

August 10, 2009

VIA E-MAIL (hogan.kathleen@epa.gov)
Ms. Kathleen Hogan, Director
Climate Protection Partnership Division
U.S. Environmental Protection Agency
Ariel Rios Building
1200 Pennsylvania Avenue, NW (6202J)
Washington, DC 20460

Comments on ENERGY STAR TVs Final Draft Specification

Dear Ms. Hogan:

Panasonic Corporation of North America (“Panasonic”), a leader in the manufacture and sale of flat panel television technologies, welcomes the opportunity to provide comments on EPA’s ENERGY STAR® TVs final draft specification. In our written and oral comments throughout development of this draft specification, Panasonic has urged the EPA to establish vigorous yet realistic limits for TVs’ on-mode energy consumption. We have also urged that if any luminance requirements are to be included-in our view unwarranted at this time-then they should be harmonized with existing international regulations on luminance.

Now as EPA prepares to complete the ENERGY STAR TVs Version 4.0 and 5.0 specifications, we respectfully request complete consideration of the comments which follow here.

Future Success of ENERGY STAR Program at Risk

The hallmark of the ENERGY STAR Program’s success has been steadily increasing consumer awareness and embrace of energy efficiency as a meaningful differentiator in product purchase decisions. Consumer choice of ENERGY STAR-labeled products has helped propel energy savings, which, in turn, reduces greenhouse gas emissions from electric power plants.

Notwithstanding the strong marketplace adoption of the ENERGY STAR brand, and in particular, growing interest in energy efficient TVs, EPA now appears poised to implement broad on- mode power qualification levels based largely on unsubstantiated market projections, a handful of corporate marketing documents, and technology prototypes demonstrated at trade shows. Frankly, it also appears from angry responses and near unanimous industry cautions and recommendations, that EPA also is mistakenly assuming the impressive improvements in efficiency achieved by many TV manufacturers over the past two years will continue at the same dramatic pace into the foreseeable near future.

Panasonic has repeatedly pointed out that the proposed ENERGY STAR TVs specification-particularly in Version 5.0-represents an efficiency level that, few, if any, current models can meet. Based on actual performance of actual TVs, and we believe realistic projections of improvements in the most pervasive and affordable TV technologies, we do not see how EPA can reasonably extrapolate the introduction and market adoption of design changes that would require a 50-inch TV to consume 66% less power than current qualifying models, particularly over the specification’s barely two model year’s time frame. This approach risks an exceedingly low market penetration of qualified models (well below the EPA stated target of 25%), which is not in the interests of consumers, manufacturers, energy efficiency advocates, utilities, or the EPA.

ENERGY STAR Brand Will Be Tarnished

As cited by EPA, the Interbrand June 2007 report, “Building a Powerful and Enduring Brand: The Past, Present, and Future of the ENERGY STAR Brand,” ENERGY STAR has been successful in the marketplace by consistently delivering value to its target audiences, and by allowing individuals to take action to protect the global environment while saving on energy bills and maintaining their quality of life. The same report admonishes EPA that ENERGY STAR identify cost-effective solutions, providing payback within several years for any higher initial costs and without any tradeoffs in performance or quality. Unfortunately, we firmly believe the proposed V 4.0/5.0 specifications do not meet these criteria.

EPA’s own survey of manufacturers suggested retail pricing of the top 15 selling TV models (included in the Draft 2 Comment Response Summary Document), revealed a not inconsequential price difference.. For example, the popular 40-inch size, non-ENERGY STAR qualified models were priced up to \$350 less than their ENERGY STAR-qualified counterparts. It would be impossible for consumers to recoup this price differential by purchasing an ENERGY-STAR qualified model and operating it over a timeframe of “several years”—defined by EPA itself as a reasonable payback period.

Best Buy, the nation’s largest TV retailer, has publicly stated that, on average, there was a \$167 price premium for ENERGY STAR-qualified models sold last November and December. Best Buy’s data, included in a January 19, 2009, letter to the California Energy Commission, provided further evidence that efficiency comes at a price premium that will be difficult for consumers to recoup in a reasonable period of time.

Also in its Draft 2 Comment Response document, EPA cited the imminent introduction of newer technologies as evidence the on-mode power specification could be met by manufacturers. There remains, however, a large price differential for new technology (e.g., LED backlit LCD TVs) and this differential is unlikely to erode quickly enough to produce market share levels meeting EPA estimates.

Further, the brand study emphasized that ENERGY STAR must be “broadly relevant” and an “easy choice” for consumers. If consumers cannot find any desirable larger size TVs with the ENERGY STAR label, they likely will conclude that energy efficiency choices are of lesser importance than the HDTV home theater experience typically afforded by larger models. As noted in the brand study, consumers need to know that “energy efficiency is not about sacrifice or doing without.”

ENERGY STAR “Guiding Principles” Should be Followed

Panasonic is deeply concerned that EPA appears to be ignoring some of its own key Labeling Objectives and Guiding Principles, which are published on the ENERGY STAR website. Among the stated objectives for the ENERGY STAR label:

- “Prevent air pollution, including emissions of greenhouse gases, caused by the inefficient use of energy”
- “Make it easy for businesses and consumers to identify and purchase products...with enhanced efficiency ...while maintaining if not enhancing performance, features, and comfort.”
- Identify energy-efficient products whose use results in reasonable financial return without sacrificing product performance or features.”

EPA has chosen, against the strong objections of virtually every TV manufacturer, to propose a specification (V 5.0) based on total energy consumption, not energy efficiency. By placing an absolute cap of 108 watts on TV on-mode power consumption, EPA has arbitrarily decided a TV’s efficiency would not be the qualification criterion. Instead, with such an approach, EPA is deciding unilaterally how much overall energy TVs can use, and by extension, the size of TVs from which consumers can choose if they want an ENERGY STAR qualified model. We would respectfully report that limiting consumers’ choice will do nothing to enhance the brand, and instead will likely disenchant consumers who will equate the label to only smaller size TVs not fulfilling their wants or needs.

In addition, products with the latest features and newer functionalities (e.g., internet connectivity, VOD capability, iPod docks, 3D, integrated BD, etc.) likely will require additional power and, therefore, not qualify for ENERGY STAR, further souring consumers on the label. Again, this violates a basic tenant of the ENERGY STAR program that the label apply to products “without sacrificing product performance or features.”

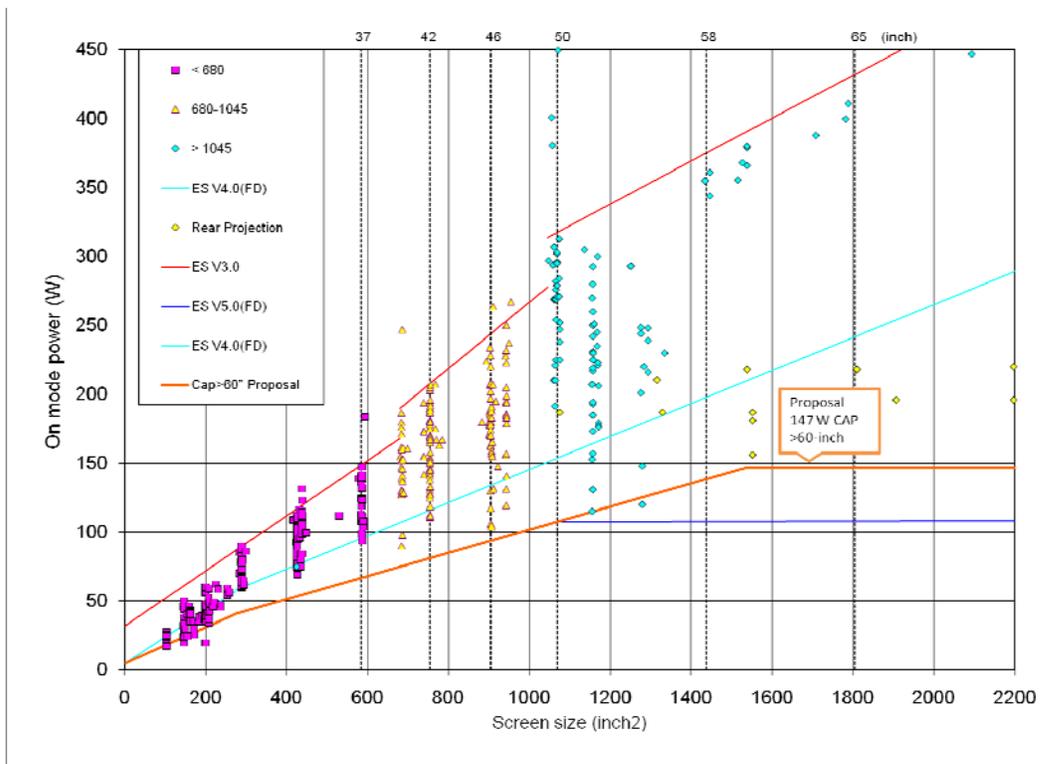
Yet, as earlier noted, another key Guiding Principle is that “Purchasers will recover their investment in increased energy efficiency within a reasonable period of time.” Unlike household appliances, where the ENERGY STAR label commands a premium price, history shows consumers almost never pay additional for energy efficient TVs. Knowing consumers’ reluctance to pay a premium means manufacturers must somehow determine cost-effective means to integrate more efficient designs into their products knowing that consumers will not pay extra. In practice, however, the price premiums can only be recouped by offering desirable additional features or even extensive design changes. In short, consumers typically buy TVs for their advanced features, picture resolution, slim profile, and high contrast ratio, not power consumption. By making ENERGY STAR qualification virtually unattainable for large size displays, we believe EPA will, unfortunately, ensure that energy consumption continues to be at best a secondary-factor in many purchase decisions.

Recommendations to Improve the Version 4.0/5.0 Specifications

As we have previously commented in writing and at several meetings (most recently at EPA offices on July 31, 2009), Panasonic, in principle, does not support an absolute cap on TV power consumption as a criteria for ENERGY STAR qualification. Our opposition, as noted above, is based on its likely detrimental impact on the program, that is, where almost no models that consumers popularly demand will be able to meet this excessively stringent and unnecessary power cap.

We recognize, however, that EPA appears ready to move forward unilaterally on this unprecedented policy change, which is being proposed despite the near unanimous opposition of its manufacturer partners. Consequently, we recommend that EPA consider revising its V 5.0 spec to incorporate a “zero slope line,” beginning at above 60-inch displays. As depicted by the following chart, such a modified slope line would ensure that no TV consuming more than 147 watts in on-mode will qualify for ENERGY STAR.

MODIFIED SLOPE LINE WITH 147-WATT CAP ON POWER CONSUMPTION



By capping TV power consumption at 147 watts, EPA would maintain a specification that provides sizable energy savings to consumers yet provide manufacturers with continued incentive to pursue ENERGY STAR qualification for larger size models. It is worth noting that a 147-watt limit represents about 62% less wattage than the current EPA Version 3.0 on-mode specification allows for 60-inch TVs. From another perspective, a 147-watt cap is roughly equivalent to the current specification for 37-inch TVs even though the screen area for 60-inch TVs is more than 2.6 times larger.

While a 147-watt cap is indeed a very stringent level for the larger size TVs, it represents a target level that could possibly be achievable for a few models. More importantly, it provides a continued incentive for manufacturers to devote the necessary resources toward more efficient designs for the larger models. A 108-watt cap, in fact, would have the opposite effect and will discourage design changes aimed at improving energy efficiency.

During our July 31 discussion with you, we pointed out the lack of models above 60 inches, especially when the universally predicted demise of rear projection digital light processing models occurs in 2010 or 2011. Thus, EPA's stated concern over a loss of CO² emissions reductions should be allayed if the modified slope were adopted. Also, the market growth in TV sizes will continue to be in the 40 to 50-inch sizes. In short, a 147-watt cap beginning at above 60 inches, as supported by the Consumer Electronics Association and all major TV manufacturers, would still provide immensely meaningful energy savings and continue to stimulate desirable design changes by manufacturers.

Luminance Measurements Should be Harmonized

As stated earlier, Panasonic does not believe that luminance measurements should be included in the ENERGY STAR TVs Version 4.0/5.0 specification. Likewise, we do not support the publication of specific luminance measurements, which will only serve to confuse or mislead consumers while providing no meaningful benefit.

Should the EPA elect to address luminance in Version 4.0 or 5.0, however, we would support use of the three bar video signal provided in IEC 62087. As EPA has pointed out, this pattern is widely available on the IEC 62087 test signal DVD and is well suited for luminance measurements due to its 100% intensity white centered bars. This approach will have the additional benefit of harmonization with the existing Australian luminance test method. Also, the three bar video signal is specified in ENERGY STAR Displays Version 5.0, Annex 2 for measuring luminance.

Summary

Panasonic appreciates EPA's challenge in crafting robust product specifications that balance stakeholder interests with the EPA Goal to help reduce greenhouse gas emissions. As an original ENERGY STAR program partner, we are heavily invested in the program and want to be a part of its continued success in promoting energy efficiency.

Unfortunately, actions taken by EPA, as exemplified during the ENERGY STAR TVs specification revision process indicate a profound change in the program's direction that we believe imperil future participation by manufacturers and jeopardize consumer acceptance. The ENERGY STAR program is EPA's most successful Climate Protection Partnership but frankly we are deeply concerned by the apparent disproportionate influence of non-manufacturers into the specification-setting process. While utilities and efficiency advocacy organizations certainly should be advisors in the discussions, by their very nature, they lack the breadth of knowledge about product design and manufacturing and therefore, what can be practically achieved in terms of energy efficiency for products in a rapidly evolving, dynamic industry.

Therefore, we urgently request EPA to consider again our comments and those from other actual TV manufacturers. We look forward to discussing these issues with you and your agency colleagues before final determinations are made ; and we would be happy to respond to any questions you may have.

Sincerely,

/s/

Peter M. Fannon
Vice President
Corporate and Government Affairs
Panasonic Corporation of North America

cc: B. McLean
K. Kaplan