

Saving More with ENERGY STAR

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ABSTRACT

Administrators of energy efficiency programs have expressed interest in using the ENERGY STAR™ platform while drawing attention to a subset of “super-efficient” products that exceed ENERGY STAR’s minimum requirements. Risk of market confusion has been a concern when promoting a subset of ENERGY STAR. In an effort to stay true to the brand promise of identifying cost-effective investments for consumers, the Environmental Protection Agency (EPA) made the strategic decision to maintain an undifferentiated brand, which is simpler for consumers to understand and supports the goals of increased awareness, understanding, and getting consumers to take action. Program administrators dedicated to promoting super-efficiency while maintaining consistency across the country made use of tiered specifications developed by the Consortium for Energy Efficiency (CEE) to seed the market for future increases in ENERGY STAR, generate greater savings, and/or accelerate introduction of “a next generation” of efficient products.

Save More With ENERGY STAR (SMwES) is an attempt to bridge tiered specifications with the ENERGY STAR brand. Differentiating ENERGY STAR would serve the customer segment interested in the most-efficient products and enable greater promotion of ENERGY STAR by program administrators striving to meet ambitious savings targets. With interest in energy efficiency and environmental protection rising, EPA determined that the time was right to assess differentiation.

This paper provides a history of ENERGY STAR and the CEE Super Efficient Home Appliance (SEHA) Initiative and explains the relationship between the CEE tiers and *SMwES*. We describe two areas of research: focus group studies on label design options and preliminary results of pilot programs in New York, California, and Vermont. Early results indicate *SMwES* is a useful marketing tool for programs.

History of ENERGY STAR

Established by the U.S. Environmental Protection Agency (EPA) in 1992 as a voluntary labeling program for computers designed to identify and promote energy-efficient products to reduce greenhouse gas emissions, the ENERGY STAR program has grown to encompass more than 50 product categories, new homes, and superior energy management within organizations. In 1996, EPA, through a Memorandum of Understanding, licensed the use of ENERGY STAR to the US Department of Energy for development and management of six product categories.

ENERGY STAR Brand Promise and Guiding Principles

Like all successful brands, ENERGY STAR is designed to fulfill a “brand promise” to consumers. The brand promise of ENERGY STAR is that 1) ENERGY STAR qualified homes, buildings and products are more energy efficient than conventional options and reduce

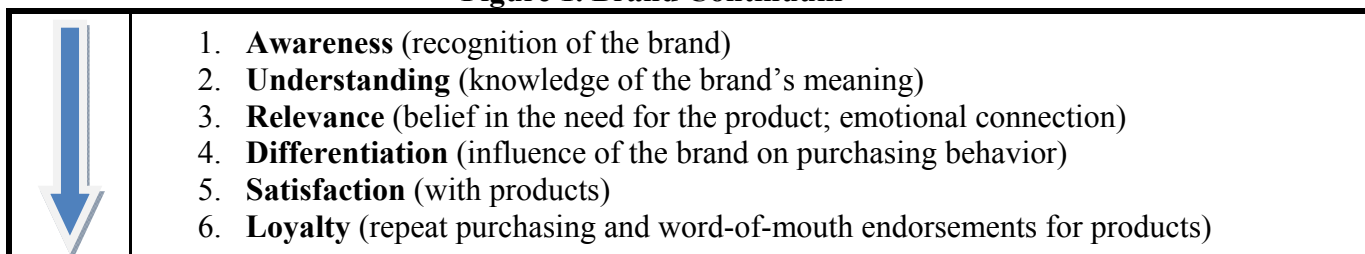
greenhouse gas emissions, 2) there are no tradeoffs in performance or quality, 3) ENERGY STAR identifies cost effective solutions providing a reasonable payback for any higher initial cost and, 4) ENERGY STAR builds upon the technical resources and objectivity of the federal government. ENERGY STAR has achieved considerable success at building brand recognition over the past decade, with public recognition levels now exceeding 70% (EPA, 2007).

There are several guiding principles behind the ENERGY STAR brand. These include: 1) It uses a simple binary labeling approach (something either meets the criteria for ENERGY STAR or it does not), 2) Decisions about where and when to offer the ENERGY STAR are always based on a thorough and objective review of the long term environmental benefits and a sustainable, positive impact on the environment, 3) It leverages the power of an informed buyer (ENERGY STAR is offered as a decision making guide to consumers on the basis that they will make different decisions if they have clear, objective information on why these decisions have value for them), 4) It uses a level playing field for program partners and technologies (ENERGY STAR does not give one technology an advantage over another), and 5) The government is an effective and unbiased source of authority.

Managers of the ENERGY STAR brand understand that any brand has the ultimate objective of customer loyalty. Brands are highly sophisticated and require rigorous strategies to increase their value (Interbrand, 2007). Brands that maintain their “promise” lead to loyal customers. A framework used by brand managers to communicate necessary elements in effective brand management is the brand continuum (see Figure 1). Brands gain value as they attain loyal, repeat customers. First, individuals must become aware of a brand, understand it, and find it relevant to their lifestyle. Good brands are associated with unique, satisfying products. Since 2000, CEE and its members have conducted an annual survey of household awareness of the ENERGY STAR label. The survey includes, but is not limited to:

- questions about label recognition
- understanding of the label
- the value accrued to the label in the eyes of consumers or "brand equity"

Figure 1. Brand Continuum



(Source: Interbrand and Julie Colehour, Colehour+Cohen, Seattle, WA.)

The survey can be used to assess the general markets’ movement on the continuum. These indicators of brand equity indicate a promising trend (Nevius, 2007).

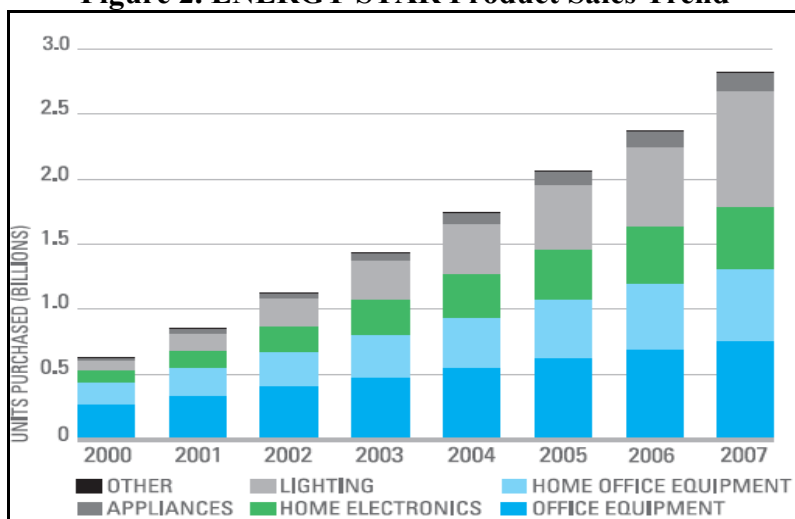
Maintaining the integrity of the ENERGY STAR label is essential to building awareness of, and maintaining consumer confidence in, the brand as well as protecting the taxpayer investment in the program over the past 15 years. EPA and DOE undertake a number of important efforts to protect the integrity of ENERGY STAR, which are summarized in detail in a report title, “Maintaining the Value of ENERGY STAR.” (EPA, 2006) Below are examples of such activities:

- Routinely monitors the use of the label on products in advertising, on-store, and on the internet to ensure the label is only used on products that qualify.
- Selectively tests products to ensure that products said to qualify do indeed qualify and require supplemental testing programs where warranted (currently lighting).
- Updates the performance specifications as market conditions change so that ENERGY STAR continues to identify the most efficient, cost-effective products on the market
- Routine checking of manufacturer submitted information
- Using EPA Office of General Counsel to police logo use violations.

ENERGY STAR Success to Date

ENERGY STAR has achieved public recognition levels exceeding 70% (EPA, 2007). More than 12,000 organizations have signed on as Partners and produced or sold efficient products, built efficient homes, and/or improved the efficiency of their own operations. To date more than 2.5 billion qualified products have been sold, more than 60,000 buildings have been assessed for their energy use, and 12% of new home starts are labeled ENERGY STAR. Sales of ENERGY STAR-labeled products more than tripled from 2001 to 2007 (see Figure 2).

Figure 2. ENERGY STAR Product Sales Trend



CEE's Super Efficient Household Appliance (SEHA) Initiative

The Consortium for Energy Efficiency (CEE), a nonprofit public benefits corporation, develops initiatives for administrators of voluntary energy efficiency programs with a goal to increase adoption of energy efficient technologies by inducing lasting structural and behavioral changes in the marketplace. CEE members include utilities, regional administrators, environmental groups, research organizations and state energy offices in the U.S. and Canada.

CEE's Super Efficient Home Appliance (SEHA) Initiative seeks to support the ENERGY STAR appliance program and to help CEE members in the U.S. and Canada identify and promote super-efficient products that exceed ENERGY STAR minimum specifications. To accomplish this goal, CEE has established relationships with DOE, EPA, and the ENERGY STAR program, as well as with appliance manufacturers and the appliance industry association.

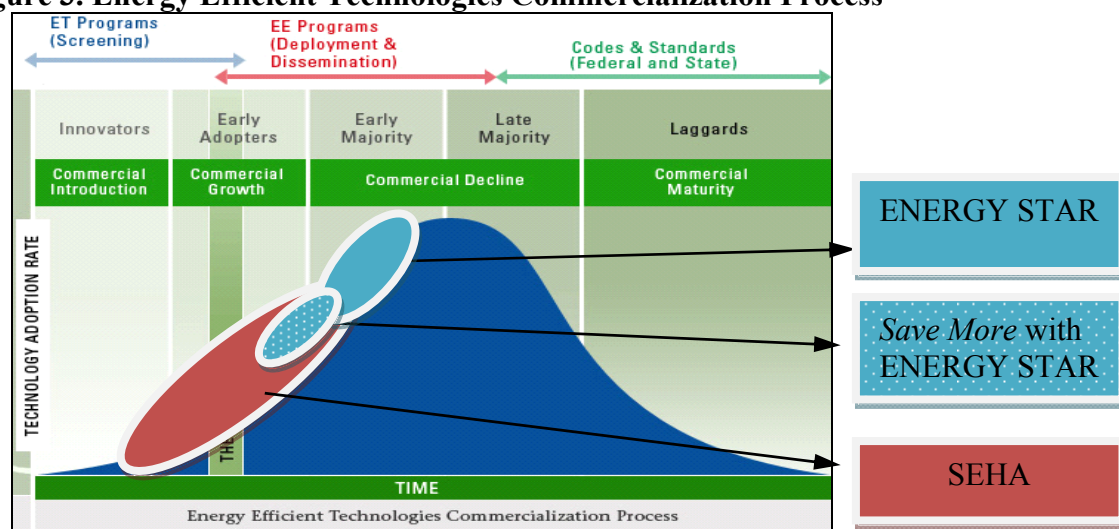
In 1993, CEE began to promote super-efficient clothes washers through their National Clothes Washer Initiative (CEE, 2008). Working with efficiency programs, public interest groups, manufacturers and government agencies, CEE formulated and endorsed a super-efficient clothes washer specification. In response to this collective effort, three major domestic appliance manufacturers began production on washers meeting the energy efficiency criteria. Today, high-efficiency clothes washers have achieved a strong market presence. Bolstered by the success of the National Clothes Washer Initiative and the emergence of the ENERGY STAR label for appliances in 1996, CEE expanded its Clothes Washer Initiative to include refrigerators, dishwashers, and room air conditioners, thereby creating the SEHA Initiative. A companion initiative to the ENERGY STAR appliance program, the SEHA Initiative was designed to promote highly efficient ENERGY STAR appliances, or those that met efficiency levels above the minimum ENERGY STAR level. After 18 months of extensive research and industry outreach, CEE developed efficiency specifications for the appliances covered under the SEHA Initiative in June 1998.

SEHA's goal is to make "super-efficient" home appliances an attractive option for all market participants. SEHA strives to heighten consumer appreciation of the value of "super-efficient" appliances, thereby increasing their willingness to pay for associated product enhancements. Encouraging consumers to consider the cost of operating an appliance for its lifetime, in addition to the original purchase price, is particularly important. At the same time, SEHA strives to clearly communicate to manufacturers targeted efficiency levels (i.e. performance tiers) as well as the resource commitments of CEE members and other organizations participating in the Initiative. By doing so, manufacturers can adequately prepare to profitably satisfy the newly-valued demand for super-efficient appliances.

Relationship between ENERGY STAR and CEE's SEHA Initiative

The ENERGY STAR Program has established a commonly accepted definition of "efficient" appliances as well as a common market platform for their promotion (anchored by the ENERGY STAR logo). The SEHA Initiative builds onto the ENERGY STAR program by defining the next generation of "efficient" products through the creation and promotion of tiered performance specifications. Depending on several factors (e.g. range of performance, incremental costs of super efficiency, and cost-effective technological potential) SEHA specifications currently have one to three tiers of performance. Ideally, CEE's first tier is identical to the ENERGY STAR performance requirements. SEHA encourages CEE members to become ENERGY STAR Partners and actively promote qualifying "efficient" as well as "super-efficient" products as defined by the tiered specifications. In short, SEHA tiered performance levels overlay ENERGY STAR requirements, providing the market a complete picture of the energy efficiency horizon (see Figure 3). Differentiating ENERGY STAR to link with a CEE Tier that exceeds ENERGY STAR's performance has potential to provide a more explicit pathway for emerging technologies to tap the equity of the ENERGY STAR without compromising its "brand promise." The concept of differentiating ENERGY STAR in an effort to provide a marketing tool for program administrators is described in the next section.

Figure 3. Energy Efficient Technologies Commercialization Process



Differentiating ENERGY STAR: A Tool for Program Administrators

Efficiency program administrators view ENERGY STAR as a valuable marketing platform and asset for the “energy efficiency industry” and have recently taken steps to enhance its investment to further bolster the Program’s equity.

The CEE Board Committee on ENERGY STAR, consisting of a subset of the CEE Board of Directors, was formed in 2006. Representing the interests of voluntary efficiency program administrators, this Committee worked with EPA and DOE to identify opportunities to further promote awareness of ENERGY STAR in the market. The Committee determined that increased strategic marketing and promotion of ENERGY STAR would build its emotional appeal with consumers and the Brand’s value. Program administrators were well positioned (given their program budgets and credibility with end-users) to expand promotion activities. At a CEE workshop dedicated to the strategic development of ENERGY STAR, program administrators discussed increasingly-ambitious savings targets and concluded that a differentiated component to ENERGY STAR that identified superior performance (such as the Northwest Energy Efficiency Alliance’s “Best of the Best” pilot) would enable greater local promotion. The group recognized such an effort could not come at the expense of ENERGY STAR’s brand integrity, but believed that the brand may be able to bear a differentiated component at this point in time. EPA agreed, and committed to conduct market research on how to differentiate ENERGY STAR, and if appropriate, organize pilots in partnership with CEE Members.

In 2006, EPA set out to meet the needs of those organizations wishing to further differentiate efficiency levels. The intention was not to create a new mark, which would create confusion in an already crowded marketplace. Building upon the brand’s existing equity, EPA envisioned something that would work for products and new homes and where specific programs want to lead customers to higher efficiency.

Market Research on Differentiating Offerings Linked to ENERGY STAR

EPA conducted one-on-one interviews in August of 2006. These sessions were conducted in four markets (Hartford, CT; Milwaukee, WI; Syracuse, NY; and Sacramento, CA). There were at least 20 interviews in each city. These cities were chosen based on several factors including a high level of awareness of ENERGY STAR. Interviewees were screened for familiarity with ENERGY STAR and were shown alternative designs for differentiating ENERGY STAR (see figure 4) in random order. Consumers in these markets were also chosen based on their unaided awareness of ENERGY STAR and demographic factors that are generally accepted as the ENERGY STAR target market (consumers over 35 years old with annual gross incomes higher than \$100,000). An EPA contractor interviewed 89 consumers for this study, asking:

- What did each of the labeling options mean to consumers?
- How strong was the connection of each labeling option to the Certification Mark?
- Do consumers perceive the labeling options as different? If so, how?
- Is each option perceived as part of a family, or as a completely separate label?
- What elements of each option convey a sense of a family, or of separateness?
- Do consumers think that products with the advice mark are qualified?
- Do consumers think that the tip text is part of the Tip Mark or separate?
- Do the messages convey the fact associated products have a higher level of efficiency than minimum ENERGY STAR standards? If so, what aspects of the messages convey this information? If not, what other information is needed?
- Would consumers use the information in the messaging when shopping?

Figure 4. Alternative Designs for Differentiating ENERGY STAR



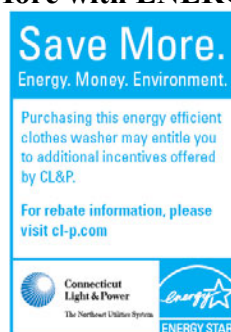
EPA's research affirmed that ENERGY STAR has great equity and that consumers have a positive, trusting association with the brand. Even more encouraging was that consumers seemed to have a good understanding of what ENERGY STAR signified and used it to make purchase decisions. It also reinforced the value of co-branding as both logos (utility and ENERGY STAR) made the offering credible and trustworthy.

The feedback from consumers confirmed that having a website that was a clear place to go for more information was important. Also critical was maintaining the ENERGY STAR mark and the blue box provided a recognizable link to ENERGY STAR. It was clear to consumers that one of the mock-ups was associated with ENERGY STAR because it was

graphically linked: “same blue, same font.” However, consumers did not always understand the differentiation from other ENERGY STAR products; they understood that ENERGY STAR means higher efficiency but did not always understand that these labels were meant to indicate a more efficient subset of products. Only half of consumers (54% for homes, 50% for washers) exposed to “Best of the Best” understood the intended concept that “Best” meant a higher efficiency within ENERGY STAR. The recognition was even lower for other slogans at approximately 30%. Homes had additional issues over and above those of products. In particular, many consumers didn’t have a baseline understanding of what characteristics defined an ENERGY STAR home. Overall, the response to “Best of the Best” marketing copy had mixed results. On the positive side it was the best understood and often preferred of the tested slogans. However, “Best of the Best” was also perceived as boastful and evoked negative responses from several consumers. Other options (e.g. Spin and Save) had no negatives, but were deemed less likely to differentiate.

When EPA asked what they would respond to, responses suggested being direct and less abstract and to give information about rebates/incentives. The additional savings messaging was strongest as it was interpreted more consistently. EPA also concluded that the copy needed to be shortened as people don’t read fine print. All the findings pointed to “Save More” with ENERGY STAR” As a result of the testing and feedback from consumers, EPA refined the graphics to be used. As you can see in the final graphic, the words have been changed to be direct and clear about the value proposition to the consumer. In addition, the copy has been shortened significantly. The part of the design that worked well for consumers, drawing on the ENERGY STAR logo and color scheme, as well as using the utility logo and a website were maintained. The mark used by utilities piloting the effort is below in Figure 5.

Figure 5. Save More with ENERGY STAR Mark



Pilots to Test *Save More with ENERGY STAR*

In 2007, ENERGY STAR recognition levels approached 70% and consumer research indicated a growing market segment of consumers (at least 15%) were willing to pay more for environmentally friendly products¹. There were renewed calls to help consumers identify the most-efficient products available. EPA was committed to help program administrators save more energy. As currently contemplated, products associated with *SMwES* would meet the

¹ This trend is tracked in the Roper-Starch Green Gauge Report that is a survey of consumer attitudes about the environmentally conscious purchasing decisions. It identifies more than 10 percent of consumers as “True blue greens” who are most likely to buy environmentally friendly goods and more than 5% “Greenback Greens” who will spend more for green products but not make large changes in lifestyles or housekeeping.

specifications of a designated CEE tier (to ensure national consistency). In an effort to protect the integrity of ENERGY STAR, EPA set out the following conditions for use of *SMwES*:

- ***Additional financial incentives are offered:*** ENERGY STAR levels are intended to be set at the highest level of efficiency that remains cost-effectiveness from the consumer perspective. Historically, ENERGY STAR labeled products have paybacks of 5 years or less. The higher CEE tiers may be cost-effective from the utility perspective and have paybacks that are shorter than the life of the equipment, but additional incentives are likely necessary to make it a good relative investment for consumers.
- ***Takes place in retail setting for appliances:*** *SMwES* is currently limited to white goods sold in a retail setting. EPA chose to limit its initial use to an environment that could be controlled and closely monitored with the objective of making sure the brand can handle such differentiation and that *SMwES* is the right slogan.
- ***CEE specifications exist:*** *SMwES* can only be used in conjunction with national efficiency specifications that have been vetted with industry (e.g. the CEE Tiers). Ensuring consistency of message and what *SMwES* represents is of high importance.

Current pilots, which are discussed in further detail below, will be used to determine whether *SMwES* conveys the intended message without confusion, increases program effectiveness, and leads to increased sales of super-efficient products. The primary objective of the pilots is to ensure nothing catastrophic results that would undermine the brand equity of ENERGY STAR.

EPA has initiated pilots with three CEE members: Efficiency Vermont, Long Island Power Authority, and Pacific Gas and Electric. A brief summary of each effort is provided below. It is important to note that due to the expense and timing of comprehensive evaluations, none of these pilots are likely to yield statistically significant results. Instead they are intended to provide EPA and the sponsoring utilities with anecdotal and experiential results that will help identify pitfalls. The pilots are also an opportunity to provide proof of concept and to ensure nothing catastrophic would result from differentiating the ENERGY STAR brand. Maintaining the integrity of ENERGY STAR is of paramount importance. The upside potential of creating a differentiated component—and the strong interest of CEE Members—justified these tests.

In addition to the three pilots, a brief summary of the Northwest Energy Efficiency Alliance's "Best of the Best" campaign is also included. This program immediately preceded the *SMwES* exploration and provided a sufficiently-positive experience to support further testing.

Northwest Energy Efficiency Alliance

Perhaps the first pilot program to differentiate ENERGY STAR was administered by the Northwest Energy Efficiency Alliance (NEEA) before the focus group testing that resulted in the selection of *SMwES* was conducted. Under the "Best of the Best" campaign, NEEA's ENERGY STAR Consumer Products program partnered with the region's electric utilities to offer tiered rebates providing larger incentives for clothes washers meeting CEE's highest tier. In all, 42 Northwest utilities participated, representing over 60% of the electric customers in the region. The program also worked with over 600 Northwest appliance retailers, providing training and marketing support as well as 12 clothes washer manufacturers that offered special discounts to Northwest customers on their products during the year. Qualifying machines received a "Best of

the Best” label that allowed consumers to easily identify the highest efficiency models on the sales floor. The Best of the Best campaign resulted in a 4% increase in overall market share for ENERGY STAR qualified clothes washers in the Northwest. In addition, more than 50% of the rebated machines were rated 2.0 MEF or higher. NEEA was honored for their efforts to support the sale of premium-efficiency ENERGY STAR qualified clothes washers in the Northwest over the last three years with an ENERGY STAR award in 2007.

Efficiency Vermont

Efficiency Vermont (EVT), the Statewide energy efficiency utility in Vermont, initiated a pilot for *SMwES* beginning in May 2007. Vermont had some of the highest market penetration levels of ENERGY STAR appliances in the country. In 2006, the market share of ENERGY STAR Room Air Conditioners and Refrigerators sold in Vermont was 55% and 54% respectively. In comparison to ENERGY STAR market share of sales in other States, Vermont ranked 3rd for Room Air Conditioners, and 1st for Refrigerators (Russom, 2008). In this retail sales environment EVT was compelled to promote the most-efficient products. In 2007, EVT implemented a two-tier seasonal promotion for Room Air Conditioners from May 1 thru August 31. Larger incentives were offered for equipment that met CEE Tier 1, which was linked with *SMwES*. EVT also promoted two tiers for Refrigerators year round, with larger rebates going to the *SMwES* models (CEE Tier 1). Rebate amounts are in Table 1.

Table 1. EVT Incentive Structure

	Room AC		Refrigerators	
	ENERGY STAR	<i>SMwES</i>	ENERGY STAR	<i>SMwES</i>
Rebate Amount	\$25	\$40	\$25	\$40

While an evaluation of their appliance program hasn’t been done, EVT does track efficiency levels of units rebated as well as units stocked at retail. In 2007, while *SMwES* was in use, 13% of rebated refrigerators qualified for the *SMwES* rebate. Room Air conditioners only yielded 1 application for a *SMwES* unit out of 1,638 total rebates, likely because the selection of *SMwES* Air Conditioners at retail was relatively small. EVT hopes that with more lead time retailers will stock more eligible products. EVT will use *SMwES* for Room AC and Refrigerators in 2008. At the end of 2008 they will be able to better understand how successful their *SMwES* programs have been. So far consumers and retailers have responded positively.

Long Island Power Authority

Long Island Power Authority (LIPA) has been promoting the CEE Tiers for various products in an effort to spur consumers to choose super-efficient products. In 2007 LIPA’s Clothes Washer program rebated two tiers of washers, \$15.00 for those meeting the energy requirements of ENERGY STAR and \$50.00 for washers meeting the energy requirements of CEE Tier 1. The majority of the rebates were given at the higher tier, which indicated to LIPA they could push the bar higher. In 2008 LIPA’s Clothes Washer program provides a \$50 rebate for washers that met CEE’s Tier 3. They combined this ambitious requirement with the ENERGY STAR *Save More* effort. Rebate data is still limited. In the end of February 2007, LIPA rebated a total of 804 washers at the 2 tiers, with 599 at the 2.0 MEF level. For the same

time period in 2008 (when *SMwES* was implemented), LIPA rebated a total of 2,105 clothes washers, 511 at the *SMwES* level. The majority of the rebates in January were a carry over from 2007, as customers have until January 31st to submit their rebates from the previous year. LIPA will continue to monitor the program's success throughout 2008.

LIPA has also dedicated valuable “real estate” on their rebate application to help evaluate *SMwES*. The 3 survey questions asked regarding *SMwES* rendered the following results so far are listed in Table 2. So far, approximately half of consumers purchasing a “*SMwES*” washer noticed the signage, and nearly 20% were influenced by the *SMwES* campaign.

Table 2. LIPA Survey Questions on *SMwES*

	Yes	No
Did you notice the <i>Save More</i> with ENERGY STAR rebate label before you decided to purchase this model clothes washer?	48%	54%
Did you consider buying any other ENERGY STAR qualified clothes washer that did not have the rebate label?	45%	55%
Did <i>Save More</i> with ENERGY STAR help you to decide to buy this model clothes washer?	18%	82%

Pacific Gas and Electric

Pacific Gas and Electric (PG&E) has been a longtime supporter of both ENERGY STAR and the CEE Tiered Specifications in order to increase participation, consumer choice, and education opportunities. PG&E hosted a pilot in 2007 for dishwashers and clothes washers using a single retailer with 10 stores. The tiered rebate structure is summarized in Table 3. While no evaluation of the program has been conducted, anecdotal data are positive. PG&E administered an informal survey of the sales staff and obtained very positive feedback. Before *SMwES* the *SMwES* level (CEE Tier 3) sold just under 50% relative to Tier 2 Clothes Washers. Since *SMwES* launched 72% of rebated Clothes Washers were Tier 3. During the Summer of 2008 PG&E plans to compare the sale of super-efficient appliances in the stores with *SMwES* signage with the other retailers participating in the program who did not use *SMwES*.

Table 3. PG&E Tiered Rebate Structure

	Dishwashers		Clothes Washers		
	ENERGY STAR	<i>SMwES</i>	ENERGY STAR	Tier 2	<i>SMwES</i>
Rebate Amount	\$30	\$50	\$0	\$35	\$75

Conclusions and Next Steps

Energy Efficiency Program Administrators face increasingly-ambitious savings targets which have compelled some organizations to dedicate resources to supporting emerging technologies and promoting super-efficient products that may have longer payback periods or appeal to a smaller market segment. CEE's tiered performance specifications exist to serve this objective in a performance-based, technology-neutral manner. At this time, CEE has chosen not to establish a consumer brand identity. ENERGY STAR is a trust mark and an asset that has built up significant equity in the market. It is intended to identify high-efficiency products and

services that have a short payback period, don't sacrifice amenity, and are readily available from a number of providers. In an effort to serve the needs of program administrators, EPA has agreed to explore a differentiated component of ENERGY STAR. *SMwES* has been developed as a marketing tool for program administrators.

***SMwES* is Intended as a Tool for Efficiency Program Administrators**

Above all else, the basis for EPA differentiating ENERGY STAR at this time is to serve the needs of efficiency program administrators who are committed to linking with the ENERGY STAR marketing platform but face local circumstances that dictate promotion of products exceeding ENERGY STAR's performance requirements. EPA will continue to evaluate requests by efficiency program administrators to make use of *SMwES*.

Preliminary Results from *SMwES* Pilot Programs are Positive

The pilots were designed to identify any fatal flaws to differentiating the ENERGY STAR brand. While these programs are unlikely to conclusively prove *SMwES* increases the effectiveness of voluntary programs, the initial indications are very positive and have encouraged EPA to continue offering the use of *SMwES* to interested energy efficiency program administrators. Four positive outcomes of *SMwES* observed in all three pilots are:

- ***New Sales Tool:*** *SMwES* provided a starting point for retail salespeople to up-sell consumers to super-efficient products
- ***Simplified Shopping for Consumers:*** *SMwES* provided a clear indication of super-efficient products that qualify for a larger financial incentive
- ***Increased Sales of Super-Efficient Products:*** While results are still preliminary, and all confounding variables have not been controlled for, increased sales of super-efficient products have been observed since introduction of *SMwES*.
- ***Incentive for Retailers to Stock Super-efficient appliances:*** Given advance notice of higher incentives and a marketing campaign associated with ENERGY STAR, retailers have been willing to pursue stocking super-efficient offerings.

Thus far, no negative consequences of *SMwES* have been observed. Continuing to evaluate what the potential impact of this effort will have on the brand and ensuring the integrity is not compromised remain priorities and will be monitored in the current and future pilots. Obtaining additional quantitative data on changes in sales of super-efficient appliances that was caused by *SMwES* will also be sought.

Financial Incentives are Considered Necessary for Use of *SMwES*

ENERGY STAR performance requirements are intended to define performance that will deliver an attractive return on investment for consumers choosing a more-efficient option. It is assumed that products significantly exceeding ENERGY STAR performance requirements come at a cost-premium that will require outside incentives from an energy efficiency program to maintain this value proposition. Therefore, *SMwES* may only be offered if the program administrator offsets this assumed incremental cost.

***SMwES* Must be Associated with a CEE Tier**

Maintaining some degree of national consistency is important both in terms of effectiveness and brand integrity. CEE's tiered specifications are developed by efficiency program administrators and represent performance they value. As part of a longstanding documented process, CEE's specifications are vetted with industry and other key stakeholders before adoption. While CEE's SEHA Initiative is designed to enable future increases in the ENERGY STAR Program, EPA and DOE will continue to rely on the ENERGY STAR specification development process to determine future ENERGY STAR levels.

***SMwES* Remains Restricted to Use on Products Sold in a Retail Setting**

EPA currently believes that differentiating ENERGY STAR will be most effective in a retail setting where *SMwES* signage can be clearly displayed and easily monitored. While current pilots are only for household appliances, EPA is receptive to proposals for use in additional product categories so long as the other requirements for use are met.

Next Step: Industry and Other Stakeholders will be Involved Going Forward

Now that the CEE member pilots have demonstrated proof of concept, and EPA has ascertained *SMwES* could serve the needs of efficiency program administrators without compromising the ENERGY STAR Brand's integrity, other stakeholders will be invited to discuss strategies to differentiate ENERGY STAR.

As ENERGY STAR awareness grows and a greater emotional connection with consumers is achieved, differentiation is likely to become increasingly viable. EPA, CEE, and voluntary program administrators are committed to identifying strategies to reach out to particular market segments better. *SMwES* is one promising exploration underway.

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