

DOE Seeks Input on Energy Efficiency Flexibilities

By Scott Blake Harris and John A. Hodges

The Department of Energy (DOE) has issued a Request for Information (RFI) about the future direction of its appliance and equipment energy conservation program.¹ It seeks input on the potential advantages and disadvantages of restructuring the program in important ways. Comments are due by February 26, 2018.

This proceeding could result in dramatic changes in a program that affects millions of products. Industry would be well advised to make its views known.

Request for Information on market-based approach

DOE's efficiency program for appliances and equipment traditionally has mandated product-specific standards that each basic model must meet. DOE is now considering market-based policy mechanisms such as average efficiency standards, credit trading, and "feebate" programs. It requests comments on these and other approaches to energy efficiency that it considers more "flexible." DOE says that its goal is to reduce compliance costs and enhance consumer choice, while maintaining or increasing appliance efficiency.

DOE gives as an example the Corporate Average Fuel Economy (CAFE) fleet-based, average fuel efficiency program for light-duty vehicles, which allows manufacturers to trade credits across vehicle classes and manufacturers. Other examples include standards during the leaded gasoline phase-down and credits in the Environmental Protection Agency (EPA) renewable fuel standard program. In a feebate program, firms are charged a fee or receive a payment from a regulator based on product efficiency relative to an efficiency "pivot-point."

If adopted, such mechanisms would be a dramatic change in the decades-old program that could have uneven impacts on firms, even if there is an overall benefit.

Key issues to be addressed

DOE lays out a number of key issues to be addressed in response to the RFI.

- **Translation to energy conservation standards.** For a market-based approach to work, DOE says that regulated entities would have to submit sales data on covered models in order to track program compliance. Under the current program, such data are not collected.
- **Scope of standards.** DOE would need to define the products across which credit trading would be allowed or a single feebate set. Examples are product categories using the same type of fuel and product classes for a particular product category. Rules would need to

¹ 82 Fed. Reg. 56181 (Nov. 28, 2017).

account for varying regional standards for central air conditioners.

- **Normalizing across energy sources.** DOE wants input on normalizing energy metrics for purposes of credit trading across appliances with different fuel types.
- **Distributional impacts across consumers and manufacturers.** DOE cautions that, while a market-based or flexibility approach could reduce overall costs, costs could vary among firms. DOE seeks feedback on disproportional impacts.
- **Enforcement.** Collection and monitoring of additional data, including sales data, would be needed in order to set and enforce credit trading standards.
- **Potential challenges.** DOE flags three potential challenges:
 - DOE says that the number of manufacturers is relatively small for several product markets. DOE is concerned that such concentration could result in a credit market that would not be perfectly competitive.
 - Careful consideration would need to be given to the impact of special provisions on program goals. It notes incentives in CAFE standards (for flex-fuel vehicles) that result in smaller reductions in petroleum fuel use.
 - Efficiency incentives in the program may harm firms that specialize in lower efficiency products as well as small firms.
- **Potential pilot program and assessment.** DOE asks for input on the potential scope for a market-based pilot program, as well as how to assess pilot program results.

Conclusion

The changes in the program DOE is considering, if adopted, would be historic and have broad implications for industry. Many factors need to be taken into account in order to design a program that will be of net benefit to industry as well as to consumers. Industry needs to be at the table.

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For more information regarding Harris, Wiltshire & Grannis LLP's [energy practice](#), please contact **Scott Blake Harris** at +1 (202) 730-1330 or by e-mail at sbharris@hwglaw.com, **Sam Walsh** at +1 (202) 730-1306, or by email at swalsh@hwglaw.com, **Stephanie Weiner** at +1 (202) 730-1344, or by email at sweiner@hwglaw.com, or **John A. Hodges** at +1 (202) 730-1326 or by e-mail at jhodges@hwglaw.com.

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