

**Proposal for Comment:
Advancing the Market for Top Tier ENERGY STAR Qualified Products**

BACKGROUND AND GOAL

Under the Memorandum of Understanding that EPA and DOE signed in September 2009 to enhance the ENERGY STAR® program, the agencies agreed to examine how to best identify the top-tier of energy efficient products among those that qualify for the ENERGY STAR.

EPA and DOE are seeking feedback on a proposed new program element to identify and advance highly efficient products in the marketplace. The goal of this effort is to drive more energy efficient products into the market more quickly. This proposal is informed by EPA and DOE's commitment to maintain the credibility and value of ENERGY STAR to the general public while investigating opportunities to do more with this successful program.

PROPOSED PROGRAM APPROACH

This new effort -- an extension of the ENERGY STAR brand— is targeted to “early adopters” and seeks to highlight super-efficient products within specific product categories, where they exist. Consistent with the purchasing habits and interests of this target audience, EPA and DOE are proposing the following program structure:

- For targeted product categories where a super-efficient product or products exist, the associated performance level would be designated as the threshold for EPA recognition for a fixed period of time.
- Products qualifying for recognition would be featured among ENERGY STAR qualified products via user-friendly product lists on the ENERGY STAR web site. Tailored outreach and tools would be deployed to encourage “early adopters” and others to access the lists.
- Specially designed Point of Sale and/or Point of Purchase materials, featuring words and messaging compelling to the target audience, would be available to further highlight recognized models in-store or in contractor sales literature.

EPA and DOE are very mindful that this effort needs to be a useful tool for consumers, manufacturers, efficiency program administrators and retailers, among others. As such, EPA has been actively researching consumer interests and preferences as well as issues related to the possible scope of the program and program design. The results of this research are summarized below, along with a number of areas highlighted of particular interest in terms of feedback and comment.

RESEARCH FINDINGS

Consumer Interviews and Testing

EPA used existing, relevant data to assess consumer interest in highly efficient products. In addition, one-on-one interviews were conducted with consumers across the country and focus groups were held in New York, Atlanta, Denver and San Francisco in August of 2010. Through these efforts, EPA explored the following:

- Would establishing a Top Tier recognition harm the ENERGY STAR brand?
- Consumer willingness to pay more for greater energy efficiency
- Possible language to describe this option for consumers

- Possible delivery channels (on line, in store, etc.) for such an offering

A summary of the key findings from this work includes:

1. Consumers do not think that offering a Top Tier takes away from their trust in ENERGY STAR. On the contrary, consumers would trust ENERGY STAR to identify the most efficient products.
2. A small subset of consumers is willing to pay more for the most energy efficient product on the market.
3. When researching a new product to purchase, consumers get most of their information at retail locations and on the web.
4. When asked to choose among many ways to describe a Top Tier offering, descriptive names were the most popular. Names like “Most Efficient” and “Maximum Efficiency” when shown in concert with the ENERGY STAR logo were best, while names like “Top Tier” and “Best in Class” were not liked.

For more detailed information on this consumer research, see Appendix A.

Target Audience and Value Proposition

In addition to the consumer interviews and focus group testing, EPA collected existing, relevant data from many sources to understand consumer interest and behavior, including information on whether a lack of information is a barrier to more energy-efficient behaviors, as well as data on attitudes towards the ENERGY STAR brand and consumers' willingness to pay more for energy-efficient and eco features. Based on available data and interviews with consumers, we anticipate that:

The target audience is:

- Equally likely to be male or female
- Likely to be age 35–64
- Broadly applicable across white, Hispanic, Asian, and African-American people
- Likely to be homeowners
- Likely to have already adopted green behaviors/habits (vs the general population)
- Likely to have the environment as an important concern
- **Likely to be an early adopter**

And, the value proposition to these purchasers is that the purchase of a highly efficient product is:

- The right thing to do for the environment
- Doing the most you can
- Buying the most efficient product available
- Being an early adopter; trendsetter
- **Not always about saving money**

SCOPE OF PROGRAM AND PROGRAM DESIGN

Product Category Considerations

Keeping the program goals and target audience in mind, EPA and DOE have made a preliminary assessment of the consumer product categories covered by the ENERGY STAR program and propose an initial focus on product categories typically promoted at higher

performance levels by utility and state sponsored efficiency programs. This initial list includes the six product categories below:

- Clothes washers
- Dishwashers
- Refrigerators
- TVs
- Central Air Conditioners
- Heating Equipment

Establishing a Performance Level Eligible for Recognition

Consistent with the objectives and audience for this effort, EPA and DOE are interested in recognizing products whose energy efficiency stands out, representing superior performance in a meaningful way. To that end, the Agencies favor an approach that allows for:

1. A case-by-case review of performance data and technology developments for each category, with the selection of a performance level that reflects the latest in technological advancement and initially includes a very limited set of qualifying models, though sufficient product availability to support administered energy efficiency programs and retailer efforts.

Alternative approaches under consideration include:

2. Establish a performance level reflective of the top 5% of product models that qualify for ENERGY STAR in a given category. Under this approach, it is estimated that between 5-50 products would initially be recognized, depending on the product category.
3. Establish a performance level equal to the top 5% of the efficiency range demonstrated by the ENERGY STAR qualifying products. By taking this narrower approach, typically less than 5 models would qualify initially.
4. Rather than establish a performance level, recognize a set number (e.g. 5, 8, 10) of models at the top of the ENERGY STAR qualifying product list. This approach would potentially be easier for consumers to understand.

Recognition Period/Timing of Updates

To be effective, a program promoting top tier products to “early adopters” must be up-to-date. At the same time, key program stakeholders, such as efficiency program sponsors, manufacturers, and retailers, require a certain amount of stability and advance notice to run effective product promotions. In addition, different product categories may lend themselves to different recognition cycles depending on new product release and production cycles.

While Option 4 (above) could potentially be updated on a continuous basis, there are clearly disadvantages in terms of program participants’ ability to predict which models will qualify at any point in time. It would also require that product models be removed from the pool of recognized products as new ones are added.

Accordingly, the Agencies are proposing that performance levels be selected on a case-by-case basis (Option 1) and updated annually, allowing top tier recognition to be tied, potentially, to a calendar year. Whether new performance levels are selected annually or more frequently, it is EPA and DOE’s intention that product models could be added at any time during the recognition

period once a performance threshold for a product category is established for the recognition period.

STAKEHOLDER FEEDBACK

Comments to this proposal are encouraged and can be submitted via email to Maria Vargas at vargas.maria@epa.gov until October 29, 2010.

Appendix A

Exploratory Interviews

- Objectives:
 - To explore in depth the attitude of the target audience for the Top Tier introduction
 - To pre-test visual stimuli to be used in focus groups
- Investigated areas:
 - Understanding how consumers learn about the ENERGY STAR brand
 - Exploring the purchase decision process (i.e., demand drivers, information sources, use of the web etc.) with a focus on understanding the role played by the ENERGY STAR brand in the purchase decision process
 - Understanding which kind of information resonates with consumers when it comes to energy efficiency (i.e. money saving, decrease in CO₂ production, reduction in energy consumption)
 - Understanding people's expectations about how information should be presented on the ENERGY STAR website
 - Testing 2 options of visual identification of the 'top most energy efficient' products

Visual Options:



Option 1



Option 2A



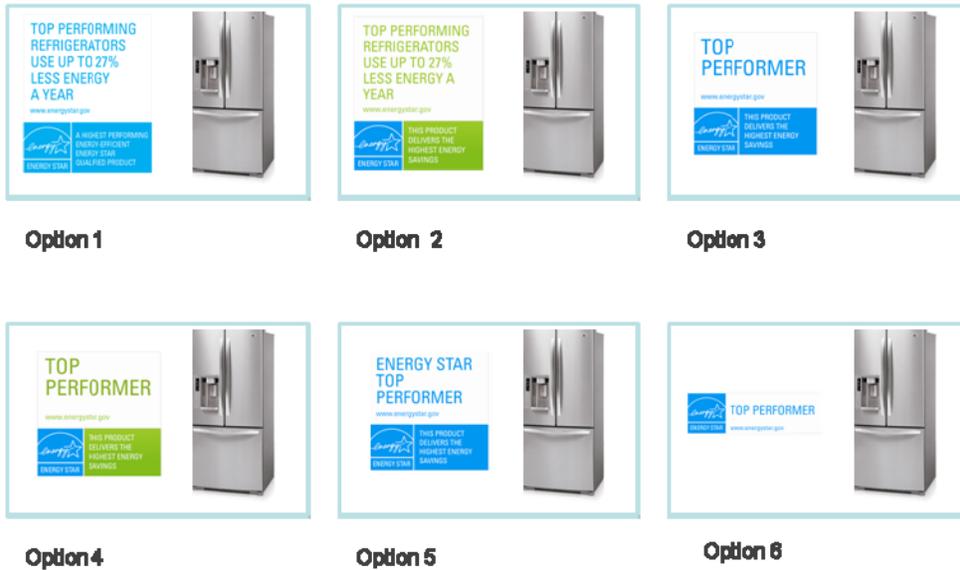
Option 2B

- Exploring the 2 naming options (i.e. Top Performer and Most Efficient)

Focus groups

- 12 focus groups were conducted in 4 different locations
- Objectives:
 - To explore in depth the attitude of the target audience to the 'Top Tier -- most efficient products' introduction
 - To test visual stimuli
- Investigated areas:
 - Exploring the purchase decision process (i.e., demand drivers, information sources, etc.) with a focus on understanding the role played by the ENERGY STAR brand in the purchase decision process
 - Testing 6 options of visual identification of the 'top most energy efficient' products

Visual Options:



- Understanding to what extent the introduction of the most energy efficient designated products affects the general perception of ENERGY STAR
- Exploring 6 naming options for labeling the 'top most energy efficient' products

Naming Options:



- Understanding if people visit the ENERGY STAR website and how to drive attention to the site with a focus on how to represent the 'top most energy efficient' products in a Web context

Key Conclusions

1. The ENERGY STAR brand is known and trusted by consumers
2. Consumers don't think the introduction of a 'top tier' distinction will damage the ENERGY STAR brand
3. ENERGY STAR is closely associated with 'energy saving' in the minds of consumers
4. Consumers become familiar with the ENERGY STAR brand as a label they see in a retail setting Consumers are not always as familiar with the brand existing in other touch points.

5. In the focus groups, visual Options 3, 4, and 5 elicited more negative reactions than positive ones; Option 6 did not work at all; Options 1 and 2 were viable options, as both elicited more positive reactions than negative reactions
6. Descriptive names were preferred over abstract names
7. Even among audiences highly concerned with energy efficiency, varying degrees of concern existed towards the 'Top most efficient products' concept; additionally, only a small subset of consumers were willing to pay more for a 'top most efficient' category of ENERGY STAR products