

Before the
Senate Committee on Energy and Natural Resources
Hearings on S. 1115, the Energy Efficiency Promotion Act of 2007
Testimony of Robert E. Schjerven, Lennox International Inc.,
on behalf of the Gas Appliance Manufacturers Association
April 23, 2007

Mr. Chairman, Members of the Committee, I'm Robert Schjerven, chief executive officer emeritus of Lennox International Inc. Through its subsidiaries, Lennox International is a leading provider of climate control solutions for the heating, air conditioning, and refrigeration markets around the world. I have over 40 years of experience in the heating, ventilation, air conditioning and refrigeration industry. My company and my industry have asked me to discuss with you the "Energy Efficiency Promotion Act of 2007," S. 1115.

I am speaking on behalf of the heating appliance industry represented by the Gas Appliance Manufacturers Association, or GAMA. GAMA is the national trade association for manufacturers of residential and commercial furnaces, boilers and water heaters, and other gas, oil-fired and electric appliances. I had the pleasure of serving as the chairman of GAMA from 2000 to 2001. GAMA's members employ more than 190,000 workers across the U.S., and our members' facilities are found in 43 of the 50 states. Speaking for Lennox alone, we have major manufacturing facilities in several states including Arkansas, South Carolina, and Tennessee.

I'm confident you won't find an industry more supportive of energy efficiency than the U.S. heating appliance industry. GAMA, our industry's collective voice, has been a strong supporter of energy-efficient products and an advocate for educating the public on the importance of energy conservation and energy-saving appliances. GAMA was one of the principal proponents of the National Appliance Energy Act of 1987 (NAECA). Over the following years to the present, GAMA has worked with state and national organizations to develop and maintain federal standards and a national certification and enforcement process for residential furnaces, boilers, water heaters and space heaters. As a result of that broad-based support for national standards, our country has been able to conserve a significant amount of energy. Now, S. 1115 would amend the law to authorize the DOE to prescribe design requirements, consider new performance measures, and open the door to regional standards – breaking a successful and productive agreement by environmentalists, the industry, and the states.

It is our understanding S. 1115 was intended as a legislative package composed of consensus agreements on energy efficiency standards to demonstrate the concern for energy conservation we all support, and the progress that can be made when we all work together to arrive at an agreement that serves all our interests. I must emphasize in the

strongest possible terms: S. 1115 is not a consensus agreement. Of particular concern is Section 202, allowing for regional energy efficiency standards. Abandoning a single national, uniform energy efficiency standard in favor of up to three regional standards is not a move with which our industry can agree. While the majority of my comments today will focus on Section 202, GAMA has also expressed serious concerns with Sections 201, 203 and 205, which I will address briefly near the end of my comments.

Today, enforcement of the national standards is directed at the manufacturing level and, through DOE approved certification programs, standards are fairly simple to enforce. A product offered for sale in our country that does not meet the federal standard is unlawful on its face. GAMA's certification programs assist the DOE by verifying products meet applicable federal standards. If uniform national standards were replaced by regional standards, standards enforcement would have to shift to the retail level. It is difficult to imagine the DOE would have the resources to enforce standards at this level, and GAMA's certification programs would be of little assistance to the DOE in enforcing regional standards, since neither GAMA nor manufacturers have control over where products are installed.

Faced with the potential for multiple regional standards, the challenges of certification and enforcement would be enormous. Most of our products are sold to distributors, who in turn sell to contractors, who in turn sell to consumers. Once our products leave our warehouses, they are no longer in our exclusive control – without any way for the manufacturer to guarantee a furnace certified for one region will not somehow find its way to another. A regional or local enforcement infrastructure would have to be created. Who would be the enforcers of multiple standards? How would those enforcers be established and maintained, and at what cost? What level of consistency could be expected if the enforcement effort were mandated down to State building departments, which receive no added compensation or manpower for such an undertaking?

The economic impact to both the industry and consumers should also be seriously considered. Multiple standards will greatly increase the complexity of ongoing inventory control and distribution procedures for manufacturers and wholesalers – and, as stated previously, with no guarantee that a product certified for one region will not find its way to another. Unable to absorb these increased costs, manufacturers and wholesalers will be forced to increase the price of their products, ultimately hurting U.S. consumers and reducing the energy savings opportunity.

In the face of increased costs for new higher-efficiency equipment, it is becoming clear many consumers will choose to simply repair older, less efficient appliances rather than buy new, more efficient ones. We can see evidence of this trend under the new 13 SEER national standard for residential air conditioning systems. As premium, higher efficiency products, 13 SEER systems mean a higher initial cost to the consumer. Despite heavy industry efforts to promote the long-term energy savings of installing a higher efficiency system, the cooling segment of our industry has seen a significant decrease in the demand for new 13 SEER residential air conditioning systems, coinciding with an increase in the demand for parts to repair older systems. As a result, older equipment that uses more

energy stays in use longer, rather than being replaced by newer, higher-efficiency equipment. Although it is still early in our tracking of this trend, what is happening on the cooling side of our business will occur to the heating side of our industry as well.

GAMA has additional concerns with S. 1115. Section 201 authorizes the DOE to prescribe design requirements, in addition to performance standards, for the full range of NAECA-covered products. Section 203 directs the DOE to prescribe furnace fan efficiency standards. While we are confident our engineering teams can meet new efficiency performance standards, prescriptive requirements on design or on specific components would effectively limit their ingenuity and innovation in doing so – and at a time when meaningful technological innovation is a critical global competitive advantage. These proposed standards would also come at added cost to the industry and to consumers. We feel strongly that any additional authority granted to the DOE to prescribe product design requirements should be limited to DOE adoption of consensus standards, such as the new boiler requirements contained in the bill.

Finally, Section 205 allows federal preemption to lapse where DOE has concluded that a national standard for a sub-class of a federally covered product is not justified or cannot be rationally determined. I have already addressed our concerns over allowing regional efficiency standards, and we have many similar concerns regarding Section 205. This provision would unduly limit the DOE's discretion and undermine the entire federal standards system. We strongly believe the DOE should have exclusive authority to regulate products covered by federal law.

I state with a great deal of pride our industry's commitment to energy efficiency, and to a single certifiable and enforceable national energy efficiency standard, is second to none. Our industry works hard to produce products to suit every installation situation and consumer's desires for the lowest possible operating costs. Moreover, we feel it is of the highest importance to make energy efficiency more easily understandable and attractive to the public. We strongly support the current system of uniform national standards administered by DOE, and urge Congress not to upset the delicately balanced and universally beneficial agreement embodied in NAECA by opening the door to regional standards.

Mr. Chairman, thank you for the opportunity to present the views of our industry on energy efficiency, specifically S. 1115. I'm pleased to answer any questions you or the Members might have, and of course the expertise of our industry through GAMA is at your service to help you arrive at the appropriate decisions in this important matter. Thank you.