



Consumer Federation of America

IMMEDIATE RELEASE

October 15, 2013

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**New analysis finds energy-efficiency standards correct market failures,
save consumers and businesses money**

*Energy costs drain \$4,600 from household budgets annually; standards could
save nearly \$1,000*

WASHINGTON—Consumers could save about a thousand dollars on annual household energy costs if energy-efficiency performance standards were more prevalent and better understood. That’s according to a report, [*Energy Efficiency Performance Standards: The Cornerstone of Consumer-Friendly Energy Policy*](#), released today by the [Consumer Federation of America \(CFA\)](#). The report also finds a broad consensus among a variety of independent policy evaluations that energy-efficiency performance standards, when effectively implemented, are the ideal tool for delivering these savings. Currently, proceedings affecting almost two-dozen new energy performance standards for a broad spectrum of products are pending at the federal and state levels.

“Some analysts doubt the money-saving potential of energy efficiency standards because they assume that energy markets work perfectly and automatically push consumers toward money-saving, energy-efficient options. But that’s not how the real world works,” said Mark Cooper, Director of Research for CFA, a national association of nearly 280 non-profit organizations working to advance the interests of consumers.

“Hundreds of empirical case studies we reviewed show that barriers and imperfections in energy markets create an efficiency gap—the difference between our actual level of energy consumption and the optimal level of energy consumption,” Cooper said. “The studies show the barriers affect both the supply-side and the demand-side of markets for residential and commercial/industrial products. More importantly, evaluations of policies over the past decade indicate that those barriers can be brought down by well-designed energy-efficiency performance standards, like fuel economy standards for cars and trucks or standards for air conditioners.”

The report bases its conclusions on an extensive review of studies done by academics, think tanks, private-sector firms, and government agencies, drawing on literature by experts in several fields, including economics, energy efficiency, and technology innovation and diffusion. In addition to examining recent studies

that directly address the efficiency gap and performance standards directly, the CFA study draws insights from empirical studies of two closely related fields, the innovation diffusion literature and climate change. The report will provide the analytic basis for evaluating specific standards that are currently going through regulatory review including household appliances, light duty vehicles, and heavy duty trucks.

"Critics of performance standards, whether they are efficiency gap deniers or cost-benefit naysayers, have either ignored the mountain of evidence that shows the benefits of standards far outweigh the costs, or use flawed data and misspecified models to reach unsupported and misleading conclusions. Our economic analysis confirms the pocketbook savings and our survey results show that consumers understand the benefits of these programs," Cooper said. "Well-crafted, long-term, energy efficiency performance standards give consumers and businesses extra cash through significant energy savings."

On the subject of the "efficiency gap", the report notes:

- **Producers** of energy using durables hesitate to include energy saving technologies in the products they sell because they are unsure of the market, uncertain about technology costs and future energy prices, and lack familiarity and skill with the technology.
- **Consumers** often do not demand energy savings technology because in many cases individuals who do not pay the energy bills (like landlords, for example) make the decision about which appliance (like water heaters or air conditioners) to use and they tend to prefer inexpensive inefficient appliances. Consumers also lack the knowledge and ability to project energy consumption and price and calculate lifecycle costs. Consumers are sensitive to the first cost of consumer durables and pay more attention to other attributes of the durables.
- **Energy performance** standards address many of the most important market barriers and imperfections. They tend to level the playing field, reduce risk and uncertainty by creating a market for energy saving technologies, lower technology costs by stimulating investment in and experience with new technologies, reduce the need for information and the effect of split incentives, all of which help to overcome the inertia of routine and habit.

"The recently adopted fuel economy standards and California's landmark appliance and building standards have all of the key attributes of effective standards that are important to ensure their success. They deliver substantial, direct pocketbook savings and are product and technology neutral. These well-crafted standards also promote competition, accommodate consumer and industry needs, and take a long-term perspective allowing consumers and the market time to adjust," Cooper concluded. "That is why they enjoy widespread support among consumers and many other stakeholders."

To view a copy of the report go to:

www.consumerfed.org/pdfs/Energy_Efficiency_Performance_Standards_Report.pdf

To book an interview, please call Roxanna Smith at 510.326.0390 or 415.453.0430.

The Consumer Federation of America is an association of more than 260 non-profit consumer groups that, since 1968, has sought to advance the consumer interest through research, education, and advocacy.