

Energy Star program is under fire

April 6 2010, By Jennifer Waters

The Energy Star program may be overhauled in the wake of a scathing government report that found the certification process vulnerable to fraud and abuse, calling into doubt the worthiness of the label that directs shoppers to energy-saving products that last year cut as much as \$17 billion from consumers' utility bills.

Sen. Susan Collins, R-Maine, said she plans this week to propose changes to the program, which is operated by the U.S. [Environmental Protection Agency](#) and Energy Department. Since 1992, the Energy Star label has been slapped on more than 40,000 products from more than 2,400 manufacturers.

Collins's proposals, coupled with steps the EPA and Energy Department recently said they will take, will shift the program from one that's largely been dependent on self-policing to one that depends on third-party testing and accreditation.

"I will push for increased oversight and aggressive internal controls to verify product claims on [energy efficiency](#)," Collins said in a news release. "I want to make sure we pursue changes that are more than window dressing."

The call for major changes comes in the wake of the Government Accountability Office's report on March 26 after a nine-month investigation of the Energy Star certification process. The GAO is a nonpartisan watchdog agency that reports directly to Congress. Collins requested the GAO investigation.

To test the Energy Star program, the GAO created fake products, including a gas-powered alarm clock and an air cleaner that was actually a space heater with a feather duster and fly strips taped to it.

The Energy Star program approved both products, thus revealing the program's lax standards and controls, the GAO said.

"We found that for most of the bogus products we submitted, the Energy Star program's preventive controls were ineffective, rendering the program vulnerable to fraud and abuse," the GAO report said.

What's more, companies that become Energy Star manufacturing partners are given unlimited access to a secure section of the Energy Star site that carries logos and other promotional resources -- even without first having qualified products, according to the report. That access to labels mars what the GAO called "a cornerstone in protecting the integrity of the Energy Star label."

Products that carry the Energy Star label generally are 10 percent to 25 percent more efficient than minimum federal standards. They also tend to cost more as manufacturers demand a premium for that higher efficiency. Still, government rebate and tax-credit programs, including about \$300 million from the American Recovery and Reinvestment Act, help offset those costs for consumers. Manufacturers are also eligible for federal tax credits for certain energy-efficient products. The EPA and Energy Department said the GAO report and subsequent corrective steps won't affect rebate and tax-credit funds already set aside for consumers.

AUTOMATED APPROVAL PROCESS

The speed with which some of the GAO's 20 fake products got the nod and were added to the Energy Star Web site -- where consumers go before making purchases of major appliances such as refrigerators,

dishwashers, washing machines and dryers -- was also alarming, the GAO said. Some products were certified automatically and were never reviewed by human eyes, according to the report.

A refrigerator that the GAO's faux company merely claimed was energy efficient was submitted, qualified and listed on the site within 24 hours. A computer monitor went through the same process in 30 minutes.

"That's the part I quite honestly found most disturbing," said Celia Kuperszmid Lehrman, deputy home editor of Consumer Reports. "A consumer who would be looking for products would see it on the Web site and assume that it is qualified."

Indeed, GAO said other companies contacted the bogus firms for product and service requests because of the Web site. "These solicitations are an example of the value placed on being an Energy Star partner and emphasize why rigorous screening is necessary," the report said.

All but five of the products the GAO submitted received the coveted label. Of those that didn't, the Energy Star program required two of them to submit independent verification of the GAO's energy-efficiency claims. Critics of the program have long said that all products should have third-party reviews before certification is granted. With the three remaining products, the GAO never received responses from Energy Star and withdrew them when the investigation ended.

The GAO's gas-powered alarm clock, called "Black-Gold," met Energy Star efficiency standards. The product stood 18 inches high, 15 inches wide and 10 inches deep, more closely resembling a small generator. Moreover, the marketing description clearly described it as a gas-powered clock radio that's "easy on your electric bill."

The GAO alerted the EPA and Energy Department about the results ahead of releasing them March 26. On March 19, the EPA and Energy Department announced they would expand testing through third-party, independent laboratories for about 200 of the most common products, such as freezers, refrigerators and room air conditioners, that already have been certified.

In an email statement this week, the EPA and the Energy Department said a recent review found 98 percent of the products tested met or beat the program's requirements.

"We will continue to eliminate loopholes and strengthen this program, but consumers should have no doubt that the Energy Star label will save them money and reduce carbon pollution," the statement said.

As for new products, the program is developing a system that will require all products to be tested by independent parties before seeking certification. It also will demand ongoing verification testing to insure products stay in compliance as new ones come on the market and it will monitor testing, verification and enforcement to deter exploitation.

"That's a really good step in the right direction," Lehrman said. "We've always had an issue that manufacturers can self-certify their products and have called for independent verification."

Consumer Reports questioned the Energy Star certification process in an exhaustive article in October 2008 and continues to test qualified products. Since then, the Energy Star program has made moves to enforce efficiency standards, including a November 2008 action with LG Electronics that resulted in an order to remove the Energy Star label from some of its refrigerators this year. The parties are in litigation over a dispute of the testing methods LG uses.

In the last four months alone, the EPA and Energy Dept. said they had taken steps ranging from issuing subpoenas to disqualifying products that fell short of standards from 35 manufacturers.

"The good news for consumers," Lehrman said, "is I don't think (companies defrauding the system) is rampant in the Energy Star program and our testing hasn't found that it's rampant."

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