



**Statement of
Richard Eckman, Energy Advocate
Consumer Federation of America
on the
Energy Conservation Standards for Consumer Furnaces
Notice of Proposed Rulemaking
before the
Department of Energy
Public Hearing
August 3, 2022**

Thank you for the opportunity to provide an opening statement.

My name is Richard Eckman. I am an Energy Advocate at the Consumer Federation of America. CFA is an association of more than 250 nonprofit consumer organizations that was established in 1968 to advance consumer interest through research, advocacy, and education. For over thirty-five years, CFA has advocated for cost-effective energy and water efficiency standards at the state and federal levels as they benefit consumers through lower utility bills. Along with other consumer groups, we have participated in all of the earlier rounds of this proceeding.

We strongly support DOE's proposed standard for non-weatherized gas furnaces at the technical standard level (TSL) 8, that is, at 95% AFUE for all such furnaces. For those households where the heat is provided by a non-weatherized gas furnace, the cost of the gas often represents the household's largest energy bill.

The reductions in expenditures for fuel use are larger than the costs of the fuel-saving technologies – about twice as large.

- The payback period is less than half the life of the appliance.
- Many more consumers enjoy net benefits than bear net costs.
- The individuals who benefit have much larger gains than the losses of the individuals who do not.
- All of the conclusions about consumer benefits in the aggregate apply to low-income consumers as well.
- As large as the consumer pocketbook benefits are, we believe that the DOE has underestimated the net pocketbook benefits by overestimating the costs and underestimating the benefits.

- The consumer pocketbook savings are augmented by other indirect and external benefits. (e.g. environmental, public health, and macroeconomic)

In addition, our extensive review of the academic literature on efficiency standards shows that regulator predictions of costs in prior standards dockets have been consistently higher than the actual cost increases associated with efficiency standards and industry predictions have been even wider off the mark. Innovation, competition, and ‘learning’ over time bring down the cost of the product, and DOE thus routinely underestimates the net benefits of increased efficiency.

- Our analysis of the performances of various appliances and past standards using multiple regression techniques to control for underlying trends and differences between appliances demonstrates that
- The implementation of standards improved the efficiency of the consumer durables.
- Furnaces have been far less efficient than they should have been, since, as we have noted, DOE has set weak standards.
- After the initial implementation of a standard, the improvement levels off, suggesting that if the engineering-economic analysis indicates that improvements in efficiency would benefit consumers, the standards should be strengthened on an ongoing basis.
- While the efficiency was increasing, the cost of the durables was not and there was no reduction in the quality or traits of the products.
- The Department of Energy should issue a strong final rule increasing the efficiency of gas furnaces as soon as possible to stem the economic harm consumers have been subject to through unnecessarily high energy bills.

The DOE should continue to study the impact of a uniform standard; CFA believes the exemption for certain furnaces is no longer necessary. To the extent that there is a slight increase in the percentage of households that would not benefit and a slight reduction in the average benefit, it is entirely a function of the assumed increased cost of the technology. There are four responses here. First, they remain beneficial on the net and the payback period is less than half the life of the appliance. Second, as a general proposition, regulatory agencies have overestimated the cost increases associated with complying with the standards. Third, because once a standard is adopted capitalists do what they do best, look for lower-cost ways to comply. There are technologies in the works that DOE could not cite, that will lower costs. Fourth, there are alternative technologies available that would cost less, which will stimulate them to find the lower cost solution but also allow consumers to switch.

We strongly encourage DOE to adopt TSL 8 as proposed.