



## Regulation Review

# Commercial Cooler Energy Efficiency Rules

SEPTEMBER 4, 2013

The Department of Energy (DOE) recently released another set of energy efficiency standards for commercial products. The two proposed rules would establish standards on two similar types of devices; one for “[Commercial Refrigeration Equipment](#)” and one for “[Walk-in Coolers and Freezers](#).” Together, the unofficial, pre-publication versions of the proposals are 742 pages.

The standards vary under both proposals depending on the equipment’s classification, based upon the relative balance of area and energy consumption. Under the Commercial Refrigeration rule, there are 49 different categories; there are 19 different categories for covered Walk-in units. DOE expects full compliance three years after final implementation.

It is unclear when DOE will formally publish the proposals in the Federal Register, though each rulemaking states that there will be public meetings for the rules in October.

## Breakdown

Total Costs:

- Commercial Refrigeration Equipment: \$1.9 Billion
- Walk-in Coolers and Freezers: \$7.2 Billion
- **Combined Total: \$9.1 Billion**

## Analysis

The total cost of compliance is \$7.2 billion for the Walk-in rule, which ranks as the second-most expensive rule in 2013. The other rule would rank 8th. In fact, the Walk-in rule is also the second most expensive DOE efficiency rule of the past few years, behind only a 2009 rulemaking on standards for “General Service Fluorescent Lamps and Incandescent Reflector Lamps.”

In particular, there are serious concerns about impact of the rulemakings on smaller manufacturers of these units. In the “Technical Support Documents” for the proposals, DOE finds that “small businesses would be at a competitive disadvantage” under the Walk-in rule. For the other rule, the agency finds that “the testing requirement and associated burden would be equally large on a small manufacturer as it would be on a manufacturer with high market share.”

However, in the Regulatory Flexibility Act analysis, DOE declares that the Walk-in rule would not have a significant impact on a substantial number of small entities (SISNOSE). The agency explains that this is due to limited number of firms within the particular industry. Though, DOE cannot definitively determine whether the



Commercial Refrigeration rule would impose a SISNOSE, as it is a more expansive sector.

While the affected entities are divided between their particular products, they still generally fall under the same sub-sector of manufacturing. Examining the Census data on the geographic distribution of operations in this sub-sector and apportioning the overall costs, here are the most affected states:

#### Top 5 Most Affected States

1. Texas: \$964 million
2. Missouri: \$782 million
3. Tennessee: \$618 million
4. Ohio: \$518 million
5. Oklahoma: \$518 million

DOE also provided an analysis of the direct employment impacts of both rules. For the Walk-in rule, the agency estimates that there will be 5,015 employees in the industry in 2017. In their analysis panel with the widest range of variance between possible employment losses and gains, DOE finds the potential for either 2,206 lost jobs or 5,751 more jobs. The other test panels include less extreme ranges. Further complicating the matter is that the industry is split between three subdivisions: door, panel, and “refrigeration system” manufacturers.

The employment effects for entities affected by the “Commercial Refrigeration” rule seem to be far more definitive and dramatic. DOE estimates that there will be 3,672 affected employees in 2017. In 4 out of 5 of their trial panels, the agency finds that the rule: 1) would not create any new jobs, and 2) potentially eliminate 100 percent of all jobs as companies move operations “outside of the United States.” The one panel that presents job gains yields merely 253 potential new jobs.