



441 G St. N.W.
Washington, DC 20548

B-326779

March 31, 2015

The Honorable James M. Inhofe
Chairman
The Honorable Barbara Boxer
Ranking Member
Committee on Environment and Public Works
United States Senate

The Honorable Fred Upton
Chairman
The Honorable Frank Pallone, Jr.
Ranking Member
Committee on Energy and Commerce
House of Representatives

Subject: *Environmental Protection Agency: Standards of Performance for New Residential Wood Heaters, New Residential Hydronic Heaters and Forced-Air Furnaces*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Environmental Protection Agency (EPA) entitled “Standards of Performance for New Residential Wood Heaters, New Residential Hydronic Heaters and Forced-Air Furnaces” (RIN: 2060-AP93). We received the rule on March 12, 2015. It was published in the *Federal Register* as a final rule on March 16, 2015. 80 Fed. Reg.13,672.

The final rule revises the Standards of Performance for New Residential Wood Heaters and adds a new subpart: Standards of Performance for New Residential Hydronic Heaters and Forced-Air Furnaces. This final rule includes several objectives for new residential wood heaters, including applying updated emission limits that reflect the current best systems of emission reduction; eliminating exemptions over a broad suite of residential wood combustion devices; strengthening test methods as appropriate; and streamlining the certification process. Residential wood smoke emissions are a significant national air pollution problem and human health issue. These emissions occur in many neighborhoods across the country, including minority and low-income neighborhoods, and impact people in their homes. To the extent that children and other sensitive populations are particularly susceptible to asthma, and that minority populations and low-income populations are more vulnerable, this rule states that it will significantly reduce the pollutants that adversely affect their health. The rule states that on an economic basis, the public benefits vastly outweigh the costs, with every dollar in additional cost producing more than \$100 in public benefit.

Enclosed is our assessment of EPA’s compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that EPA complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Managing Associate General Counsel

Enclosure

cc: Nicole Owens
Director, Regulatory Management Division
Environmental Protection Agency

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
ENVIRONMENTAL PROTECTION AGENCY
ENTITLED
"STANDARDS OF PERFORMANCE FOR NEW RESIDENTIAL
WOOD HEATERS, NEW RESIDENTIAL HYDRONIC HEATERS
AND FORCED-AIR FURNACES"
(RIN: 2060-AP93)

(i) Cost-benefit analysis

EPA performed a cost-benefit analysis and noted that estimated annual net benefits at a 3 percent discount rate are \$3.4 billion to \$7.6 billion, and \$3.1 billion to \$6.9 billion at a 7 percent discount rate in 2013 dollars. The net benefits estimate reflects 8,269 tons of particulate matter with an aerodynamic diameter of 2.5 micrometers or less (PM_{2.5}) emission reductions per year, and a total annualized cost of \$45.7 million, producing an unusually large net benefit for this rule of more than 100 times the costs, and even greater net benefits coming from the new rule applied to single burn rate stoves. The non-monetized benefits include 46,000 tons of carbon monoxide reductions per year; 9,300 tons of volatile organic compound reductions per year; reduced exposure to hazardous air pollutants, including formaldehyde, benzene, and polycyclic organic matter; reduced climate effects due to reduced black carbon emissions and reduced greenhouse gases emissions; reduced ecosystem effects; and reduced visibility impairments.

EPA states that the health benefits associated with these regulations are substantially greater than the cost to manufacture cleaner, lower-emitting appliances. According to EPA, the public health benefits of this rule outweigh the costs by more than 100 times. Residential wood smoke can contribute to unhealthy levels of PM_{2.5} in many neighborhoods nationwide, including in minority and low-income neighborhoods, and impact people in their homes. To the extent that children and other sensitive populations are particularly susceptible to asthma, and that minority populations and low-income populations are more vulnerable to the effects of air pollution, this rule will significantly reduce the pollutants that adversely affect their health.

EPA provided a table in the rule that summarizes the results of the analysis per type of residential wood heater, and provided estimates reflecting average annual impacts (including estimated monetized health benefits) for the 2015 to 2020 timeframe, which are the implementation years analyzed in the Regulatory Impact Analysis for the final rule.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

EPA prepared an initial regulatory flexibility analysis (IRFA) for the proposed rule and convened a Small Business Advocacy Review Panel to obtain advice and recommendations from small entity representatives that potentially would be subject to the rule's requirements. Summaries of the IRFA and Panel recommendations are presented in the proposed rule at 79 Fed. Reg. 6,329. EPA also prepared a final regulatory flexibility analysis (FRFA) for this action. The FRFA addresses the issues raised by public comments on the IRFA for the proposed rule. The

complete FRFA is available for review in the docket. EPA summarized the FRFA and addressed: (1) reason why action is being considered; (2) statement of objectives and legal basis of rule; (3) response to any comments to the proposed rule filed by the Chief Counsel for Advocacy of the Small Business Administration; (4) description and estimate of the number of small entities; (5) description of reporting, recordkeeping, and other compliance requirements; (6) description of other compliance requirements; (7) relevant federal rules that may overlap or conflict with this rule; and (8) significant alternatives, especially those that might minimize potential impacts on small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995 (UMRA), 2 U.S.C. §§ 1532-1535

EPA determined that the final rule does not contain any unfunded mandates of \$100 million or more as described in UMRA, 2 U.S.C. 1531–1538, and does not significantly or uniquely affect small governments. The rule states that it imposes no enforceable duty on any state, local, or tribal governments. The nationwide annualized average compliance cost of this rule for directly affected appliances is \$45.7 million/yr in the 2015–2020 timeframe (in 2013 dollars). Therefore, EPA states that this final rule is not subject to the requirements of sections 202 or 205 of UMRA. EPA concludes that the final rule is also not subject to the requirements of section 203 of UMRA because it contains no regulatory requirements that might significantly or uniquely affect small governments. According to EPA, the rule does not apply to such governments and will impose no obligations upon them.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

EPA proposed revisions to the Standards of Performance for New Residential Wood Heaters on February 3, 2014 (79 Fed. Reg. 6,330), based on EPA’s review of these standards. On July 1, 2014 (79 Fed. Reg. 37,259), EPA published a Notice of Data Availability that solicited comment on additional information regarding residential wood heater testing using cord wood and emissions by burn rate excerpted from EPA certification test reports.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The final rule contains information collection requirements subject to the Paperwork Reduction Act and which have been submitted to the Office of Management and Budget (OMB) for approval. The Information Collection Request (ICR) documents that EPA prepared for each subpart have been assigned EPA ICR number 1176.12 for subpart AAA and ICR number 2442.02 for subpart QQQQ. The rule states that a copy of the ICR documents can be found in the docket for the rule.

The final rule will require manufacturers of new residential wood heating devices to submit applications for certification of model lines, to submit results of emissions tests conducted to demonstrate that the model lines would comply with the emission limits and produce certified units according to a quality control plan approved by an independent certifying body. Manufacturers must submit a notification of the initial test and biennial reports that each certified model line remains unchanged. They must also maintain records of all certification data, maintain results of quality assurance program inspections and emissions test data, and seal and store the tested appliance. EPA states that it considered how to minimize the potential ICR

burdens and has incorporated several features that make a major paperwork reduction impact. EPA stated that the respondents/affected entities of this mandatory requirement under section 111 of the Clean Air Act (CAA) are manufacturers of new residential wood heaters and laboratories that conduct or plan to conduct wood heater certification tests, and that the number of respondents is 72 respondents under subpart AAA (66 manufacturers and 6 testing laboratories); 41 respondents under subpart QQQQ (37 manufacturers and 4 testing laboratories). The frequency of responses would be once per model line, annually, biennially, variable, and/or infrequent. The final rule states that the total estimated burden will be 2,947 labor hours (per year) under subpart AAA and 2,337 labor hours (per year) under subpart QQQQ. Burden is defined at 5 C.F.R. § 1320.3(b). The total estimated cost would be \$1,716,990 (per year) under subpart AAA, and includes \$1,466,440 annualized capital and operation and maintenance costs. Under subpart QQQQ the estimated cost would be \$3,383,100 (per year) and includes \$3,191,200 annualized capital and operation and maintenance costs. When OMB approves the ICR, EPA states that it will announce that approval in the *Federal Register* and publish a technical amendment to 40 C.F.R. part 9 to display the OMB control number for the approved information collection activities contained in the final rule.

Statutory authorization for the rule

The final rule is authorized by section 111(b) and section 114 of CAA.

Executive Order No. 12,866 (Regulatory Planning and Review)

The final rule was determined to be economically significant under the Order. EPA submitted the rule to OMB for review.

Executive Order No. 13,132 (Federalism)

EPA determined that the final rule does not have federalism implications. The final rule will not have substantial direct effects on the states, on the relationship between the national government and the states, or on the distribution of power among the various levels of government.