



Regulation Review

Proposed Energy Efficiency Standards for Air Conditioners and Heat Pumps

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The Department of Energy (DOE) has published yet another round of [efficiency standards](#). This set focuses on “packaged terminal air conditioners (PTACs) and packaged terminal heat pumps (PTHPs).” The products in question are moderately sized temperature control units generally found in a hotel or hospital room.

BREAKDOWN

- Potential Costs: \$172.9 million (\$10.61 million annually)
- Potential Benefits: \$380.2 million (\$17.3 million annually)

ANALYSIS

The proposed standards are some of the least expensive efficiency standards in recent years. The rule does not exceed the “economically significant” threshold under Executive Orders 12,866 and 13,563, nor does it trigger the Unfunded Mandates Reform Act (UMRA). However, in its Regulatory Flexibility Act analysis, DOE “cannot certify that the proposed standards would not have a significant impact on a substantial number of small businesses.” This is generally regulator-speak for, “we believe this will significantly affect small businesses.”

Consumers would see a modest per-unit price increase. Examining DOE data on the “installed costs” – increases that are often passed through to the consumer – one finds that the typical PTAC consumer would see a price increase of roughly \$20 per unit. More specifically, units with less than 12,000 btu/h of capacity would see price increase of \$17, and those exceeding 12,000 btu/h would see a \$23 increase.

Using Census data for NAICS 333415 (“Air-Conditioning and Warm Air Heating Equipment and Commercial and Industrial Refrigeration Equipment Manufacturing”), the table below includes the states with the highest exposure to the rule.

State	Cost
Texas	\$20.5 million
California	\$17.3 million

<u>State</u>	<u>Cost</u>
Florida	\$10.4 million
Pennsylvania	\$10.4 million
Illinois	\$8.1 million

DOE's regulatory burden in 2014 (proposed and final) has now reached \$2.7 billion in annualized costs and currently the White House is reviewing five economically significant energy efficiency regulations. Expect this \$2.7 billion figure to increase substantially by the end of 2014.