Regulation Review

Residential Furnace Efficiency Standards

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The Department of Energy (DOE) will officially publish its latest round of energy efficiency standards this week. This particular set, following in a curious trend of other heat source efficiency rules, will focus on non-weatherized gas furnaces and gas furnaces in mobile homes. The rulemaking comes as a result of a court decision requiring DOE to revise the aspects of a 2011 efficiency rule regarding those product classes. The unofficial, pre-publication version of the proposal is 270 pages.

BREAKDOWN

- Total Costs for Efficiency Standards: $11.6 Billion ($701 Million Annualized)
- Total Costs for Standby Mode/Off Mode Provisions: $670 Million ($40 Million Annualized)
- Total Overall Costs: $12.3 Billion ($741 Annualized)

ANALYSIS

With a total, lifetime cost estimate in excess of $12 billion, this proposal is now the second most expensive rulemaking published so far in 2015. Only an efficiency rule for certain kinds of lamps outpaces it. It is also the second most expensive rulemaking by annualized costs; its estimate is nearly double that of a health care rule from last week. Furthermore, despite only six rules with monetized cost-benefit analyses, DOE now accounts for roughly 90 percent of all regulatory costs in 2015.

In terms of micro-level effects, both consumers and manufacturers will see significant

implementation burdens. The typical “non-weatherized gas furnace” will see, on average, a $469 price increase while those in mobile homes will see a $187 hike. These represent increases from DOE’s average baseline price of 20 and 11 percent, respectively.

The proposal, as with all efficiency rules, will also have a significant impact on certain manufacturers. According to the rule, the affected industry falls under “NAICS 333415, ‘Air-Conditioning and Warm Air Heating Equipment and Commercial and Industrial Refrigeration Equipment Manufacturing.’” According to Census data, the potential geographic distribution could look like this:

Most Affected States

State	Potential Cost Share ($ millions)
Texas	1,453
California	1,230
Florida	741
Pennsylvania	741
Illinois	573