STATEMENT OF

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BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES

UNITED STATES SENATE

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Chairman Bingaman, Ranking Member Murkowski, Members of the Committee, thank you for the opportunity to appear before you today to discuss draft legislation on Appliance Standards and ENERGY STAR. The Administration has not formulated an official position on the recently introduced legislation in its entirety, but I am happy to provide an initial comment as well as an overview and update of related programs at the Department of Energy (DOE).

DOE and the U.S. Environmental Protection Agency (EPA) do not support Section 3 of the draft bill entitled ENERGY STAR Program, which directs agency coordination and standardization of program management. The Agencies believe that these purposes can be best addressed through Agency-led efforts to improve interagency coordination, identify and address issues where they arise, and increase communication with stakeholders about program processes and decision-making. The Administration is aware of these issues and is committed to addressing them and working with program stakeholders to continue to build on the success of the ENERGY STAR program and extend the benefits it provides in reduced energy use and fewer emissions of greenhouse gases. Specifically, the EPA and DOE will, within 45 calendar days, provide to the Committee written documentation on the resolution of these issues.

As this Committee well knows, energy efficiency is the fastest, lowest risk, most economical way to address climate and energy security concerns. Improvements in energy efficiency can be made today, with significant benefits: the McKinsey Global Institute identified energy savings sufficient to cut world-wide consumption growth in half using only existing technologies that offer at least a 10 percent internal rate of return.[1]

Mr. Chairman, I know that energy efficiency is a priority for you and your Committee, and we are excited to work with you to advance the goal of making our homes, offices, factories, and vehicles more efficient. The Department advances energy efficiency through a number of efforts, including promoting the adoption of energy efficient policies and practices; broadening consumer acceptance of energy efficiency as a high-priority, serving as a cost-saving energy resource; and accelerating market adoption of energy efficient technologies. The Appliances and Commercial Equipment Standards Program, as well as the ENERGY STAR Program, which is co-sponsored by EPA, are major components of the Department's energy efficiency efforts.

APPLIANCE STANDARDS

The Department's Appliance and Commercial Equipment Standards Program develops test procedures and energy conservation standards for residential appliances and commercial equipment. These standards save consumers money, spur innovation, conserve energy, and reduce greenhouse gas emissions.

[1] McKinsey Global Institute, "Curbing Global Energy Demand Growth," May 2007.

The Appliance Standards Program was established with the passage of the Energy Policy and Conservation Act of 1975 (EPCA), which designated test procedures, conservation targets, and labeling requirements for certain major household appliances. The act has been amended several times, changing the conservation targets to mandatory standards and adding categories to eventually include a broad range of residential and commercial products. As amended, the appliance standards requirements are among the broadest and most stringent of any country in the world. In 2005, the Department was sued for allegedly failing to meet the deadlines and other requirements of EPCA. Deadlines for these specific products had been repeatedly missed, in some cases for a dozen years or more.

In January 2006, the Department released its plan to eliminate the backlog on appliance standards by issuing one new or amended standard for each of the products in the backlog by June of 2011. This ambitious schedule reflects a 6-fold increase in standards activities compared to the previous 18 years. In addition to clearing the backlog of appliance standards, the Department is addressing additional standards and test procedure requirements included in the Energy Policy Act of 2005 (EPACT 2005) and the Energy Independence and Security Act of 2007 (EISA).

In November 2006, the Department entered into a consent decree, under which it agreed to publish the final rules for 22 product categories by specific deadlines, the latest of which is June 30, 2011.

Although the Department has made significant progress on meeting its consent decree and the additional EPACT and EISA requirements, it remains subject to deadlines on 15 of the 22 product categories. On February 5, 2009, President Obama issued a memorandum to the Secretary of Energy requesting that the Department take all necessary steps to finalize legally required energy conservation standards rulemakings as expeditiously as possible and consistent with all applicable judicial and statutory deadlines.

The Department is committed to fulfilling the President's request. Specifically, DOE plans to complete five appliance standards rulemakings by August 8th of this year, highlighted in the President's memo. The five standards rulemakings include the codification of standards prescribed by EISA, standards for fluorescent and incandescent lamps, beverage vending machines, ranges and ovens, and certain commercial equipment contained in ASHRAE Standard 90.1. In the next three years, the Department will also be revising standards for several additional categories of products, including residential air conditioners, refrigerators, clothes washers, and water heaters.

While DOE has already been working at an increased pace to complete required rulemakings, the Administration's goal of using appliance standards to increase energy savings and avoid greenhouse gas emissions means that the Department is examining and reviewing operations to be even more efficient and productive. In addition, the Department has been proactively working to improve and streamline its test procedures and enforcement of appliance standards. The improved procedures will build upon DOE

and industry best practices, creating a process for developing, reviewing, and updating test procedures that will be able to accommodate changes in designs and technologies.

EISA added new flexibility into the rulemaking process that could contribute to the Department's productivity. Section 308 of EISA permits DOE to issue direct final rules in cases where a fairly representative group of stakeholders (including manufacturers, States, and efficiency advocates) jointly submit a recommended standard and no adverse public comments are received. This has the potential to eliminate months from the timeline for each consensus rule, usually a three-year process. EISA also authorizes DOE to consider the establishment of regional standards for furnaces and central air conditioners and heat pumps. The residential central air conditioner rulemaking, currently underway, is the Department's first opportunity to pursue the establishment of regional standards under the new authority. Furthermore, section 307 of EISA removes the requirement for DOE to publish an Advance Notice of Proposed Rulemaking (ANOPR) in rulemakings on energy conservation standards for certain residential products. In lieu of ANOPRs, DOE has begun to post analyses to its website and hold public meetings to receive stakeholder input on DOE's preliminary analyses.

The Department is assessing the resource needs of the appliance standards team as well as determining how best to improve and or reengineer the underlying processes. The goal is to put sufficient resources (Federal and outsourced staff and funding) in place to ensure all requirements are met within given timelines and quality and content requirements. These resources will be applied to current activities (rule development) as well as to standards enforcement.

ENERGY STAR

Whereas appliance standards set the minimum requirements for residential appliances and commercial equipment, ENERGY STAR helps consumers and businesses to easily identify those highly-efficient products, homes, and buildings that go beyond the minimum standards to save energy and money while protecting the environment. ENERGY STAR is a voluntary labeling and recognition program co-sponsored by DOE and EPA that seeks to accelerate the adoption of clean and efficient domestic energy technologies. More than 12,000 organizations have joined ENERGY STAR as partners committed to improving the energy efficiency of products, homes and businesses, and the ENERGY STAR label appears on more than 60 product categories.

DOE manages ENERGY STAR programs for eight product categories. This includes clothes washers, refrigerators, dishwashers, room air conditioners, windows and doors, compact fluorescent lamps (CFLs), solid state lighting (aka LED lighting), and water heaters. Together, these products target energy savings from six of the top seven areas of residential energy consumption.[2] Products like clothes washers and refrigerators are also

[2] Based on 2006 data as summarized in the 2008 Buildings Energy Databook, http://buildingsdatabook.eren.doe.gov/?id=view_book&c=6. (The top seven residential end uses are space

very visible to consumers, and are often cited as examples of products associated with ENERGY STAR.

The Department estimates that sales of ENERGY STAR-qualified products in its portfolio have achieved significant energy and cost savings for America. DOE's biggest success has probably been with clothes washers. When the ENERGY STAR program for clothes washers was announced in 1997, qualified models made up less than one percent of annual unit sales. As a result of ENERGY STAR and appliance standards, today every single clothes washer sold in the United States meets those original ENERGY STAR criteria. Even with three revisions to strengthen the criteria, the market share of ENERGY STAR clothes washers has risen to more than 40 percent, and future changes are scheduled for this July and again in January 2011.[3]

The CFL program, first launched in 1999, has also achieved large energy savings. Due in part to the ENERGY STAR Program and related campaigns, the number of CFLs sold in 2007 was nearly 300 million, corresponding to a doubling of the market share of the previous year from 8% to 20%.[4] There is a national average of about four CFLs per home – with about 40 sockets per home, DOE sees a lot of additional energy savings potential from the continued promotion of CFLs.[5]

The Department's newest product categories are solid state lighting (which commenced in September 2008) and residential water heaters (which just started in January). Here again, DOE established criteria asking manufacturers to create products beyond the norm, thus recognizing and accelerating the best of the best. The Department expects these two product categories will provide significant energy savings in the years to come. DOE is also continuing to evaluate several clean energy products developed at the Department of Energy as candidates for ENERGY STAR labeling.

The Department has worked closely with retailers and utilities, whose efforts have been instrumental in building market share for ENERGY STAR lighting and appliances. DOE estimates that this year, utilities are planning to spend about $176 million on lighting rebate programs and $83 million for appliances.

DOE has also implemented a number of education and outreach activities to help drive awareness and sales of ENERGY STAR products. The most recent examples include *Operation Change Out*, a partnership with the Department of Defense to promote the use of CFLs; and the *Recycle my Old Fridge* campaign, designed to encourage consumers to get rid of older second refrigerators.

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heating, space cooling, water heating, lighting, electronics, refrigerator, and wet cleaning. DOE products target all of these except electronics.)

[3] Source: http://www.energystar.gov/ia/partners/manuf_res/2007FinalSalesData.xls.

[4] The National Electrical Manufacturers Association of America (NEMA) and http://yosemite.epa.gov/opa/admpress.nsf/dc57b08b5acd42bc852573c90044a9c4/970f05bf0bc5d9aa852573d10055b38d!OpenDocument

[5] Source: http://www.energystar.gov/ia/products/downloads/CFL_Market_Profile.pdf.

With a continually evolving market and technological improvements leading to greater energy efficiency, the ENERGY STAR Program requires regular updates and improvements to protect the ENERGY STAR brand.

To this end, DOE has reminded its ENERGY STAR partners about their obligations under the test procedures when DOE learns that the procedures are not being followed. For example, the Department came to an agreement with LG Electronics, USA, Inc., in November 2008, in response to concerns about several refrigerator-freezer models. To effectively measure the savings associated with the ENERGY STAR Program, all partners must report energy consumption based on the same standardized test procedures. Those procedures require the ice maker to be disabled but require all temperature-controlled compartments, including ice storage bins, to be set at their coldest temperature, a condition missed by LG's testing. As part of a November 2008 agreement between the Department and LG, the refrigerator-freezers in question have been voluntarily withdrawn from the ENERGY STAR Program, and LG has agreed to provide free in-home modifications to products already sold to improve their energy efficiency. Consumers will also receive a payment covering the energy cost difference between the new measured energy usage of the product and the amount stated on the original Energy Guide label, as well as payments for future incremental energy usage for the expected useful life of the refrigerator. Under its agreement with DOE, LG will modify its test procedure to assure that customers have accurate information going forward.

DOE is also establishing third party testing and verification for its managed appliance products beyond the testing and verification already underway for its lighting products. This new work follows some of the inquiries made in light of the LG issue and coincides with recommendations for program improvement.

CONCLUSION

DOE is continually working to seize the opportunities that energy efficiency provides to achieve greater savings of energy, electricity consumption, and greenhouse gas emissions. Some of the greatest opportunities for energy savings are in the appliances and products that consumers and businesses use every day. The Department is therefore continuing its progress in promulgating tighter commercial and residential appliance standards and, jointly with EPA, developing ENERGY STAR ratings for new categories of energy efficient products. DOE is constantly modernizing, improving, and tailoring the two programs to respond to changing market conditions, while being responsive to legislative and regulatory requirements.

Thank you again for holding this hearing and for the opportunity to discuss the Department's Appliance Standards Program and ENERGY STAR. I am happy to answer any questions that the Committee Members may have.

(Please see attachment for list of standards completed since EPACT 2005 and rulemakings to be completed by 2011.)