



April 2, 2010



MEMORANDUM

FROM: Cathy Zoi
Assistant Secretary
U.S. Department of Energy

Gina McCarthy
Assistant Administrator
U.S. Environmental Protection Agency

TO: Steven Chu
Secretary
U.S. Department of Energy

Lisa P. Jackson
Administrator
U.S. Environmental Protection Agency

RE: Building a Stronger Energy Star Program

As you know, Energy Star began many years ago as a small voluntary effort to help consumers save money by making it easy for them to identify energy efficient products. The Energy Star is now one of the most recognized brands in America. Last year alone Americans saved \$17 billion on their energy bills with the help of Energy Star and, today, many states provide significant rebates to consumers for the purchase of Energy Star products.

Unfortunately, a recently released GAO Report has provided some compelling evidence that the measures we have in place to protect the value of the Energy Star label are simply insufficient. So, in response to the report, we have taken a number of clear, decisive and transparent steps to move Energy Star away from self-certification to a program that requires testing, review and approval of all products before they can earn the label. This means a rapid 180-degree shift in the way manufacturers apply for, earn and keep the Energy Star label on products sold to the American consumer. Our hope is that these actions, outlined below, will help reassure the public, Congress, manufacturers and other stakeholders that Energy Star remains a trusted brand and can be used to reliably identify energy-efficient products.

Immediate Actions Taken:

- We temporarily shut down the pipeline for approvals of new Energy Star products. The web page notes that the automated qualification and self-certification system are temporarily unavailable while certification procedures are under review.
- The automated qualification system that existed for certain electronic product areas will not be reactivated. This system allowed GAO to receive electronic approval of products as well as access to the Energy Star label – without staff review. Never again will we allow a computer system to approve a product or provide access to the Energy Star label without proper staff scrutiny.
- The pipeline will be reopened only after the product review process has been strengthened. We will ensure that staff are available and trained appropriately to review and approve all applications submitted before the pipeline is reopened. We estimate that these improvements will be in place within a week.
- The Energy Star web page is being updated to clarify the new product review process. Partners have been informed that they must submit data showing that their product meets the set of clear, measurable energy efficiency program requirements outlined on the web page - including a lab report. Then these product submittals will be reviewed and approved by one of our Energy Star representatives who will officially notify the partner prior to any use of the Energy Star label.
- Manufacturers are being put on notice that independent testing of all new Energy Star products will be required no later than the end of this year, when an infrastructure of accredited labs is in place. Efforts are underway to phase in requirements for independent testing of all new Energy Star products, as well as requirements for labs and accreditation bodies, with full implementation as soon as practicable.
- Partners are being put on notice that all Energy Star product manufacturers must participate in an ongoing verification testing program to ensure continued compliance. This enhanced mandatory testing will complement our “off the shelf” and third-party testing of products bearing the Energy Star label.
- Mandatory participation will continue to be required in industry certification programs, when such testing is available.

As you well know, these steps complement recent actions we have taken to promote confidence in the Energy Star brand by strengthening product testing and enforcement. While no voluntary program can require its label to be affixed to all the most energy efficient products, we can - and we must - ensure that the products that bear our label are energy efficient and provide the expected cost savings.

- Compliance: We launched a new two-step process to immediately expand the testing of Energy Star qualified products. In fact, just last week we began testing of some of the most

commonly used appliances (freezers, refrigerator-freezers, washers, dishwashers, water heaters and room air conditioners) which account for more than 25 percent of a household's energy bill while we are developing a system to test all products that earn the Energy Star label. In this phase we will test approximately 200 basic models at third-party, independent test laboratories over the next few months.

- **Enforcement:** We have taken a series of actions in recent months to ensure compliance with both Energy Star and appliance efficiency standards, including taking action against 35 manufacturers in the past four months as well as the formation of a new enforcement team. To improve transparency and emphasize our renewed commitment to enforcement, we outlined a process for revoking the right to use the Energy Star label on the web page as part of our compliance and enforcement strategy. We also announced that we would be aggressively enforcing reporting requirements that manufacturers are required to submit to the Department of Energy certifying the energy use of residential appliance models and compliance with energy efficiency standards.

While the media attention has been difficult for all of us, we know that public scrutiny provides a strong disincentive for companies to skirt the system. At the same time, we should remind ourselves and consumers that the number of actual violations within the Energy Star Program has been quite small, especially given that more than 40,000 individual products carry the Energy Star label. In fact, in 2009, EPA's independent Inspector General (IG) conducted a "spot check" of the program, testing 60 Energy Star products, and found that 98% of the products tested met or exceeded Energy Star requirements.

One of the challenges faced by the program has been the vacant Climate Protection Partnership Division Director position at EPA. While EPA's Energy Star staff is doing a great job and working hard to fill the gap, we know that the program deserves to have a permanent director. This position has been posted inside and outside the agency and we now have applications in hand. We will do our best to fill this important position as quickly as possible. In the meantime, a senior manager will be detailed to help lead the program on a full time basis until the new director is on board.

Please let us know if you have any questions or concerns. We thank you all for your support and want to assure you that Energy Star will emerge from this period stronger than ever before.