

# AGA Member Issue Brief

## IRA – HOMES Program—DOE Application Guidance—ENERGY STAR

### Situation Analysis

On July 27, 2023, DOE [opened applications](#) for States and Territories to implement \$8.5 billion for home energy rebates as part of the Investing in America Agenda authorized via the Inflation Reduction Act of 2022 (IRA).

On the same day, DOE released the [Administrative and Legal Requirements Document](#) and [Program & Application Guidance](#) for the Inflation Reduction Act of 2022 Home Energy Rebates: Home Efficiency Rebates (HOMES) and Home Electrification and Appliance Rebates (HEEHRA).

AGA has identified concerns with requirements included in DOE’s guidance documents. Specifically, **there is a new requirement that certain products must be ENERGY STAR certified to receive a HOMES rebate.** AGA has long supported the ENERGY STAR program. However, AGA believes this provision goes above and beyond what was outlined in the statute, and could lead to the exclusion of natural gas products from the rebate program if EPA adopts its proposal to remove gas appliances from the ENERGY STAR program.

EPA has proposed to sunset gas furnaces, boilers, clothes dryers, and water heaters from the ENERGY STAR program. If the DOE HOMES program’s condition for rebates requires ENERGY STAR product criteria, then efficient natural gas households will not have an opportunity to qualify for federal and state incentives.

This announcement and subsequent release of the application guidance begins the process of States and Territories applying to DOE to establish their own HOMES and HEEHRA programs. DOE will review submitted applications from States and Territories on a rolling basis. Once a State or Territory’s application is approved, States may launch their program for consumers in eligible households to begin funding improvements.

### Background

The Inflation Reduction Act (IRA) called for the creation and implementation of two home energy rebate programs and appropriated \$8.8 billion in total funds for the benefit of U.S. households and home upgrades to be distributed to households by State Energy Offices (SEOs) and Indian Tribes.

The programs are as follows:

*Sec. 50121 Home Efficiency Rebates Program (HOMES) (\$4,300,000,000 total via SEOs)*

*Sec. 50122 Home Electrification and Appliance Rebates Program (HEEHRA) (\$4,275,000,000 total via SEOs, \$225,000,000 total via Indian Tribes)*

The overarching goal of both programs is stated as follows:

*Accelerate the transition to more affordable, efficient, resilient, and low-carbon homes through the following long-term outcomes:*

- *Well-established exemplary and innovative efficiency and electrification programs.*
- *Lower energy burden for low-income households and disadvantaged communities.*
- *Proven value streams and roles for sustained investments to continue market transformation.*
- *Reduced pollution from buildings and support for the clean energy economy (reduce pollution from building energy use, including harmful indoor air pollution.)*

AGA staff has reviewed DOE's application guidance and has summarized its findings in a separate document.

Ostensibly, the legislative intent of the programs was to have one that was "fuel neutral" (HOMES) and one that was in support of electrification only (HEEHRA). However, the disparity in the designs of the programs, namely a much more complicated process in HOMES and the ENERGY STAR provision, makes fuel-neutral funds much more difficult to access and continues to show the Administration's preference for electrification

## Issue Analysis

### ENERGY STAR Provision in HOMES Program Guidance

During its analysis of DOE's application guidance, AGA identified the following provision:<sup>1</sup>

*In general, Home Efficiency Rebates State Programs must:*

***Provide rebates for heating, cooling, and water heating products only if they are certified as meeting the ENERGY STAR product criteria in effect on the date of installation.***

AGA is concerned with the requirement that certain products meet ENERGY STAR criteria to be eligible for HOMES funding. As mentioned above, HOMES is a complex program with barriers to access for many customers; adding an ENERGY STAR requirement not included in the authorizing statute adds a further barrier to participation for consumers wishing to utilize rebates for highly efficient natural gas appliances.

**AGA could consider supporting the inclusion of ENERGY STAR as a rebate condition if there was not an effort presently underway at EPA to sunset natural gas appliances from the ENERGY STAR program and a commitment that a natural gas appliances would remain part of the program in each relevant product category, e.g., furnaces, boilers, water heaters, and dryers, etc. .**

Should EPA finalize its proposal to sunset the certification pathway to the ENERGY STAR label for gas furnaces and other gas appliances, higher-efficiency gas appliances would not be eligible for rebates under the HOMES program. AGA believes this outcome goes against the underlying intent of creating a

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<sup>1</sup> U.S. Department of Energy. "Inflation Reduction Act Home Energy Rebates: Home Efficiency Rebates Program (Sec. 50121); Home Electrification and Appliance Rebates Program (Sec. 50122); Program Requirements & Application Instructions." U.S. Department of Energy, p. 10, 2023, [https://www.energy.gov/sites/default/files/2023-07/Home\\_Energy\\_Rebates\\_Program\\_Requirements\\_and\\_Application\\_Instructions.pdf](https://www.energy.gov/sites/default/files/2023-07/Home_Energy_Rebates_Program_Requirements_and_Application_Instructions.pdf)

separate fuel-neutral rebate program under the IRA HOMES provision and the importance of enabling customers to utilize rebates for the most efficient appliances regardless of fuel that meets their needs.

## **AGA Position**

### **AGA strongly supports ENERGY STAR**

AGA strongly supports the ENERGY STAR program’s mission to provide “simple, credible, and unbiased information” on a product’s energy efficiency. Consumers rely on the program to make well-informed decisions when purchasing furnaces and other appliances and equipment.<sup>2</sup>

### **AGA members are leaders on energy efficiency and use ENERGY STAR to promote energy efficiency.**

AGA members are doing their part to create a more efficient energy economy. Natural gas utilities administer over 132 natural gas efficiency programs across 42 states, which collectively invest more than \$1.4 billion annually, in part to assist customers with the purchase and installation of these efficient gas appliances. To date, ENERGY STAR-certified gas furnaces have been a central offering within these programs. Many natural gas energy efficiency programs promote using ENERGY STAR home heating equipment and rely on ENERGY STAR certification when determining eligibility for utility-provided incentives, including appliance rebates.<sup>3</sup>

By disallowing natural gas appliances from eligibility in the ENERGY STAR program, the EPA, in a single action, would render several state-approved energy efficiency programs that aid customers in obtaining efficient appliances inoperable without substantial changes to program design.

### **Removing gas furnaces and other products from ENERGY STAR, and therefore eligibility for rebates via the HOMES program, would lead to worse outcomes for consumer energy costs and emissions.**

DOE and EPA should recognize that ENERGY STAR should be used to encourage consumers to pursue products that are best for their needs. Gas furnaces are more efficient and cost-effective than heat pumps in many parts of the country.

Removing the ENERGY STAR designation would lead consumers to make less informed decisions about their appliance and equipment selection, leading to adverse outcomes for energy costs, use, and emissions. Moreover, DOE and EPAs’ actions may negatively affect consumers’ seeking certain state tax credits since ENERGY STAR-certified appliances may no longer exist for their homes.

### **EPA’s proposed action is inconsistent with ENERGY STAR program guidance which should be considered by DOE in its HOMES application guidance.**

Further, AGA believes that the proposed sunset of ENERGY STAR certification for natural gas furnaces is inconsistent with EPA ENERGY STAR Products Program Strategic Vision and Guiding Principles, which

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<sup>2</sup> Energy Star Overview. <https://www.energystar.gov/about>

<sup>3</sup> American Gas Association. Natural Gas Efficiency Programs Report (2020). <https://www.aga.org/globalassets/aga-ngefficiency-report-py2018-5-2021.pdf>

recognizes that ENERGY STAR specifications were designed “to treat fuel types separately, so that consumers may find the right products for the fuel type in their home.”<sup>4</sup>

Forty-three percent of consumers use natural gas for space heating in their homes.<sup>5</sup> This effort by EPA will confuse customers looking to maintain gas-powered equipment in their home, especially if that gas-powered appliance is the most efficient, lowest cost, lowest emissions, and most reliable solution for that home or business.

High-efficiency natural gas appliances are often the most cost-effective and lowest emissions option for consumers. A recent AGA analysis found that an ENERGY STAR-qualifying natural gas furnace energy costs \$584 compared to \$971 for a qualifying electric air-source heat pump.<sup>6</sup>

Further, there are negative consequences, particularly to lower-income consumers, to removing the ENERGY STAR label from gas furnaces and other gas appliances. Removing the ENERGY STAR label could lead to a decrease in adopting higher-efficiency gas equipment, as consumers may opt for lower-efficiency options due to first-cost burdens.<sup>7</sup>

## AGA Action

AGA will take the following actions to address this provision in HOMES guidance:

- 1) Letter from AGA President & CEO to DOE Secretary Granholm and EPA Administrator Michael Regan
- 2) Outreach to key contacts on Capitol Hill (Senate EPW, House E&C Subcommittees on Environment and Oversight)
- 3) Outreach and engagement with State Energy Offices via NASEO, State Regulators via NARUC
- 4) Third-party outreach (ASE, BCSE, etc.)
- 5) Outreach to equipment manufacturers

The primary message conveyed in outreach efforts will center on two themes:

- 1) AGA strongly supports the ENERGY STAR program’s mission to provide “simple, credible, and unbiased information” on a product’s energy efficiency. Consumers rely on the program to make well-informed decisions when purchasing furnaces and other appliances and equipment.
- 2) **AGA could consider supporting the inclusion of ENERGY STAR as a rebate condition in the HOMES program if there was not an effort presently underway at EPA to sunset natural gas appliances from the ENERGY STAR program and a commitment that a natural gas**

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<sup>4</sup> Environmental Protection Agency. “ENERGY STAR Products Program Strategic Vision and Guiding Principles.” [https://www.energystar.gov/sites/default/files/asset/document/ENERGY\\_STAR\\_Strategic\\_Vision\\_and\\_Guiding\\_Principles.pdf](https://www.energystar.gov/sites/default/files/asset/document/ENERGY_STAR_Strategic_Vision_and_Guiding_Principles.pdf)

<sup>5</sup> U.S. EIA. RECS Survey. <https://www.eia.gov/consumption/residential/data/2020/hc/pdf/HC%206.1.pdf>

<sup>6</sup> American Gas Association. “Empowering Consumer Choices: Analyzing the Impact of the ENERGY STAR Program on the Adoption of High-Efficiency Gas Appliances.” American Gas Association, 2023, <https://www.aga.org/research-policy/resource-library/empowering-consumer-choices-analyzing-the-impact-of-the-energy-star-program-on-the-adoption-of-high-efficiency-gas-appliances>

<sup>7</sup> Ibid.

**appliances would remain part of the program in each relevant product category, e.g., furnaces, boilers, water heaters, and dryers, etc.**

More broadly, AGA will set up an IRA HOMES Task Group so that AGA members can effectively strategize on engaging states as they begin the application and implementation process for both programs.