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January 26, 2018

Via E-Mail

Ann Bailey
Branch Chief
ENERGY STAR Products
U.S. Environmental Protection Agency

EnergyStarProducts@energystar.gov

Re: ENERGY STAR Draft Standard Operating Procedure For
Revising or Establishing an ENERGY STAR Specification

Dear Ms. Bailey:

On behalf of the Association of Home Appliance Manufacturers (AHAM), I submit the following comments to the Environmental Protection Agency (EPA) on the ENERGY STAR Draft Standard Operating Procedure for Revising or Establishing an ENERGY STAR Product Specification. AHAM participated in the development of and fully supports the joint comments we submitted together with the Air-Conditioning, Heating, and Refrigeration Institute (AHRI), National Electrical Manufacturers Association (NEMA), and the North American Association of Food Equipment Manufacturers (NAFEM), and we offer these individual comments as a supplement to those comments.

AHAM represents manufacturers of major, portable and floor care home appliances, and suppliers to the industry. AHAM's more than 150 members employ tens of thousands of people in the U.S. and produce more than 95% of the household appliances shipped for sale within the U.S. The factory shipment value of these products is more than \$30 billion annually. The home appliance industry, through its products and innovation, is essential to U.S. consumer lifestyle, health, safety and convenience. Through its technology, employees and productivity, the industry contributes significantly to U.S. jobs and economic security. Home appliances also are a success story in terms of energy efficiency and environmental protection. New appliances often represent the most effective choice a consumer can make to reduce home energy use and costs.

AHAM supports the ENERGY STAR program's efforts to provide incentives to manufacturers, retailers, and consumers for energy efficiency improvement so long as product performance can be maintained for the consumer. AHAM has been working to address the process by which EPA sets ENERGY STAR product criteria for several years. Specifically, AHAM has urged:

- Harmonization with the Department of Energy (DOE) on test procedures, effective dates, product definitions, and product classes;
- Establishing and following a formal process;
 - Establishing a known set of criteria that will be analyzed every time;
 - Rigorous and transparent analysis with data available to stakeholders; and
 - Reliance on DOE's analysis and conducting analyses consistent with DOE's analyses.
- Evaluation of performance during the specification development phase rather than establishing reporting requirements or performance minimum thresholds; and
- The need to evaluate the ENERGY STAR program's future for home appliances given that, for some products, efficiency gains beyond those already achieved may no longer be possible or cost effective for consumers.

EPA has been responsive to some of those concerns and the draft standard operating procedures document reflects some of the requests we have made for a more formal process, transparency, and harmonization with DOE. In fact, a few years ago, EPA posted a process document quite similar to the draft standard operating procedures draft in order to address the issues AHAM raised. Yet, the processes have not been uniformly followed. To that end, we wish to highlight that it is not enough to identify process improvements and memorialize them—**EPA must follow the established process consistently** in order to provide predictability and certainty for stakeholders and to ensure the ENERGY STAR brand remains strong.

As EPA is aware, AHAM seeks to move the administration of the ENERGY STAR program for home appliances back to DOE where it was originally housed. Although we appreciate EPA's renewed effort to address the issues we have been raising for years, our effort to move the program back to DOE for home appliances is premised on foundational and program efficiency concerns that go beyond these process and substantive issues, some of which need to be addressed regardless of whether the program is at EPA or DOE.

Our effort to move the administration of the ENERGY STAR program back to DOE is about doing what makes sense for the program's long-term success and stability as well as from a practical perspective. Home appliances are one of the most public facing, if not the most public facing, product for the ENERGY STAR program, which means the long-term success of the program has significant business and consumer implications. Moreover, home appliances are regulated by DOE so we need to ensure the ENERGY STAR brand is consistent with the Federal minimum standards upon which the program is built and to maximize resources within the Federal government and among stakeholders instead of duplicating them. Fundamentally, we seek to:

- Remove duplicative and often inconsistent information collection, database requirements, certification and verification requirements, analysis, criteria development, and product requirements;
- Focus analysis at one agency with technical expertise on our products; and
- Eliminate the creation and maintenance of expertise with multiple Federal employees and consultants.

These things can only be done effectively by ensuring that DOE, which regulates our products, also analyzes whether ENERGY STAR levels are appropriate and, if so, which ones. We are

hopeful that EPA's development of standard operating procedures will mean that EPA follows a consistent, transparent, data-driven process built upon DOE's foundation and squarely focused on energy efficiency moving forward. But these adjustments to process will not be enough to cure the inefficiencies inherent in two different Federal agencies setting efficiency related criteria for the same products. Thus, even if the standard operating procedures are implemented, AHAM will continue to seek a return to DOE for our products in an effort to continue and strengthen the ENERGY STAR program for home appliances.

Data Analysis

EPA stated that the ENERGY STAR specification process is data driven based largely on data derived from existing certified models and data from manufacturer partners. EPA indicated that it shares the data upon which it relies and protects confidential business information. But EPA did not elaborate on the way in which it conducts certain important analyses.

Currently, in evaluating consumer savings, EPA compares proposed revised specification levels to Federal energy conservation standards. EPA should instead be comparing its proposed revised levels to the existing ENERGY STAR levels as opposed to a scenario under which EPA did not institute new levels. EPA should evaluate whether these savings justify *revised* levels, particularly when compared to manufacturer cost and burden. This is not to say that EPA should not also look at the savings a revised level would provide over the Federal minimum in stating ENERGY STAR's benefits. But that is not the proper comparison for deciding whether it is appropriate to revise an ENERGY STAR level.

Second, EPA does not currently evaluate the incremental costs manufacturers would incur in reaching the proposed criteria and does not always consider in detail the technology options manufacturers could avail themselves of to meet the criteria. These analyses, of course, rely on confidential data from manufacturers. DOE's analysis for minimum energy conservation standards is a good starting place and can often provide the analysis necessary. If that data is out of date, DOE and EPA should reach out to manufacturers to fill any gaps. It is important that EPA consider not only the environmental and consumer benefits associated with a specification change, but also the balancing impact on manufacturers. Although the ENERGY STAR program is technically voluntary, its success essentially mandates it in the market for home appliances. Moreover, manufacturers are EPA's partners in the program—without manufacturer innovation, the program could not succeed. Thus, the impact on manufacturer partners should be of utmost importance to EPA.

Third, EPA's methodology for evaluating consumer payback is seriously flawed and needs to be not only changed, but done uniformly. Currently, EPA selects models it believes are similar but for efficiency and calculates a retail price differential between them. The theory is that by selecting models with similar features, EPA can isolate the cost of improved efficiency. In many instances, EPA has selected only one set of models for comparison.

EPA's approach is flawed in part because it does not take into account that different manufacturers have different cost structures. Thus, EPA could be comparing apples to oranges. (This would be easily cured by, instead, reaching out to manufacturers to determine the impact

on manufacturers and the costs associated with particular design options). Moreover, EPA often relies upon a single data point or only a couple of data points which may or may not be representative. If EPA continues with this flawed methodology, it should at least know the shipments associated with the model pairings it selects so it can identify whether the models are representative of the market.

Finally, EPA typically evaluates the number of models that would meet proposed levels rather than looking at the shipments those models represent. AHAM recognizes this approach is outlined in the ENERGY STAR Products Program Strategic Vision and Guiding Principles. But the approach is flawed because simply counting models can miss the penetration of those models in the market. It could be that the models meeting the proposed levels are low volume models and, thus, those models may not be representative of the market. And, if the models meeting the proposed criteria are relatively unavailable, that could mean the proposed levels will not actually achieve the consumer and environmental benefits EPA estimates in its analysis. Instead, EPA should use shipments to evaluate the products that would meet proposed levels.

AHAM appreciates the opportunity to comment on the ENERGY STAR Draft Standard Operating Procedure for Revising or Establishing an ENERGY STAR Product Specification and would be glad to discuss this matter in further detail should you so request.

Best Regards,

A handwritten signature in cursive script that reads "Jennifer Cleary". The signature is written in black ink and is positioned above the typed name and title.

Jennifer Cleary
Senior Director, Regulatory Affairs