University of St.Gallen

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New EU energy label critical for emissions' targets

New research findings from the University of St. Gallen in Switzerland reveal that Europe's targets to cut energy consumption and carbon emissions could be undermined should the European Parliament go ahead with a new proposed energy labelling scheme for televisions, as well as potentially cost retailers millions of euros in lost revenue.

The independent research study, "Consumer survey on the new format of the European Energy Label for televisions" by Stefanie Heinzle and Rolf Wüstenhagen from the Institute for Economy and the Environment, University of St. Gallen, which was funded by the German Ministry for Education and Research, provides critical insights for the ongoing debate between the European Commission, industry groups, consumer organizations and the European Parliament about the future energy efficiency label.

TVs are the latest household appliance to be certified with the well-known EU energy label designed to clearly show consumers energy efficiency levels of high-consuming products, on an A to G scale, meaning efficient to less efficient.

Following proposals made by CECED, the industry association of European appliance manufacturers, the EU Commission had suggested changing the existing A to G scale by introducing a new set of categories at the top end of the scale, such as "A, A-20%", "A-40%", "A-60%", with A-60% being more energy efficient than an A rating.

In its May 8, 2009 decision, a majority of the European Parliament argued that changing away from the well-understood A to G scale might confuse consumers, and asked the Commission to revisit their proposal, due to be discussed on 8 September.

The study's principal investigator, Professor Rolf Wüstenhagen said the findings confirmed that concern.

The findings were derived from 2,148 observations, where half of the consumers surveyed were exposed to the existing label (A to G), and the other half received an otherwise identical survey, but with the proposed new categories (A-20% etc.).

With the introduction of the new categories (A-20%), the importance of the energy label sharply dropped (from 34% to 24%) resulting in participants of the sample choosing price (importance increasing from 35% to 44%) over energy efficiency, which would, if implemented, have consequences for emissions' targets.

Specifically, consumers perceived the difference between, for example, A-40% and A-20% in the new proposed scheme as being significantly smaller than the difference between A and B in the old scheme, whereas in fact it reflects a similar difference in underlying energy consumption.

"The results of the study suggest that sticking to the established, straightforward and easily understood format of the A to G label may be a good idea. Not only would an extended scheme of ever more

fine-grained variations of the A category confuse consumers, it could also work against EU targets to cut energy consumption and carbon emissions," Wüstenhagen said.

"We also believe that the new labelling scheme would not be in the best interests of the electronics industry because it would not allow them to reap the benefits of increased consumer willingness-to-pay for clearly identifiable energy-efficient products. So it could actually destroy real market value for the TV industry," he said.

Industry groups have tended to prefer the new proposed labelling system, fearing a loss in sales should their products be subjected to a clear ranking system. What manufacturers and retailers may have underestimated is that, as the study reveals, survey participants showed a significant willingness to pay a higher price for higher efficiency.

Using the old labelling system, survey respondents were willing to pay 18% more for an energy efficient product (A vs. B labelled), which results in a price of 132 euros more that the customer was willing to pay, whereas within the group of respondents using the new system (A-20%), respondents were only willing to pay four per cent more for an energy efficient product, amounting to 28 euros.

Assuming sales of eight million TV sets every year, and conservatively estimating the difference in willingness to pay between the old and the new labelling scheme based on the University's research results, retailers could face a forgone revenue of several hundred million euros with the introduction of the new scheme.

Co-ordinator of the research project, Dr Klaus Rennings from the Centre for European Economic Research (ZEW), said innovation over time should be reflected in the EU energy label by dynamic adaptation of the criteria to qualify for the best rankings and, perhaps, not by inventing new categories.

"This would keep the simple structure of the label for the consumer intact. At least, switching to a new label would require a careful information campaign for customers," he said.

The European Parliament has asked the Commission to submit a revised proposal by September 30, 2009.

Contacts for further enquiries

Professor Rolf Wüstenhagen, Institute for Economy and Environment, University of St. Gallen, email: rolf.wuestenhagen@unisg.ch, http://goodenergies.iwoe.unisg.ch; mobile: +41 76 306 43 13.

Appendix 1: Sample choice task for samples 1 (old label) and 2 (proposed new label)

The European Union is planning to introduce a new label for televisions, which will look like the following:

The colour "green" stands for low energy consumption, the colour "red" stands for very high-consuming energy appliances. The indications "A-20%, "A-40% and "A-60% imply that the appliance uses 20, 40 or 60% less energy than an appliance o class "A".

If these were your only options, which would you choose?
Choose by clicking one of the buttons below:

Brand	Philips	Samsung	Sony	TCM von Tchibo
Equipment version	High-Tech***	Medium**	Medium**	Simple*
Energy efficiency class	A-60%	A-40%	A-20%	A
Price	949€	799€	649€	499€

Equipment version:
* Simple: HD-Ready, 1xHDMI, Response time 8, contrast ratio 5000:1
** Medium: HD-Ready, 2xHDMI, USB, response time 6, contrast ratio 10000:1
*** High-Tech: Full-HD, 4xHDMI, PC connection, USB, response time 4, contrast ratio 50000:1

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Brand	Philips	Samsung	Sony	TCM von Tchibo
Equipment version	High-Tech***	Medium**	Medium**	Simple*
Energy efficiency class	A	B	C	D
Price	949€	799€	649€	499€

Equipment version:
* Simple: HD-Ready, 1xHDMI, Response time 8, contrast ratio 5000:1
** Medium: HD-Ready, 2xHDMI, USB, response time 6, contrast ratio 10000:1
*** High-Tech: Full-HD, 4xHDMI, PC connection, USB, response time 4, contrast ratio 50000:1

University of St.Gallen (HSG)

Internationality, practical relevance and an integrative perspective have been the trademarks of education at the University of St.Gallen in Switzerland ever since it was established more than a century ago. Today, the University of St.Gallen (HSG) educates almost 6,000 students from 79 nations in the fields of Business Administration, Economics, Law and Social Sciences. The HSG has shown itself to be highly successful, having been consistently ranked among Europe's leading business universities (Financial Times Ranking 2008: 1st place in German-speaking Europe). Its holistic education, which meets the highest academic standards, has earned it the seal of approval of the EQUIS and AACSB accreditations. Academic degrees can be obtained at the Bachelor's, Master's and Doctoral Levels. In addition, the University of St.Gallen offers first-class and comprehensive courses in Executive Education. Thanks to an increasing number of programmes taught in English, the HSG has shown itself to be attractive to international students. The focal points of research at the University of St.Gallen are crystallized in its 40 institutes and research centres, which constitute an integral part of the University. The institutes, which are largely autonomous and mostly self-financing, still remain closely connected to university operations.