



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

<u>State</u>	<u>Potential Cost Share (\$ millions)</u>
Texas	1,453

<u>State</u>	<u>Potential Cost Share (\$ millions)</u>
California	1,230
Florida	741
Pennsylvania	741
Illinois	573