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Report Abstract

Energy Efficiency: Opportunities Exist for Federal Agencies to Better Inform Household Consumers

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Household energy use accounts for nearly one-fourth of all energy consumed in the United States, amounting to more than \$200 billion per year spent by consumers. Recent increases in energy prices have heightened consumers' interest in making their households more energy efficient. To this end, the federal government manages two key efforts--EnergyGuide and Energy Star--to inform consumers about the energy consumed by certain household products. EnergyGuide is a mandatory labeling program created under the Energy Policy and Conservation Act of 1975 (EPCA) and administered by the Federal Trade Commission (FTC) with assistance from the Department of Energy (DOE). It requires manufacturers to label and prominently display information about the energy consumption and annual energy costs of 11 categories of household products. In recent years, manufacturers have used adhesive backed labels adhered to appliances and so-called "hang tags" loosely attached to the interior or exterior of appliances. In its August 2007 revisions to the rule, FTC, among other things, prohibited the use of hang tags on the exterior of appliances, but continues to allow them on the inside. The law requires retailers to provide this information in catalogs offering products for sale. In 2000, FTC interpreted its authority over catalogs to encompass Web sites and required retailers to provide the same information on Web sites where consumers may purchase such products. The law prohibits retailers from removing labels placed by manufacturers or making them illegible. Also, EPCA requires DOE, in consultation with FTC, to study new product categories to determine whether they should be added to the

EnergyGuide program and to report annually on the energy savings of the program. Energy Star is a voluntary labeling program created in response to the Clean Air Act amendments of 1990, and the Energy Policy Act of 1992 and jointly administered by the Environmental Protection Agency (EPA) and DOE. In general, it is designed to identify models for 26 categories of household products that, without sacrificing performance, are the most energy efficient (the top 25 percent). Manufacturers are permitted to apply the Energy Star logo to products that the manufacturers identify are qualified, based on EPA or DOE criteria. Standards for internal control in the federal government require federal agencies, including FTC, EPA, and DOE, to establish goals, measure performance, and report program costs and accomplishments in order to improve management and program effectiveness. In this context, Congress asked us to analyze the EnergyGuide and Energy Star programs to determine (1) how these programs have changed over time, (2) how federal agencies verify the accuracy of the energy consumption estimates for household products covered by these programs, (3) the actions federal agencies take to ensure that the EnergyGuide is available to consumers and that the Energy Star logo is not misused, and (4) how federal agencies measure the effectiveness and cost of these programs.

Overall, opportunities exist for the EnergyGuide program to improve how it provides information that could help consumers improve their households' energy efficiency and decrease energy consumption nationally. The EnergyGuide program has changed little over time, even though energy consumption patterns are changing substantially. Although FTC has pursued labeling for some products that are covered by law but are currently not subject to labeling, such as televisions, it does not have independent authority under EPCA to add some new products to the EnergyGuide program, such as computers and microwave ovens. FTC is not required to, and does not, independently verify energy consumption estimates provided by manufacturers. FTC staff told us they rely on manufacturers to verify competitors' energy consumption estimates and to report any problems to FTC. However, FTC only tracks some of the complaints it receives from manufacturers and therefore could not provide the exact number of complaints it receives about the EnergyGuide program. FTC does not know whether EnergyGuide is available to consumers because it has undertaken no significant efforts since 2001 to ensure EnergyGuide's availability to consumers in showrooms and on Web sites. FTC does not measure the overall effectiveness or costs of the EnergyGuide program, contrary to federal standards for internal controls, and DOE does not measure the energy savings of the program, as required by law. Overall, Energy Star has been generally successful in identifying and highlighting the most energy efficient products, but faces some challenges. Energy Star has regularly expanded to include new products and keep pace with a changing market. However, 6 of 26 categories of household products currently qualify for Energy Star based on factors other than the estimated total energy consumption. DOE and EPA test some products to verify their energy consumption estimates, but generally rely on manufacturers to verify competitors' efficiency estimates. EPA monitors stores, Web sites, and advertising to prevent misuse of the Energy Star label and follows up on problems. GAO inspections found few instances of the Energy Star mark being misused. DOE and EPA conduct efforts to measure the effectiveness of the Energy Star program which are useful but have limits. To measure effectiveness, DOE analyzes sales data to estimate energy savings, which were about \$7 billion per year. Separately, EPA analyzes a consumer awareness survey of the Energy Star program. However, this survey does not assess how many additional energy-efficient products are purchased due to awareness of the Energy Star program.

Subject Terms

Product evaluation

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