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September 7, 2016

Via email: appliances@energystar.gov
Melissa Fiffer
Product Manager, ENERGY STAR Appliance Program
U.S. Environmental Protection Agency

Re: GE Appliances', a Haier Company, Comments on ENERGY STAR Product Specification for Clothes Washers, Eligibility Criteria, Draft 1, Version 8.0

Dear Ms. Fiffer:

GE Appliances, a Haier company (GEA), respectfully submits these comments in regard to ENERGY STAR's proposed specification revisions for clothes washers. GE Appliances has had a long commitment to energy efficiency, including leading in the development and manufacture of energy efficient clothes washers in the U.S., and support for efforts of the Environmental Protection Agency (EPA or the Agency) to improve the energy efficiency of our nation's appliances.

Specifically, GEA supports the comments submitted by the Association of Home Appliance Manufacturer's (AHAM) on this topic, and incorporates them by reference. We would further like to expand on the AHAM comments in the areas noted below, and request a meeting with the ENERGY STAR team to provide additional detail.

Primarily, GEA believes that EPA must revisit the proposed specification, and conduct additional outreach with manufacturers to refine its analysis, based on the following:

- Fundamental flaws in EPA's underlying data supporting the proposal.
- Failure to consider the impact to U.S. manufacturers of the proposal.
- Failure to assess if and how performance may be impacted the proposed levels.

We expand on each of these concerns below, and request the opportunity to meet with EPA to provide additional data, much of it business confidential and proprietary, to further illustrate each of the concerns noted above.

I. Data Flaws

The data underpinning EPA's support for the Version 8.0 criteria are fundamentally flawed in several material respects--it is incomplete and fatally inaccurate in supporting several key conclusions.

a. The incompleteness of the dataset creates a materially inaccurate consumer payback analysis. As an example, EPA relies on a single data point to justify the conclusion that there is no consumer cost in improved energy efficiency. In comparing the retail price differential between a single model meeting the 2018 standard which is not representative of the current fleet of washers being manufactured, and a current model that meets the proposed Version 8.0 criteria, EPA has failed to consider the more representative pricing of the entire industry. Any manufacturer can produce a one-off "lost leader" model to establish a presence in a market or to "buy" its way onto the retail sales floor. But doing says nothing about the costs to produce that model or the ability of that manufacturer's competitors to produce a price-competitive model.

   A more objective analysis of price differences in annual shipments between ENERGY STAR models and standard-compliant models would have shown a significant price premium for ENERGY STAR models ranging from $50-$200. For GE Appliances models, we can confirm that EPA's assumption is incorrect for all of our ENERGY STAR offerings, and we believe that EPA would find the same to be true for all major appliance manufacturers.

   In addition, we note that the limited data upon which EPA relies in assessing front load criteria appear to be based on a GEA model which is actually a top load machine GTW6808BSJ***. EPA should evaluate this data and, to the extent it is based on an incorrect product class, we believe it must be redone.

b. The extent of the Agency's flawed analysis of consumer benefits is also apparent from its reliance on LG's and Samsung's pricing of washing machines – even though the U.S. government has found that pricing to be below normal value, and has determined to impose offsetting antidumping duties.

   In December 2012, the U.S. Department of Commerce (DOC) found both Samsung and LG to be dumping residential washing machines. As a consequence of this finding, and of an International Trade Commission (ITC) determination that the unlawful dumping was injuring domestic producers, DOC issued Orders imposing additional duties on LG and Samsung washers imported from Mexico (FR Citation) and Korea (FR Citation). In the case of Samsung washing machines exported from Mexico, the calculated dumping margin was 72% ad valorem.

   To be sure, LG and Samsung sought to continue selling washers in the U.S. market at the same below-normal-value prices – by relocating their clothes washer production from Korea and Mexico to China. But that attracted a

follow-on complaint which the U.S. government, in two preliminary determinations, has also found to be meritorious. On February 1, 2016, the ITC preliminarily found that the new flood of LG/Samsung washer imports from China was causing injury, and in July 2016 DOC issued a preliminary affirmative dumping determination with margins of 49.88% for LG washers and 111.09% for Samsung washers originating in China.

Thus, there is no basis to assume that these companies will be able to sustain dumped pricing into the U.S. market over time.

Imported goods found to be dumped in the U.S. market are commonly being sold here at prices below their production cost. Even if that tactic were sustainable in theory, EPA cannot logically base an analysis of consumer benefits – or a conclusion that high efficiency models are available for purchase by consumers at lower prices than non-ENERGY STAR models – on LG/Samsung pricing that proper U.S. trade law enforcement renders unsustainable. The LG washer that EPA used for its cost comparison analysis—model WT1501CW, although carrying a suggested price of $749[1], is regularly sold for ~$497-499.[2] Based on appliance retailer margins often seen in the U.S., this model is likely sold to dealers for prices ranging from $300-350. Applying the antidumping duty margin to those prices should result in adjusted prices to dealers in the range of $450-525, and, applying common retailer margin expectations, yield retail prices of $608-609. Any EPA consumer payback analysis should be based on such more realistic—and lawful—prices.

Not only does this result in a flawed analysis earlier discussed, the Agency's proposal based on that analysis, if adopted, would undermine the fair trade policies of the United States Government by rewarding these two companies with recognition by the ENERGY STAR program and abetting their onslaught against U.S. producers. Given the intensity of that attack, it is inevitable that U.S. clothes washer production and related jobs will decrease. EPA must not be complicit in that result.

II. Manufacturer Impact

The incompleteness of the data highlights EPA's failure to evaluate the impact of the Version8 proposal on manufacturers that result from incremental manufacturing costs and the cost of technology required to meet the proposed criteria. This is a critical gap in the analysis.

The Agency has incorrectly concluded that product changes to accomplish these levels can be undertaken without product cost that will be passed on to the consumer. Specifically, GEA anticipates that one likely technology option for achieving these levels is more powerful motor and drive systems that will increase spin speeds. Utilizing that type of technology comes at significant product cost. We

[1] LG homepage at http://www.lg.com/us/washers/lg-WT1501CW-top-load-washer.
[2] See Attachments 1 and 2, screenshots from hhgregg and JC Penny's online stores.

would be happy to provide EPA with more data on these potential costs in follow-up discussions.

III. Performance Concerns

GEA is also concerned that the aggressive levels proposed by V.8 will heighten consumer fears of degraded performance such as the risk of increased fabric damage as might result from addition of motor and drive systems with higher spin speeds. For consumers, perceived performance problems are as real as actual ones. Manufacturers' experience with increased complaints of too-low water levels is the example EPA should seriously study.

Finally, we, as does AHAM, oppose the inclusion of the voluntary requirement related to performance reporting. We believe that the critical analysis should take place now, before the specification is set, to ensure a proposed level that will not create performance issues or exacerbate consumer perceptions about performance. ENERGY STAR should conduct outreach with manufacturers on these points to understand these concerns, and use that data to refine its proposed levels. We note that even at current ENERGY STAR levels, consumers perceive issues with performance. For instance, we receive complaints currently from consumers who believe there is not enough water in the units to effectively clean clothing, and also observations of dry spots in clothing (resulting from longer spin speeds) that lead to concerns about water levels. In both of these examples, we believe actual cleaning performance is not sacrificed currently, however, ENERGY STAR should evaluate the extent to which these consumer dis-satisfiers may be exacerbated by the propose criteria.

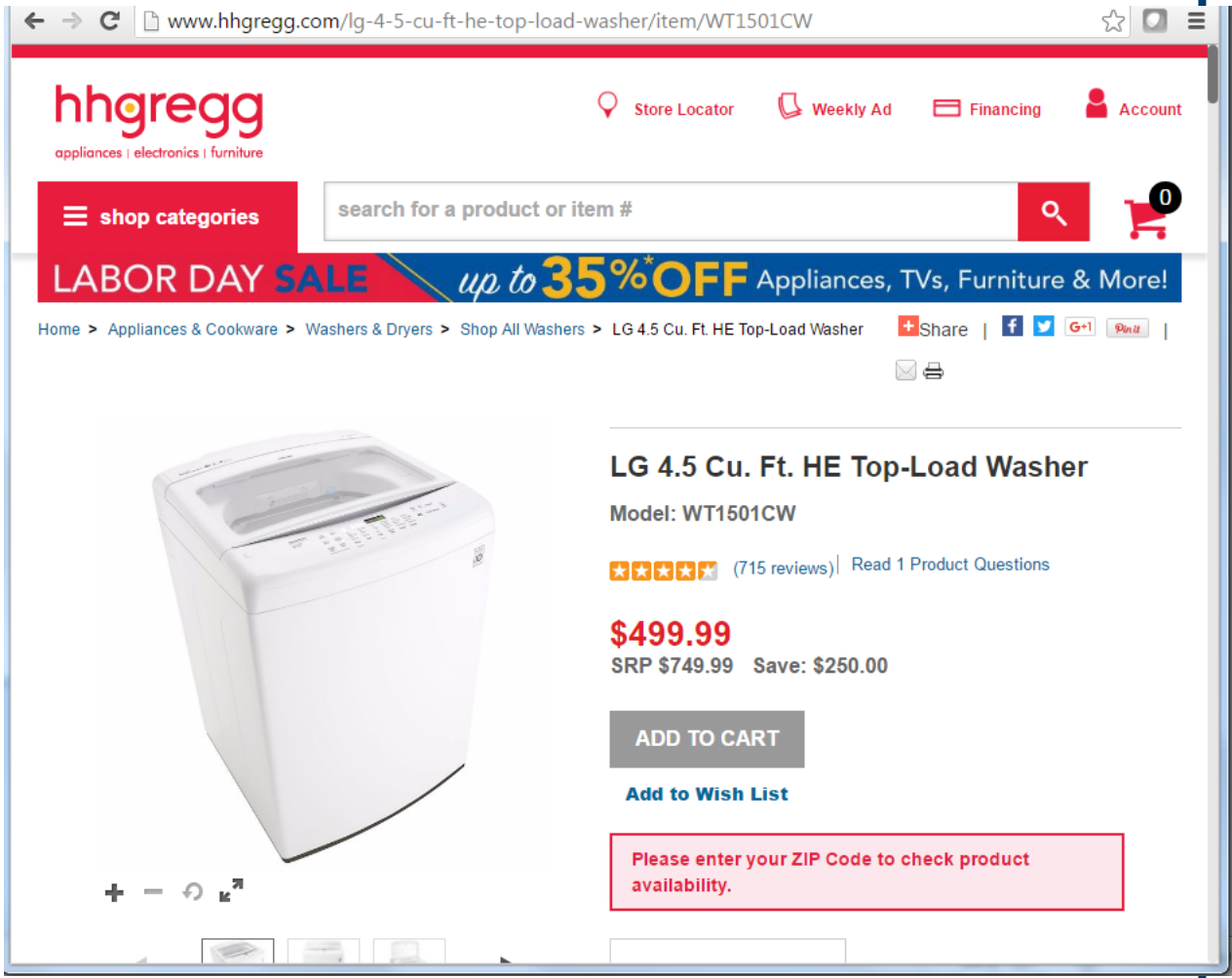
In summary, it is critical that EPA address the data flaws noted above in revising its proposed specification. To do otherwise will risk both manufacturers and consumers walking away from ENERGY STAR offerings as they are not based on a true value proposition and/or understanding of manufacturer and product impact. We look forward to working with EPA to help provide this additional information.

GEA appreciates the opportunity to submit these comments related to ENERGY STAR's proposed specification revision for clothes washers. We will contact you further to arrange for a meeting to discuss business confidential information and answer any question you may have.

Sincerely,

/s/ Kelley Kline

Attachment 1
hhgregg
Online Store
Sept. 7, 2016



Attachment 2JC Penny Online Store

Sept. 7, 2016

jcpenney

LG ENERGY STAR® 4.5 cu. ft. Ultra Large Capacity High Efficiency Top Load Washer with Front Control Design

Model # WT1501CW

web ID: 8550368

shop matching items

PRODUCT DESCRIPTION

Do more laundry in fewer loads with this 4.5 cu. ft. washer featuring an ultra large capacity tub and a practical front control panel with touch buttons for easier access and use.

- ENERGY STAR® qualified
- 4.5 cu. ft. capacity
- durable NeveRust™ stainless steel drum stands up to years of heavy use
- 6Motion™ technology combines up to six different motions during each wash cycle for a superior clean
- front control panel with touch buttons improves visibility and functionality
- 8 wash programs including Normal, Bulky, PreWash+Normal, Heavy Duty, Speed Wash, Delicates,

LG Life's Good

HELPFUL INFORMATION

$499 SALE

$749 ORIGINAL

33% off

up to $75 in rebates

★★★★★

90 Reviews | Write A Review

QUANTITY

1

Protection Plans

1 year limited FREE

- No additional protection
- 3 year appliance protection plan. save 10% when you buy 2 or more! $69.99
- 5 year appliance protection plan. save 10% when you buy 2 or more! $99.99

CHECK ITEM AVAILABILITY

zip code CHECK

ADD TO BAG