



CEA[®]
Consumer Electronics Association

PRODUCER OF



**CEA Media Briefing:
Flaws and Alternatives to California Energy Commission
Proposed Regulations of Digital Television Energy Use
November 9, 2009**

www.CE.org

Summary

- **Voluntary efforts already succeed without regulation**
- **Regulation undercuts innovation**
- **CEC errors grossly underestimate energy savings to date, and overestimate potential savings**
- **The costs to consumers, innovation, and the California economy outweigh any speculative benefits**



Regulation Stifles Innovation



www.CE.org

Digital TV: Innovative Products

- About 30 million TVs sold in U.S. annually
 - CEC estimates 4-5 million TVs sold annually in California alone
- Still a very new product
 - Dynamic developments and enhancements
 - New technologies on the way (3D, OLED)

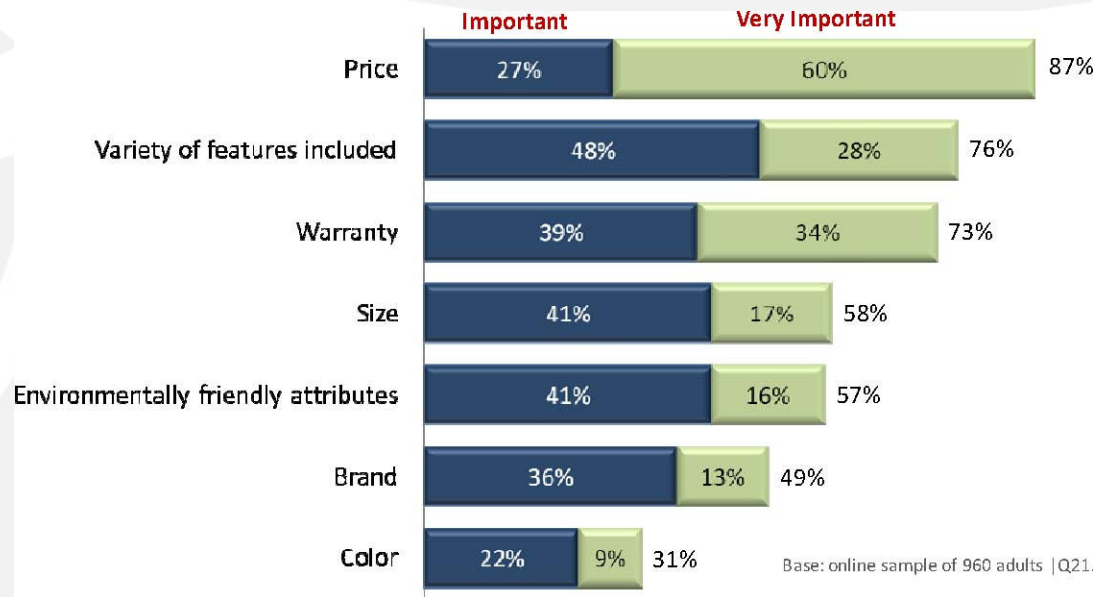
TV Innovation Boosts Other Markets

- Retailers
- Installers
- Broadcasters
- Motion Picture Industry
- Television production
- Professional and commercial users

Consumers Want Innovative Features

Price Most Influential in Next Purchase Decisions

Features second most important



Energy savings is important, but fifth on the list.

Regulation Undercuts Innovation

- Digital TV is still a new product
- “Early Adopters” justify and fund product development and investment
- Product development requires time, not timetables: “You can’t schedule invention.”
- Given the dynamic pace of innovation over the last 5 years, no one can predict the TV market in 2013-2022

Regulations Stifle Innovation

- If the CEC regulations had been in place in 2001, neither Plasma nor LCD could have been sold in California.
- **What happens to the Next DTV Technology?**

**CEC's Proposed Regulations:
Flawed Obsolete Data,
Mathematical Errors, and
Economic Inconsistencies
Lead to Overstated Assumptions**

Based on Unreliable Data

- CEC exaggerates the need for a solution by stating, with no evidence, that TVs use 10% of residential energy
- Relies on PG&E July 2008 paper that uses data from 2005 and earlier—before Energy Star 3.0
- Excludes gains already achieved from higher-efficiency TVs

First CEC Error

\$8.1 to \$3.5B

- CEC Claim: Annual 6.5 TWh energy savings from 2011-2022
- FACT: Annual energy savings occur only in 2022 - after total stock turnover
 - Staff assumes that 6.5 TW savings occurred in every year from 2011
- Correcting this first error reduces \$8.1B to \$3.5B

Second CEC Error

\$3.5 to \$2.4B

- CEC Assertion: 3% discount rate is appropriate for consumer cost of capital
- FACT: California consumers cost of capital is significantly higher
- Assuming (still conservative) discount rate of 10% reduces to \$3.5B to \$2.4B

Facts

- More than 1,240 models meet Energy Star 3.0
- Hundreds of models currently exceed Energy Star targets by 30 and 45%
- Energy Star data from 12/2007 to 10/2009 show a 41% improvement in efficiency

CEC Ignores Costs to Manufacturers

CEC “*assume[s]* that there is *no* unit price increase as a result of compliance and that competition will continue to keep prices stable.”

FACT: Energy saving technologies cost tens of millions of dollars to develop, AND Increase consumer prices in excess of potential energy savings

CEC Ignores Regulations Increase Prices

- “the cost addition for the Vizio consumer is from tens to hundreds of dollars, depending on the screen size.” Kenneth Lowe, Vice President and Co-Founder of Vizio, Inc., October 13, 2009 hearing.
- Supporting data from other manufacturers
- Best Buy: Prices 34% higher
- Dep’t of Energy: up to \$350 more for 40” TV

Third CEC Error

\$2.4B to \$548 Million

- CEC Assertion: Energy consumption of Digital TVs never improves from 2008 to 2022
- FACT: Competition in the TV industry is leading to significant energy improvements (even in the absence of regulation)
- Assuming a very conservative rate of energy efficiency improvement reduces the \$2.4B to \$548 Million

Fourth CEC Error

\$548 Million to \$0.00

- CEC Assertion: The proposed regulations will not result in increased costs to consumers (purchasers of DTVs)
- FACT: Increased manufacturing cost and reduced competition will result in retail price increases
- If costs to consumers increase by an average of just \$17 the \$548 million in estimated savings is eliminated

Regulatory Costs Outweigh Benefits

- The corrected CEC savings estimate translates to consumer savings of \$17 in energy costs over the lifetime of the TV
- Clearly outweighed by increased TV prices due to increased costs

Result: Report Fundamentally Flawed

The CEC Staff Report:

- Overstates magnitude of consumption
- Overestimates potential savings
- Skews results in favor of regulation
- Lacks current, hard data to support it
- Prejudices TV manufacturers and consumers who are being asked to shoulder all cost of the regulations

Impact on Professional Uses

Examples:

- Motion picture and television production industries need higher performance TVs that may not pass energy limits
- Auto shut-off regulations would prevent sales of TVs to commercial businesses, hotels and hospitality industry



**Voluntary Measures
by Consumers and Manufacturers
Can Achieve Better Energy Savings**



www.CE.org

Voluntary Measures and New Initiatives to Save Energy

- ENERGY STAR
 - 38 TWh between 2011-2022
- Auto-Off
 - 145-190 GWh per year
- Automatic Brightness Control
 - 10-15% efficiency, at minimal cost

Voluntary Measures and New Initiatives to Save Energy

- Forced Menu Functionality
 - 47 GWh per year
- Consumer Education
 - Applies to Legacy and New TVs
 - As much as 555 GWh per year
- Buy-back/Rebate Program
 - \$50 incentive saves 10 GWh per year

Informed Consumers = Energy Savings

- CEA, TV manufacturers, and retailers support ENERGY STAR and FTC work on energy use disclosures
- Voluntary labeling works
 - High consumer recognition of ENERGY STAR
 - Spurs competition among manufacturers

Conclusions

- TVs are not like toasters
- Given the flaws in the Staff Report, and the facts submitted by CEA, TV manufacturers, retailers, and installers, the CEC has no legitimate basis to proceed with its current proposals
- CEC should not choose winners and losers based solely on a single factor

Conclusions

- Industry-supported alternatives save as much or more energy than regulation
- With no harm to
 - Consumer choice
 - California retailers
 - DTV innovation
 - Motion picture and TV industries

Recommendations

- CEC and the TV industry should work together to
 - Rapidly increase consumer awareness
 - Promote smart energy choices



CEA[®]
Consumer Electronics Association

PRODUCER OF



**CEA Media Briefing:
Flaws and Alternatives to California Energy Commission
Proposed Regulations of Digital Television Energy Use
November 9, 2009**

www.CE.org