



Insight

The Competitive Effects of Energy Star

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Executive Summary

- *The New York Times* reported that the Environmental Protection Agency plans to shut down the Energy Star program as part of a broader agency reorganization, the latest effort by the Trump Administration to reduce the regulatory burden involving energy efficiency standards.
- The Energy Star program was developed in 1992 to reduce energy consumption in both commercial and residential structures by having products and buildings certified as energy efficient by an independent third party.
- Since its inception, this voluntary certification program has saved businesses and consumers over \$500 billion in energy costs; scrapping the program could slow investment, remove a competitive tool firms use to differentiate their products, and deny consumers a trusted source of product information.

Introduction

The New York Times [reported](#) that the Environmental Protection Agency (EPA) plans to shut down the Energy Star program as part of a broader agency reorganization. It is the Trump Administration's latest effort to rein in the regulatory burden involving energy efficiency standards.

The Energy Star program was developed in 1992 to reduce energy consumption in both commercial and residential structures by evaluating and certifying products and buildings are energy efficient by an independent third party. Popular products often featuring the Energy Star label include refrigerators, dishwashers, dryers, and other home appliances.

The program is voluntary, meaning firms that find it profit-maximizing to participate in the program often do so, while firms that do not can forgo the Energy Star label.

Since its inception, the Energy Star program has saved businesses and consumers over \$500 billion in energy costs. Ditching the Energy Star program could slow investment, remove a competitive tool firms use to differentiate their products, and raise search costs by denying consumers a trusted source of information.

Trump's Energy Efficiency Deregulatory Agenda

Part of President Donald Trump's deregulatory agenda involves removing energy efficiency standards for various products. On May 9, 2025, the president signed an [executive order](#) to [eliminate restrictive water pressure and efficiency rules](#) "that make household appliances less effective and more expensive." The memo directed the secretary of Energy to "review and rescind - or revert to the minimum standards required by statute - rules that limit water use in showerheads, faucets, dishwashers, toilets, urinals, and washing machines," claiming that these efficiency requirements add costs to consumers and limit choice.

In response, the Department of Energy [proposed](#) eliminating or reducing 47 regulations that involve energy efficiency standards, claiming that adjusting these regulations would save U.S. consumers \$11 billion.

The Senate has also passed several resolutions to implement the administration's agenda by canceling efficiency standards for [new gas tankless water heaters, walk-in coolers and freezers](#), and [commercial refrigerators and freezers](#).

According to the *New York Times*, the Energy Star program could be under consideration for cuts as part of this broader deregulatory effort.

Energy Star Program

In 1992, the EPA launched the Energy Star program to curb household and commercial energy consumption by promoting the adoption of energy-efficient products and practices. Energy Star is a voluntary certification program in which the EPA sets energy efficiency standards and those who meet them can display the Energy Star logo.

The EPA awards [Energy Star certifications](#) for products, new residential construction, commercial buildings, and industrial plants. The standards vary by category, and each requires third-party testing or inspection to receive the Energy Star label.

Since the inception of Energy Star, the [EPA estimated](#) that consumers and businesses have saved more than \$500 billion, used 5 trillion kilowatt-hours less energy, and reduced

greenhouse gas emissions by 4 billion metric tons. For every [dollar the federal government spends on the program](#), consumers saved \$350 over the lifetime of the program.

The Benefits of Energy Star

Products

What began as a program for labeling office products such as computers and displays has expanded to cover more than 75 product categories including heating and cooling equipment, various household appliances, and lighting systems (originally part of the 1991 EPA's Green Lights program).

[Research](#) from the EPA found that by choosing Energy Star products, a typical household could save about \$450 on its energy bills each year. Furthermore, a [2022 survey](#) found that 89 percent of households recognize the Energy Star label and 57 percent said Energy Star was very much or somewhat influential in their purchasing decision. Demand for energy efficient products increased as the economic benefits became more evident.

Manufacturers, in turn, used this information as a competitive advantage. Firms seeking to serve the market of energy- and price-conscious consumers voluntarily partnered with the EPA by participating in the Energy Star third-party verification process to receive the Energy Star label to set themselves apart from the competition.

Furthermore, several [federal](#) programs provide tax rebates and credits for purchasing energy star products.

New Residential Construction

Single and multifamily home builders similarly rely on the Energy Star label when trying to differentiate their product from their competitors.

The EPA's Home Certification Organization and Multifamily Review Organization use an independent home energy rating company to verify certain energy efficiency standards are met. Moreover, homes built in factory settings can undergo a Plant Certifier under the Quality Assurance Provider Program that ensures manufacturing plants build Energy Star certified homes.

Energy Star certified homes can afford builders the opportunity to market their product as a long-term energy cost saver for prospective buyers. [Analysis from Freddie Mac](#) showed that energy-efficient homes were sold for, on average, 2.7 percent more than comparable unrated homes, with more efficient homes selling for a 3-5 percent premium compared to less efficient rated homes. Being able to fetch a premium upon selling the home is another

product differentiator the Energy Star label brings to the market.

Commercial Buildings/Industrial Plants

The commercial buildings program uses a rating scale from 1-100 with an Energy Star score of 75 or higher earning a certification, meaning the building is more energy efficient than 75 percent of similar buildings nationwide. The score accounts for differences in operating conditions, regional weather, and other considerations, according to the EPA. The voluntary certification is performed annually and verified by a third party.

Like new residential construction, commercial buildings can leverage the Energy Star label to attract potential occupants. The commercial property owner can entice potential tenants to occupy space by quantifying the amount of money directly saved through utility costs or indirectly through lower rent increases to reflect changes in energy prices. The ability to pad the bottom line through such cost savings opens the opportunity for other business ventures, including increased hiring and investment.

Such buildings are in demand. [Research from the Institute for Market Transformation](#) found that energy-efficient properties have occupancy levels up to 10 percent higher, rental premiums over 10 percent higher, and sale prices up to 25 percent higher than less-efficient properties.

The industrial plant Energy Star program has a similar rating scale with the same score of 75 or higher earning the label.

The Drawbacks of Energy Star

Energy Star's voluntary nature means firms that find it profit-maximizing to produce compliant products, residential and commercial buildings, and industrial facilities can do so without coercion. Firms that do not see the benefit can simply forgo the third-party verification process.

Yet regulations that mandate Energy Star-compliant products and infrastructure do erect barriers to entry and erode the effectiveness of the program. An example is Section 104 of the Energy Policy Act of 2005, which mandates federal agencies purchase Energy Star qualified products when procuring energy-consuming products, [according to the EPA](#).

The federal government also [requires Energy Star-certified buildings for new federal lease agreements](#), with some exceptions. While the exceptions are broad, the requirement could limit the available options for the federal government.

Such regulatory requirements would limit firms' ability to compete for certain government

contracts. Ensuring the existing regulatory regime does not pressure firms to forgo noncompliant products in favor of producing Energy Star-certified products should be a priority.

Additionally, Energy Star-labeled products often come with a higher price tag for consumers, and while savings on energy costs promise to negate these increased costs at the back end, higher upfront cost could limit choice for consumers.

While it may seem counterintuitive, the Energy Star program could impede innovation. As the regulator and not the manufacturer, it is unlikely that the EPA is aware of the latest technological advances in efficiency when setting Energy Star standards. [Producers, meanwhile, may not have the incentive](#) to share this information with the EPA - and could actively conceal new concepts - fearing the new technology could result in more stringent standards and raise the cost of production.

What's Next?

The prospect of ending Energy Star prompted more than 1,000 manufacturers, building owners, and small businesses [to sign a letter](#) asking EPA administrator Lee Zeldin to keep the \$32 million per year program.

The signatories highlighted Energy Star's many benefits, including the reliance on the program by both businesses and consumers. In particular, the letter noted that "roughly one quarter of all new U.S. housing starts," or 350,000 homes, were Energy Star-certified in 2024, and that more than "330,000 buildings have used Energy Star's Portfolio Manager program to benchmark their energy use across nearly 35 billion square feet - or about 25% of all commercial floorspace nationwide." The group noted that this program allowed building owners to make business decisions about investments and capital projects.

The threat of ending the Energy Star program could deny consumers and businesses an easily accessible and trusted source of market information. Households and businesses seeking to purchase energy efficient products - with Americans purchasing 300 million Energy Star-certified products annually with a market value of \$100 billion - would likely find themselves sifting through dozens of individual product specifications rather than simply looking for the Energy Star label.

Conclusion

While other organizations - including universities and trade associations - could step in and replace the Energy Star program, it is unlikely that the trust in and recognition of the existing program could be easily replaced.

Since its inception, the Energy Star program has saved consumers an estimated \$500 billion in energy costs, reduced emissions by 4 billion metric tons, and saved 5 trillion kilowatt-hours of electricity. For every dollar the federal government spends on the program, consumers save \$350.

While there are downsides to Energy Star, the plan to scrap the voluntary program could slow investment, remove a competitive tool firms use to differentiate their products, and raise the search cost for consumers who use the Energy Star label when purchasing products.