

Testimony of Andrew deLaski
Executive Director
Appliance Standards Awareness Project

U.S. House of Representatives
Committee on Small Business

Hearing on

“Examining the Effects of Department of Energy Regulations on America’s Job Creators”

November 8, 2023

Thank you, Chairman Williams, Ranking Member Velázquez, and Members of the Committee, for the opportunity to provide this written testimony for the record.

My name is Andrew deLaski and I am the executive director of the Appliance Standards Awareness Project (ASAP). ASAP is housed within the American Council for an Energy-Efficient Economy (ACEEE), a nonprofit 501(c)(3) organization focused on leading and advancing energy efficiency policies, programs, and technologies across the nation. We advocate for appliance, equipment, and lighting standards that save energy and water, reduce economic and environmental burdens for low- and moderate-income households and cut planet-warming emissions and other air pollution. **These standards also save large amounts of money for small businesses.**

I have worked at ASAP since 1999, co-chaired the Department of Energy’s (DOE) Appliance Standards and Rulemaking Federal Advisory Committee (ASRAC) from 2013 – 2018, and have deeply engaged in dozens of DOE rulemaking dockets across five presidential administrations.

As directed by the Energy Policy and Conservation Act (EPCA), DOE sets minimum efficiency or maximum energy and water usage standards for products manufactured or imported for sale in the United States. **These standards have done more to reduce energy waste in buildings in the United States than any other federal effort.** They save consumers and businesses money, help make our energy systems more resilient and reliable, and cut emissions that endanger human health and the environment. Product efficiency standards directly affect two overlapping sets of small businesses: those that manufacture the affected products and those that use them.

In this testimony, I will address four topics:

- Cost savings for the consumers and businesses that use affected products;
- How DOE’s rulemaking process protects small businesses interests;
- How the national standards program provides a predictable, national marketplace; and,

- How the appliance standards program enhances the economic competitiveness of U.S. small businesses.

I urge Congress to protect DOE's appliance standards program and support the agency's efforts to finalize robust efficiency standards that will save small businesses money and enhance American economic competitiveness.

DOE's appliance standards program delivers very large utility bill savings for consumers and businesses, including small businesses.

For most products covered by the federal appliance standards program, Congress established initial standards and, in recognition of the need to keep pace with technological progress and continuously reduce energy waste, directed DOE to review and strengthen those standards periodically. By law, DOE must update standards to the highest level that is technologically feasible and economically justified, provided that level results in significant energy (or water) savings. Congress enacted initial legislation in the 1970s, and, on a bipartisan basis, updated and expanded the law in 1987, 1988, 1992, 2005, 2007 and 2012. Standards on the books today have improved the efficiency of a wide range of consumer and business products ranging from household refrigerators to commercial rooftop air conditioners to industrial electric motors. In total, U.S. efficiency standards cover about sixty household and commercial product categories.

The economic savings from already existing appliance standards are very large. Accounting only for standards adopted before 2020, **the average US household spends about \$500 less per year on utilities because of existing standards.**¹

These utility bill savings are especially important for low- and moderate-income households, many living paycheck to paycheck. They spend more on their energy bills as a proportion of their income than wealthier households. For families that have to regularly make painful choices between essentials like housing, food, and medicine, hundreds of dollars of annual savings on utility bills makes a real difference.

Businesses also save big. According to our analyses of DOE rulemaking documents and past studies, **total bill savings for businesses will reach more than \$47 billion annually by 2030.**² Since 99.9 percent of businesses in the U.S. are small businesses, they see much of these savings.

For example, small businesses like convenience stores and restaurants benefit from standards that have dramatically boosted efficiency for products such as commercial refrigerators, walk-in coolers, and lighting. Standards for commercial air conditioners and office lighting products have cut bills for office building occupants and owners. National standards for electric motors save energy in motor-driven equipment (e.g., fans and pumps), which are used in HVAC systems found in commercial buildings and by manufacturers, many of which are small businesses.

¹ Report available at <https://appliance-standards.org/document/white-paper-overview>

² Ibid.

These savings accrue to businesses in every single state. The table below shows the state-by-state savings for consumers and businesses from existing standards. For example, Texas businesses will save nearly \$4 billion annually by 2030 and New York businesses will save a similar amount. (Texas consumers will save about \$8.8 billion annually; New Yorkers will save about \$8 billion.) In general, state-level savings scale with the size of a state but are also affected by energy prices and factors such as air conditioning and heating loads.

Table 1. Total consumer and business economic savings

	Annual utility bill savings in 2030 (million 2015\$)		
	Consumer	Business	Total
Alabama	1,602	834	2,436
Alaska	238	167	405
Arizona	2,413	787	3,200
Arkansas	810	440	1,250
California	10,589	5,373	15,961
Colorado	1,298	552	1,851
Connecticut	1,335	577	1,912
Delaware	332	157	489
District of Columbia	247	288	535
Florida	7,202	2,636	9,838
Georgia	3,172	1,465	4,637
Hawaii	720	316	1,037
Idaho	348	166	514
Illinois	3,714	1,853	5,568
Indiana	1,895	1,094	2,989
Iowa	821	380	1,201
Kansas	787	416	1,203
Kentucky	1,105	561	1,666
Louisiana	1,249	815	2,065
Maine	450	163	613
Maryland	2,147	1,034	3,181
Massachusetts	2,415	1,196	3,610
Michigan	2,990	1,528	4,518
Minnesota	1,441	688	2,129
Mississippi	919	468	1,387
Missouri	1,738	816	2,554
Montana	243	142	384
Nebraska	454	260	714
Nevada	820	305	1,125
New Hampshire	481	195	676
New Jersey	3,160	1,820	4,979
New Mexico	562	260	822

	Annual utility bill savings in 2030 (million 2015\$)		
	Consumer	Business	Total
New York	7,922	4,041	11,963
North Carolina	2,947	1,282	4,229
North Dakota	171	166	338
Ohio	3,661	1,885	5,546
Oklahoma	1,022	544	1,566
Oregon	946	487	1,434
Pennsylvania	4,344	1,767	6,111
Rhode Island	382	165	547
South Carolina	1,595	750	2,345
South Dakota	213	114	327
Tennessee	1,632	888	2,520
Texas	8,578	3,994	12,572
Utah	625	291	916
Vermont	218	86	304
Virginia	2,450	1,169	3,618
Washington	1,485	830	2,315
West Virginia	515	283	797
Wisconsin	1,999	1,066	3,065
Wyoming	138	136	274
United States	98,540	47,693	146,233

Source. Table C2. [“Energy Saving States of America: How Every State Benefits from National Appliance Standards.”](#)

Combined total U.S. consumer and business savings will reach more than \$146 billion per year by 2030. On a cumulative basis, savings will reach \$2.4 trillion by 2035.

Recently issued new standards and pending updates will add billions of dollars in savings.

When the current administration took office in January 2021, DOE had already missed 28 legal deadlines for reviewing efficiency standards. The efficiency standards for many products, including refrigerators, clothes dryers and water heaters, have not been updated in more than a decade.

DOE has been working to catch up on the many missed legal deadlines. Since 2021, DOE has determined or proposed to determine that 13 standards do not need to be strengthened. For another 30 products, DOE has found that technological change has opened the door for improvement and proposed new standards. About a dozen standards have been finalized in the past 18 months such as new standards for commercial water heaters, several types of commercial air conditioning equipment, room air conditioners and pool heaters. Many more are scheduled for the months ahead.

The table below shows the annualized national bill savings from these standards as reported in DOE rulemaking documents. For example, DOE estimates that households will save nearly \$1.5 billion on an annualized basis from the recently published new standards for home furnaces.

Businesses will save about \$740 million on an annualized basis if DOE adopts commercial refrigerator standards equivalent to those proposed earlier this year.

Table 2. Utility bill savings from recent final and proposed standards

	Annualized Operating Cost Savings (million \$/year)
Final Standards	
General Service Lamps (backstop)	2,955.1
Room Air Conditioners	815.8
Air Cleaners	689.7
Pool Heaters	252.7
Microwave Ovens	23.5
Electric Motors	463.6
Commercial Water Heaters	149.0
Dedicated-Purpose Pool Pump Motors	738.0
Furnaces	1,467.0
Subtotal	7,554.4
Proposed Standards	
Clothes Dryers	1,313.0
General Service Lamps	1,521.4
Circulator Pumps	189.9
Distribution Transformers	1,528.9
External Power Supplies	47.3
Cooking Products	130.7
Refrigerators and Freezers	1,878.6
Residential Clothes Washers	1,598.0
Battery Chargers	500.0
Miscellaneous Refrigeration Equipment	123.1
Automatic Commercial Ice Makers	51.0
Dishwashers	167.8
Refrigerated Beverage Vending Machines	20.0
Ceiling Fans	369.3
Water Heaters	11,357.0
Boilers	188.0
Walk-In Coolers and Freezers	260.0
Commercial Refrigeration Equipment	737.7

Subtotal	21,981.7
GRAND TOTAL	\$29.5 billion

Sources: DOE rulemaking documents.

Combined, businesses and consumers will save nearly \$30 billion per year on an annualized basis from recently completed and pending standards. **For small businesses, these are savings that go right to the bottom line.**

Utility bill savings are not the only benefits that businesses get from improved standards: improved grid reliability and energy system resilience reduce risk for businesses. Standards reduce peak electric system demand, decreasing the probability of electric outages during extreme weather events that can strain utility reliability (as well as reducing demand charges or peak rates for commercial customers). In 2020, we estimated that standards with upcoming reviews could reduce summer peak electricity demand by almost 90 gigawatts by 2050, an amount equal to 13% of current total peak demand.³ For businesses, electric outages can be devastating, forcing them to shut down production or turn customers away and send workers home. Efficiency standards that trim peak demand make those outages less likely.

DOE’s rulemaking process protects small businesses interests.

When DOE periodically reviews standards to determine whether improved efficiency levels are technologically feasible and economically justified, the agency considers pocketbook impacts for consumers and businesses, the costs to manufacturers, and competitive effects (42 U.S.C. 6295(o)(2)(B)). DOE accounts for impacts on utilities, employment, and the environment. (10 CFR Part 430, Appendix A to Subpart C). DOE may only adopt standards that result in significant energy or water savings (42 U.S.C. 6295(o)(3)(B)).

By statute, standards must be set at levels that ensure that the features product purchasers (consumers and businesses) value remain available (42 U.S.C. 6295(o)(4) and 6295(q)). Products that use different fuel types (for example, electricity or gas) are regulated separately, and DOE may not and has not set a standard that prohibits all products that use any particular fuel (42 U.S.C 6295(q)).

To be perfectly clear, DOE rules affect the minimum efficiency of new products available for sale: **they do not require any household or business to replace any appliance or equipment.**

In each of the rulemaking dockets, DOE carefully evaluates the impact of improved efficiency on product prices, including purchase price and any changes to installation and maintenance costs. DOE considers a range of improved efficiency level options but has only adopted levels where any cost increase pays for itself in lower utility bills.

³ Report available at <https://appliance-standards.org/document/report-overview-powerful-priority-how-appliance-standards-can-help-meet-us-climate-goals>

Under a 2007 law enacted on a bipartisan basis and signed by President George W. Bush, DOE must review each product once every six years to determine if an improved standard is warranted. If the agency finds that improved standards would save a significant amount of energy and are technologically feasible and economically justified, DOE must propose new standards. If not, DOE proposes and may finalize a determination to leave the standard unchanged. (As noted above, the current administration has found that 13 standards do not need strengthening.) If DOE proposes a new standard, a final rule amending the standard is due two years later – eight years after the previous standard.

The rulemaking process typically takes three to four years during which DOE and its contractors conduct in-depth analyses. DOE typically provides at least three opportunities for public comment and revises its analyses in response to the comments received and the agency's own research and investigation. DOE's process is open, transparent and predictable.

DOE pays special attention to small businesses, including businesses that use and manufacture the affected products.

For commercial products, DOE will typically conduct a subgroup analysis focused particularly on the benefits and costs for small businesses. For example, DOE conducted an in-depth consumer subgroup analysis for small businesses as part of the analysis for the commercial refrigeration proposed rule (88 Federal Register 70272).

For small business manufacturers, DOE conducts an in-depth analysis of how standards affect them as part of its manufacturer impact analysis and regulatory flexibility analysis. For example, for the proposed commercial refrigerator rule, DOE identified 25 small business manufacturers and estimated the proposed rule's impact for each (88 Federal Register 70283). Other rules that affect small business manufacturers include similar analyses to inform DOE decision making.

DOE provides descriptions of how it gathers detailed information on small businesses and evaluates small business impacts in its rulemaking documents and its [procedures for and policies](#) under the Regulatory Flexibility Act. This process includes interviews with small business manufacturers.

DOE's appliance standards provide a consistent and predictable national marketplace for manufacturers.

The alternative to national appliance, equipment and lighting standards is state-by-state regulation. Historically, California has set standards and other states have copied them or set their own as the states try to manage the reliability and resilience of their energy systems, reduce household and business costs, and cut emissions. In just the past five years, 13 states have enacted efficiency standards covering a range of consumer and business products.

Manufacturers have told us that they generally prefer national standards to state-by-state regulation because of the complexity and cost of complying with different rules in different

states. They also report that their markets and distribution networks are typically not organized along state lines.

Federal standards are generally preemptive of state standards (42 U.S.C. 6297). Therefore, another benefit of the national standards program for small business manufacturers is the creation of a consistent national market.

DOE's appliance standards program enhances the economic competitiveness of US small business in the global marketplace.

Appliance efficiency standards enhance the global economic competitiveness of small businesses in two ways. First, as described above, appliance efficiency standards lower utility bills for small businesses that use covered products. Lower utility bills make businesses more competitive. Second, the effects of improved efficiency on electric grid reliability and resilience (also discussed above) can reduce the risk of costly business downtime.

The third way that appliance efficiency standards improve economic competitiveness is by driving innovation. As the global marketplace continues to increase demand for energy-efficient appliances and equipment, both small and large U.S. manufacturers will be left behind if U.S. regulations do not keep up. In addition, many suppliers to U.S. appliance and equipment manufacturers are small businesses. They benefit when their innovative designs and componentry (e.g., controls, motors, insulating technology, etc.) help larger manufacturers improve finished product efficiency.

Each time DOE updates a standard, innovative manufacturers and their suppliers put their engineers to work on developing cost-competitive products to meet the new standard and on developing the next generation of even more efficient products to distinguish themselves in the marketplace. For example, after new washer standards adopted in 2012 took effect in 2018, the best top loaders got better. The most-efficient top-loading washers on the market today are 35% more efficient than the very best top-loading washer DOE identified in 2012 and many excel in cleaning performance tests.

And while sometimes we hear doom and gloom from manufacturers about proposed new standards, the record shows that innovation driven in large part by regulatory change keeps on bringing the cost to improve efficiency down and opening up even larger savings opportunities for consumers. Academic [studies](#) have shown this effect.

U.S. business thrives when it innovates and leads the world. Innovation helps the U.S. to remain cost-competitive compared to countries with lower wage structures. It also enables U.S. businesses to build export markets, particularly as other economies seek to reduce energy waste.

Summary

Existing appliance standards are delivering billions of dollars of annual utility bill savings for consumers and businesses, including small businesses. Recently adopted and pending standards can add billions in additional utility bill savings, contributing to improved profitability for small businesses. DOE's rulemaking process pays particular attention to the impacts of any new standard on small businesses, ensuring that both small business users' and manufacturers' interests are taken into account. Finally, the national standard program preempts state standards, providing the consistent national marketplace that manufacturers prefer in place of state-by-state regulation, and the global economic competitiveness of U.S. small businesses.