



VIA ELECTRONIC MAIL (HVAC@energystar.gov)

June 22, 2023

Ann Bailey, Director
ENERGY STAR Labeling Branch
US EPA

Re: Proposal to Phase-out ENERGY STAR Label for Natural Gas Furnaces

Dear Director Bailey:

New Jersey Natural Gas Company (“NJNG”) has reviewed the Environmental Protection Agency’s (“EPA”) May 18, 2023, proposal to eliminate efficient natural gas furnaces from the ENERGY STAR program. NJNG is strongly opposed to this proposal and believes if it were to be implemented, it would have significant adverse effects for customers and contractors, and likely lead to detrimental emissions impacts.

NJNG has been actively promoting the ENERGY STAR label to our customers for decades. We currently run programs that include rebates and/or on-bill repayment programs to encourage customers to pursue ENERGY STAR labeled appliances, equipment, and even comprehensive upgrades through Home Performance with ENERGY STAR. In the last two years alone, we have provided customer incentives for more than 31,000 ENERGY STAR products. We recognize that customers interested in the best equipment are trained to look for the label and contractors who want to provide superior advice and service promote it as well. Many customers still prefer natural gas as the primary source for heating their home, especially in markets where it is the most cost-effective option. Eliminating an ENERGY STAR option for natural gas heating equipment may cause many of these customers to gravitate toward standard efficiency, which we can all agree is the not the best option for customers and climate goals.

Lack of Supporting Analysis

While NJNG was surprised to receive the May 18th notice, we were shocked that it did not appear to include any supporting analysis. Instead of any in-depth consideration of the likely

impact of such a proposal on markets around the country, the rationale for the proposal appeared to be anchored in the promise of what the Inflation Reduction Act (“IRA”) incentives will do to advance electric heat pumps and input from a select group of stakeholders. EPA should have an obligation to conduct independent analysis before releasing a proposal like this that can have dramatic effect on customers, contractors, manufacturers, and utilities.

Flawed Assumptions about Impacts and Market Reaction

While there is no question that the IRA incentives will make electric heat pumps more attractive than they are today, there are many regions of the country where an electric heat pump is still not the best option for customers from an economic perspective. The variation in prices for electricity and natural gas, the annual heating load, and the expected performance of either a new natural gas furnace or an electric heat pump, are critical considerations for estimating the annual cost to run the system for heating load. In many of the Northern climate markets, as well as our own market in New Jersey, natural gas is still the lowest cost option for home heating based upon the differential in fuel prices and the likely heat pump performance in the field. Recent studies have shown that actual heat pump performance does not match manufacturer claims for performance.

Further, it may not be the best option from an emission perspective either. Advocates for the electrification of heating often paint it as a fossil-free heating source. However, unless the customer is covering their heating load with renewable energy, it is likely that the energy being used to power that equipment is primarily generated by fossil fuels.

Given the fact that many customers prefer natural gas heating, and, in some regions, it costs more to install and operate an electric heat pump, it is unrealistic to assume that in the absence of an ENERGY STAR labeled furnaces, customers will automatically gravitate toward electrification. In fact, the results from Esource’s [2021 Residential Electrification Survey](#) indicated that nearly 80% of customers who owned a natural gas furnace prefer to keep natural gas as their fuel source. This independent analysis supports the fact that these customers are unlikely to shift to electric heating.

Further, it is highly unlikely that local HVAC contractors will be interested in promoting a product that will result in increased operating costs to their customers. In the absence of an ENERGY STAR labeled furnace, there is probably a greater likelihood that contractors may shift to promoting less efficient natural gas equipment since it may be more difficult to convey the value of the better equipment. Based on our annual interactions with thousands of customers and contractors each year, we know many customers still consider installing equipment that meets the minimum efficiency levels because of the low upfront cost. The absence of an ENERGY STAR option that a contractor can easily promote as a better option, especially when

combined with our energy efficiency program incentives, may leave more customers choosing the standard efficiency path.

Could Hinder the Best Foundation for Hybrid Heating Strategies

The policy plans for significant, if not nearly complete, electrification of transportation and electrification of heating load would result in new winter peaks that can be more than double the current summer peaking load in many regions. Given the tremendous expense that would be incurred by the customers of the electric distribution company, as well as the physical challenges of trying to cite that much new infrastructure, numerous studies¹ have shown that it would be more significantly cost effective to pursue strategies that leverage in the investment of the natural gas distribution system to help meet this higher peak load. Hybrid heating solutions at the customer level is a perfect example of the type of solution that may be better for the customer and for the full system. The lack of an ENERGY STAR label could result in the deployment of hybrid heating strategies that don't rely upon the most efficient natural gas equipment.

Unrealistic Timing

Even if ENERGY STAR should decide to eventually pursue this sunset option, the proposed December 31, 2024, date is far too early. If the US Department of Energy's ("DOE") pending proposed furnace standard goes into effect in 2029, it would leave a four-year period where many customers may pursue installations at the current 80% minimum efficiency standard. NJNG suggests that EPA should consider further analysis of the market with consideration of the timing of any DOE mandated efficiency changes and the introduction of natural gas heat pumps to the market.

EPA Should Abandon the Proposal

For the reasons captured within this letter, NJNG requests that EPA determine that the proposal to sunset the ENERGY STAR label as proposed in the May 18th notice is not in the best interest of customers and contractors, as well as public policy at this time and allow the label to continue to be offered and promoted for energy efficient natural gas furnaces.

NJNG also has similar concerns about the proposal to phase out the ENERGY STAR label for natural gas boilers and intends to file separate comments in response to that request. Please feel free to contact me if you need any additional information regarding these issues.

¹ Links to published studies for [Eversource](#), [Baltimore Gas and Electric](#), and [National Grid](#) are provided as just a few examples.

Respectfully submitted,

A handwritten signature in blue ink that reads "Anne-Marie Peracchio". The signature is written in a cursive, flowing style.

Anne-Marie Peracchio
Managing Director Marketing and Energy Efficiency