



Survey of Market Compliance Mechanisms for Energy Efficiency Programs in APEC economies

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for the

**EXPERT GROUP ON ENERGY
EFFICIENCY & CONSERVATION**

Executive Summary

In many economies, energy efficiency initiatives represent the cornerstone of national policies designed to reduce energy consumption, tackle environmental issues such as climate change and improve energy security. Standards and labelling (S&L) programs for appliances and equipment are proven to deliver the largest quantity of energy savings at the lowest cost compared to most other types of energy efficiency programs.

The ability to maintain and increase these achievements relies on the development of effective market compliance regimes to ensure that products perform as claimed and consumers receive the services they pay for.

Achieving high rates of compliance has overall benefits for all stakeholders in the S&L process, as well as for the environment. Industry participants operate in a fair market that encourages investment and technological innovation, consumers and businesses benefit from reduced energy costs and governments achieve key environmental, energy security and economic policy objectives.

This report forms part of a project undertaken by Mark Ellis and Associates, commissioned by the Asia-Pacific Economic Cooperation (APEC) in June 2011 under the auspices of the Expert Group on Energy Efficiency and Conservation (EGEE&C).

The project aims to compile and disseminate information on monitoring, verification and enforcement (MV&E) processes used by regulatory and enforcement agencies to ensure compliance in S&L programs within APEC economies.

Within the APEC region there are a total of 32 energy labelling and 16 minimum energy efficiency standards programs operated by 18 economies. These include programs that have been running since 1978 to those that are in their infancy; programs covering up to 50 product types to those spanning only one or two. It is also relevant to note that the region includes some of the world's largest manufacturers of appliances and equipment supplying the global market, as well as economies that have little or no local manufacturing and rely upon the import of products.

These factors suggest that there is considerable opportunity to develop regional initiatives that will improve the transfer of knowledge and experience amongst economies with respect to energy efficiency S&L programs and their MV&E regimes.

The following eight recommendations are designed to address shortcomings in MV&E process in the APEC region and assist in the development of a culture of compliance.

Participating Economies

AUSTRALIA	CANADA	CHILE
PEOPLE'S REPUBLIC OF CHINA	CHINESE TAIPEI	HONG KONG, CHINA
INDONESIA	JAPAN	KOREA
MALAYSIA	MEXICO	NEW ZEALAND
PERU	PHILIPPINES	SINGAPORE
THAILAND	UNITED STATES	VIETNAM

Recommendation 1 Awareness Raising

Governments and government agencies with responsibility for energy efficiency S&L programs need to be more aware of the importance of adequately supporting the establishment and operation of effective MV&E regimes – and therefore maintaining the integrity of their programs. Organizations such as APEC should play a lead role in bringing these issues to the attention of governments in the region.

Recommendation 2 Planning and Resources

All S&L energy efficiency programs need to periodically review their MV&E enabling legislation, processes and activities to identify ways of making sustained improvements. Such reviews should take into account the views of key stakeholders and international experience.

Since investment in MV&E is highly cost-effective, governments should invest sufficient funds in the development and on-going implementation of robust MV&E processes to ensure the integrity of their S&L programs. The budget for MV&E activities should include the provision of an adequate number of appropriately trained staff.

Recommendation 3 Operational Guidelines

Providing transparent operational guidelines that detail the main elements of a program's administrative and MV&E procedures decreases the opportunities for misunderstandings and disputes, while facilitating compliance. **Governments should ensure that S&L programs have developed such guidelines and made them available to stakeholders.**

Recommendation 4 Communication

Effective MV&E regimes in S&L programs, as in many other sectors, provide a credible deterrent to non-compliant behaviour by elevating the risk to suppliers that transgressions will be detected and penalised. Communications play a vital role in signalling the importance that governments place on compliance and making the risks obvious to stakeholders in S&L programs.

Governments need to consider how they can improve their communications with stakeholders and raise the profile of their MV&E activities and results.

Recommendation 5 Access to Competent Laboratories

Access to competent testing facilities, both private and independent, is a key issue for most economies to address. In the APEC region there are a large number of test facilities with the ability to undertake tests on a wide range of energy-using products, and this gives rise to opportunities for more co-operative and creative approaches to accessing test resources on a regional basis.

These opportunities include:

- ▶ Providing better access to independent testing laboratories by maintaining a list of all independent test facilities throughout the APEC region, their location, capabilities and capacity. This resource would be valuable for programs that have insufficient access to independent testing facilities within their own economy, or wish to reduce costs by testing products in their country of origin.
- ▶ Developing an understanding of the competency of private test facilities in the APEC region by sharing information on local test facilities gathered by economies that indicate their level of proficiency. This may include those laboratories that: have taken part in round-robin tests; have had independent assessments of their facilities; have an established track record; or have been included on lists of recommendation. This will greatly assist economies deciding on which reports from overseas test laboratories require increased scrutiny to make a better-informed judgement.
- ▶ Improving the competency of regional laboratories by agreeing to undertake round-robin testing for specified products in order to improve test methods and the performance of laboratories. This initiative could lead to mutual recognition arrangements between jurisdictions.

Each of these initiatives warrants further investigation, and should be developed under the proposal for a regional network (recommendation 8), or supported as individual APEC projects.

Recommendation 6 Verification Testing

Currently verification testing is conducted by individual economies and programs without regard for what testing is being undertaken in other neighbouring economies. Considering that there are many common products traded within the APEC region, there would be benefits in a more co-ordinated approach to testing which include savings in costs and the gathering of market intelligence based on larger sample sizes.

Examples of the types of collaboration on verification testing that could be considered for the APEC region, and their advantages, include:

a) Focus on individual products:

An agreement between programs in different jurisdictions to undertake verification tests on the same category of product at a similar time within their own economies, and share results, to gain a greater insight into compliance issues relating to individual product types.

b) Focus on different products:

An agreement between programs in different jurisdictions to undertake verification tests on different categories of products over a designated period of time, and share results, in order to maximise coverage across a range of products.

c) Shared costs for testing programs:

An agreement between programs in different jurisdictions to undertake verification tests on the same type of products at a similar time and within the same laboratory(ies), and share results, to gain cost savings through economies of scale.

Further options for co-operation include:

a) Mutual recognition of test reports:

Where tests methodologies are technically equivalent, programs agree to allow suppliers to lodge the same test reports as evidence of compliance.

b) The sharing of test results and/or notification of enforcement actions:

Where products have been proven to be non-compliant in one economy, this information may be used by other programs to justify increased scrutiny and improve the targeting of limited testing budgets.

These options warrant further consideration by governments, and could be developed under the proposal for a regional network (recommendation 8).

Recommendation 7 Industry Engagement

Most industries support the objective of producing more efficient energy-using appliances and equipment, and the need for governments to ensure they operate within fair competitive markets. Without adequate MV&E regimes, appliance and equipment markets can become distorted by unscrupulous suppliers undercutting those that invest in the production of more efficient products.

Governments with responsibility for S&L programs need to engage with industry participants, not only to ensure that they understand their responsibilities, but also to work together to develop more effective MV&E regimes. Through constructive dialogue, industry can better understand the objectives of governments, and assist governments to find ways of reducing costs and increasing effectiveness.

For example, robust industry certification schemes and similar models may be of great benefit to some economies, but require co-operation between government and industry to be viable.

Governments should take steps to strengthen their engagement with industry and develop mechanisms to facilitate constructive dialogue on MV&E issues. Where appropriate, this could be supplemented by dialogue between governments and industry on a regional basis through APEC or similar organizations.

Recommendation 8 Regional Network

To provide a focus for efforts to improve MV&E in the APEC region and to develop collaborative projects, economies should consider supporting the establishment of and participation in a forum on MV&E.

This would follow a similar model for a regional network of regulators and MV&E authorities that has been established in Europe to tackle many of the issues raised in this report.

If supported by sufficient APEC economies, it is recommended that a small group of volunteers should produce concrete proposals for the establishment of this network, including consideration of its relationship to APEC's EGEE&C working group, and other regional bodies.

Guide to planning and reviewing a MV&E regime

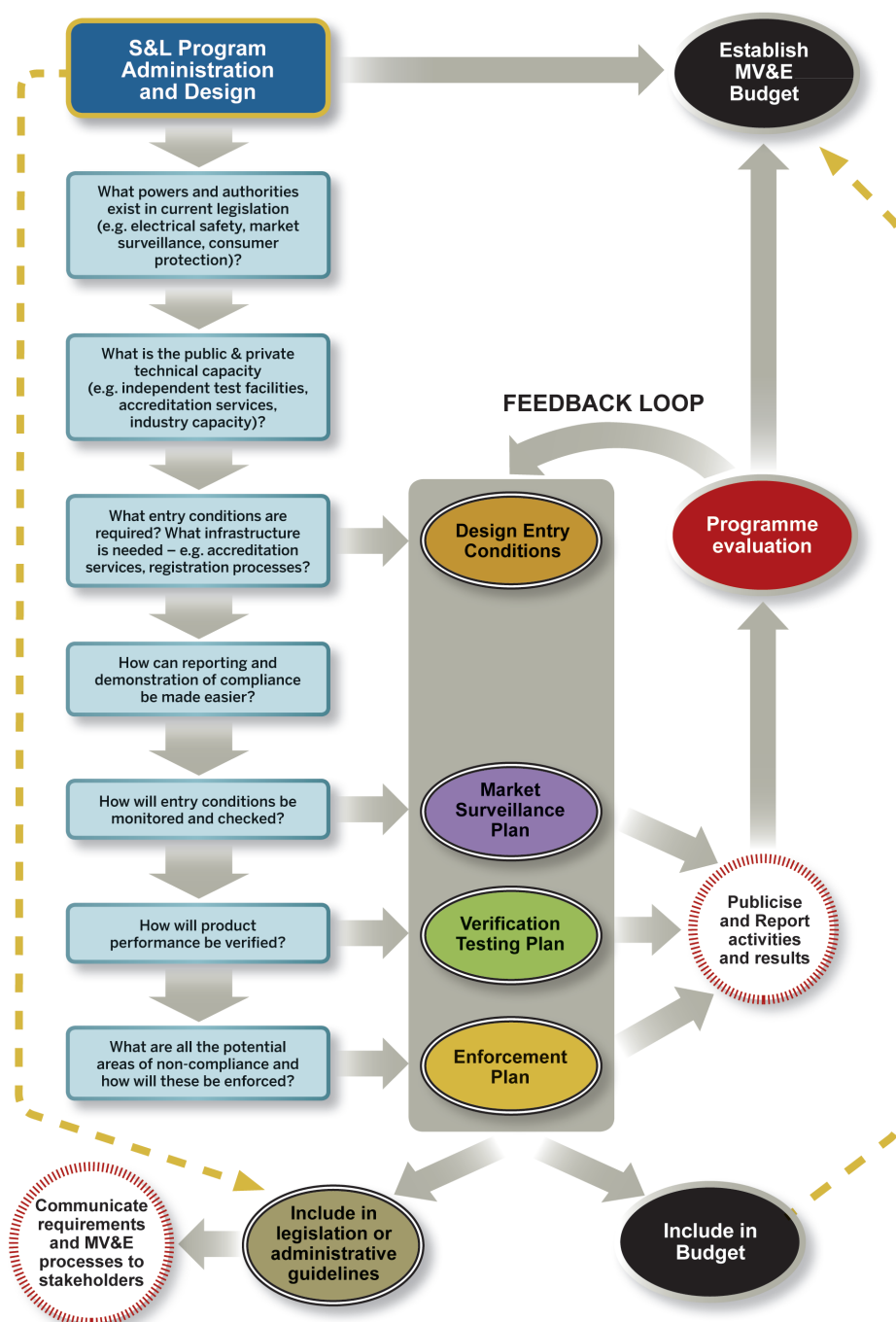


Diagram sourced from: *Compliance Counts: A Practitioner's Guidebook on Best Practice Monitoring, Verification and Enforcement for Appliance Standards & Labeling*, Mark Ellis & Associates in partnership with CLASP.

Available from: <http://clasponline.org/MVEguidebook>

Further Information

Copies of the *Survey of Market Compliance Mechanisms for Energy Efficiency Programs in APEC economies* report can be downloaded free of charge from: <http://clasponline.org/APECComplianceWorkshop>

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