

Regulating Efficiency



FAIL

Why It's Broken, and How to Fix It

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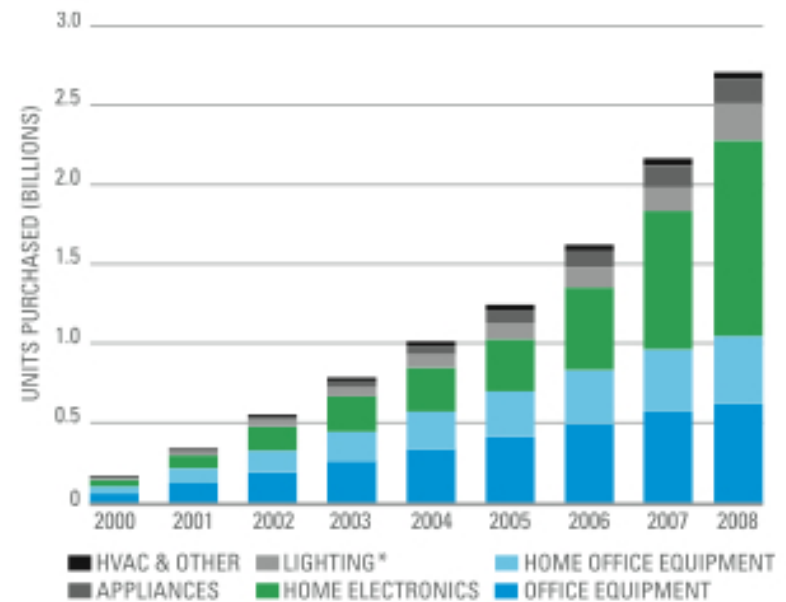
A. Historical Overview

- Energy Star was created in 1992 by the United States Environmental Protection Agency.
- The program is now administered jointly by the EPA and the U.S. Department of Energy.



- Computer products were primarily the initial area covered by the label.
- Areas now covered include lighting, home office, homes, electronics, appliances, and heating and cooling systems.

FIG. 2. More Than 2.5 Billion ENERGY STAR Qualified Products Purchased Since 2000



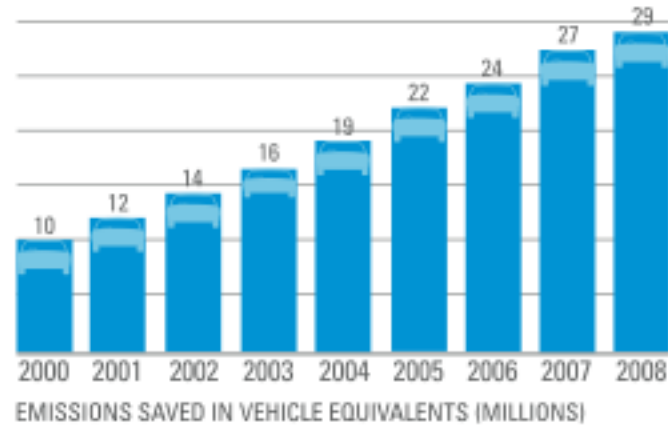
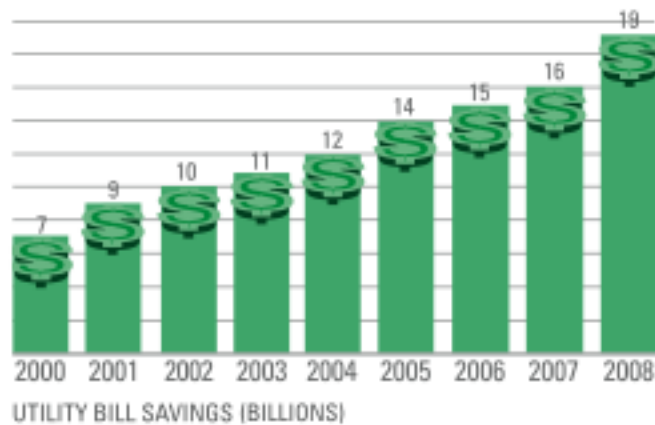
*Lighting category does not include purchases of compact fluorescent bulbs.

(1) The Purpose

- The focus of Energy Star was to create a voluntary labeling program.
- Energy efficient devices that met the requirements could be identified and promoted.

- According to Energy Star, the program has saved billions:

FIG. 1. Since 2000, ENERGY STAR Benefits Have More Than Doubled



(2) Multiplicity of Labels

- Following the success of the Energy Star logo, there are now several certification programs.
- While being a sign of success, this has created a complicated marketplace for consumers.



B. The Enforcement Failure

- Because of Energy Star's popularity, manufacturer's see having the logo on their products as desirable.
- However, poor execution in the Energy Star program has led to fraud and a lack of reliability.

(1) Low Standards

- Energy Star has consistently been criticized for setting energy standards that are too low; and
- Standards that are too slow to adapt to changing technologies and consumer patterns.
- Products are placed into categories which give manufacturers favorable results.

- Example: Side-by-side (French door) refrigerators are in a different category than the more efficient freezer-on-top refrigerator design.



- The result is that a side-by-side refrigerator can earn an Energy Star logo, while being much less efficient than a freezer-on-top model.

(2) No Oversight

- Manufacturers are allowed to test their own products.



- Based solely on the results of a manufacturer testing their own products, the Energy Star label can be awarded.

- Self testing allows manufacturers to cheat, by disabling features that consumers would enable for typical usage.
- Example: TV screen brightness is set to the lowest setting, and then testing is done.



- In a recent internal audit, the Department of Energy found that it does not properly review the granting of Energy Star labels.
- While some investigations are conducted (5 LG refrigerators were striped of their Energy Star Logos in 2008), fraud from a lack of oversight is pervasive.

(3) Consumer Demand

- "What we didn't predict was people's insatiable appetites for gizmos." - Cathy Zoi



- Average television screen size has been steadily increasing,
- Especially as consumers upgrade from older tube television sets to newer LCD or Plasma ones.

- At the same time that screen sizes have seen a dramatic rise, consumers have also been purchasing more devices.

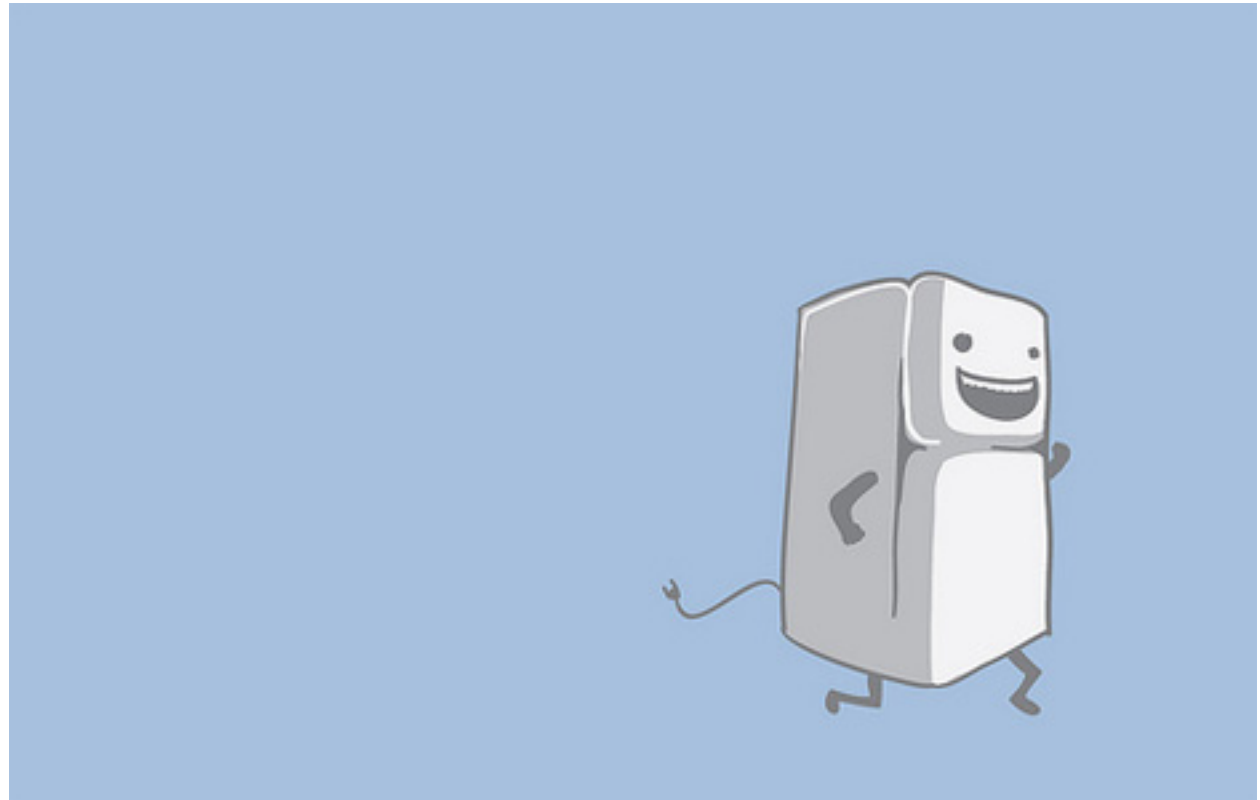


- Energy Star's low requirements and slow to adopt standards are ill equipped for this situation.

C. Making Efficiency Standards Work

- A voluntary label program is only as valuable as the consumers faith in it.
- If manufacturers are allowed to continue to misappropriate label logos, the logo will be seen as unreliable.

- However, there are options for label programs like Energy Star to pursue.



(1) Real Oversight

- Providing online database access listing products tested, with testing results.
- Additional regulators.
- Stiffer fines and penalties for fraudulent companies.

- Establishing an easy to use online database would allow both manufacturers and consumers to clearly see what type of efficiency claims are being made.
- The openness of such a system would be oversight in and of itself.

- Jail time for fraudulently claiming Energy Star status would make little sense;
- However, severe monetary penalties for fraud would deter false claims.



(2) Take Manufacturers Words with a Grain of Salt

- Given the overall economic environment, additional funding for more regulators and oversight is unlikely.
- Consumers though do have the ability to monitor their own products.

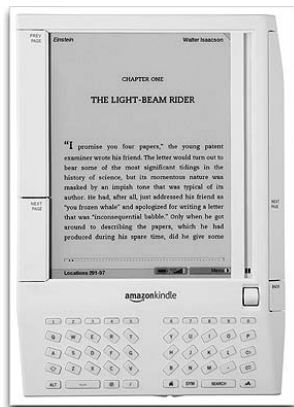
- Consumers can test the accuracy of energy efficiency claims with products such as Kill-A-Watt.
- With access to check results against a database, it would also increase fact checking of manufacturers claims.





(3) Simply Consume Less

- Higher energy efficiency standards can only do so much.
- The amount of electronics and appliances in the home continue to rise,
- At the same time that microwaves, TVs, ovens, refrigerators, and washers and dryers continue to get bigger.



- Cutting a TV's energy usage in half doesn't matter when there are four TV's in a home instead of one.
- Do we really need a TV in every bedroom?
- What can the law do to reduce consumerism?