" or "panic" purchases, when a piece of essential equipment fails and a consumer's choice is limited to whatever replacement equipment may be available through a supplier or at retail. Regularly updated appliance standards provide a guarantee of a basic level of energy efficiency built in to all products, regardless of what product selection a merchant may choose to stock.

2. **CLAIM: Federal appliance standards represent another government over-reach/intrusion by the Obama Administration.**

   FACT: The first federal appliance standards were adopted through the National Appliance Energy Conservation Act of 1987 (NAECA), which was made law by former President Ronald Reagan. The Appliances and Equipment Standards program, run by the Department of Energy, has enjoyed support across five administrations, Republican and Democratic. President Obama's Administration has expressed a continued support for appliance standards as a priority mechanism to easily help Americans save energy and money.

   Using less energy across all segments of our society is a compelling public interest, as energy is purchased through wholesale markets and emissions resulting from electricity generation impact all citizens. The U.S. has a long history of establishing regulations where a compelling public interest is identified and benefits are clear.

3. **CLAIM: Personal freedoms/consumer choices are limited by appliance standards.**

   FACT: For over 20 years, products ranging from refrigerators to furnaces have been included either as part of state level standards or the federal appliance standards program. During this period, consumers have continued to enjoy robust market options that have provided them with wide assortments of product features at a variety of price points. In fact, during this same period, many appliance markets have seen rapid expansions in the number of different models consumers have to choose from.

4. **CLAIM: Efficiency levels required by standards are arbitrary.**

   FACT: The development and revision of Federal Appliance Standards is a public process managed by the Department of Energy (DOE) that is based on sound technical research and analysis. This process often takes several years to complete and involves multiple opportunities for stakeholders to provide input. All stakeholders, including manufacturers, retailers and trade associations, can share their positions through this public process.

   The Energy Policy and Conservation Act of 1975 (EPCA), which originally authorized standards setting authority to DOE, directs them to consider seven factors as criteria for selecting efficiency standard levels. These include:

EPCA Factor	DOE Analysis
1. Economic impact on consumers and manufacturers	Life-cycle cost analysis Manufacturer impact analysis
2. Lifetime operating cost savings	Life-cycle cost analysis
3. Total projected energy savings	National impact analysis
4. Impact on utility or performance	Engineering analysis Screening analysis
5. Impact of any lessening of competition	Manufacturer impact analysis
6. Need for national energy conservation	National impact analysis
7. Other factors the Secretary considers relevant	Environmental assessment Utility impact analysis Employment impact analysis

   Based on this comprehensive collection of economic and technical analysis and the submitted comment from stakeholders, specific standard levels are carefully determined.

   State-level standard setting has relied on similar rulemaking processes. See California's Appliance Standards Program as an example.

5. **CLAIM: Appliance Standards represent a costly regulatory burden to the free market (i.e. manufacturers, indirectly to consumers).**

   FACT: Clearly, as part of the Department of Energy's rulemaking process, analysis is conducted to forecast appliance standards impacts on both manufacturers, through the Manufacturers Impact Analysis (MIA), and consumers, through the Life-cycle cost analysis (LCC). DOE does not finalize standard levels that are overly burdensome to either sector.

6. **CLAIM: Appliance standards make products more costly to consumers.**

   FACT: The initial cost of baseline products may increase due to a new minimum standard. However, all appliances come with two associated costs: the cost to purchase the appliance, and the cost to use or operate it, particularly the energy cost. It is this second cost that is addressed by appliance standards, as it results in consumers saving money by using less energy. A small incremental cost to incorporate technology to boost energy efficiency is often dwarfed by the savings in energy costs. Finding the right balance between increases in upfront costs and improved efficiency and the cost savings during operation is central to every standards setting process. Cost effectiveness from the consumer perspective is a core calculation that the Department depends on in their process to ensure smart standards (i.e. Life Cycle Cost Analysis and Net Present Value Analysis).

   And because industry actors "learn" from years of manufacturing experience, in several cases, such as refrigerators, room air conditioners, and clothes washers, product prices (in real dollars) have actually declined during the years they have been subject to federal efficiency standards. See DOE's recent report on Appliance Price Forecasting.

7. **CLAIM: Appliance Standards pick winners and losers through regulation, not through market competition.**

   FACT: Standards are performance based and technology neutral. A basic level of efficiency is required, but manufacturers are free to achieve those efficiencies without direction. All technologies are free to compete in reaching the performance levels.

8. **CLAIM: Voluntary programs, such as the ENERGY STAR labeling program, achieve energy savings without mandatory regulations.**

   Minimum Appliance Standards are just part of a comprehensive solution that includes a variety of activities to help drive our products towards constant improvements in efficiency. While ENERGY STAR helps to encourage the purchase of the highly efficient portion of the market, it does not address the very least efficient products. Minimum standards prevent the industry laggards from perpetuating the most inefficient products in the market.