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ENERGY STAR models on the rise in the water heater market



BY KARA RODGERS

With 2010 winding down, we're coming up on the end of the second year since water heaters gained the ENERGY STAR® label on January 1, 2009. According to the ENERGY STAR Water Heater Market Profile recently released by the Department of Energy (DOE), the first full year was quite a success. Though the water heater market as a whole shrank, the market for highly energy-efficient (ENERGY STAR qualifying) water heaters has grown rapidly since 2006.

The market declined steadily beginning in 2007 as new home construction plunged. In spite of the market decline, shipments of highly energy-efficient water heaters grew dramatically. In 2006, a total of 625,000 units that would have met ENERGY STAR criteria were shipped; this accounted for approximately 7 percent of all water heater products shipped that year. In 2009, the first full year that water heaters could earn the ENERGY STAR label, one million qualifying units were shipped, making up 13 percent of total water heater products shipped.

The ENERGY STAR program recognizes four water heater types—solar, high efficiency gas storage, tankless, and heat pump water heaters. The latter three had higher shipments in 2009 than 2006. Gas storage models saw an 80 percent increase from 2006, and tankless grew by more than 30 percent in that same time span. Heat pump water heater shipments rose by a whopping 630 percent.

How can you benefit from the increased presence of ENERGY STAR models? Based on the average life of a water heater and the age of models in the installed base, DOE has estimated that approximately 37 million water heaters will be replaced over the next five years. Most of these units were designed to meet the 1990 federal efficiency standards, creating an opportunity for greater ENERGY STAR water heater sales and large savings nationwide. Although water heaters have been traditionally designed to meet the federal standard, the ENERGY STAR program has helped increase the presence of high efficiency heaters in the marketplace.

While the sales of ENERGY STAR water heaters are on the rise, there's still room for improvement. If all homes had qualified models, the U.S. could save 44 to 64 percent of energy used. That would be 1.9 billion to 6.8 billion therms, 98 billion to 107 billion kWh, and \$13 billion to \$19 billion per year, depending on technology choices. Those savings are hard to ignore, and plumbers and contractors have an instrumental role in making these savings possible.

Plumbers influence approximately 60 percent of all water heater purchases. When it comes to selling high-efficiency water heaters, DOE noted four key influences on purchasing decisions: consumer needs, expert advice, information at point of purchase, and price. Because half of all water heater sales are emergency replacements, speed and price are critical decision factors for most water heater replacement purchases. Few of these customers have the time to research product options, so they are entirely dependent on what their plumbers offer and are strongly influenced by their plumbers' recommendations.

With more than 800 ENERGY STAR qualified models

available since the efficiency criteria increase for gas storage water heaters that went into effect on September 1, 2010, it's not hard to provide customers with options when faced with an emergency replacement. Plus, ENERGY STAR models offer your customers more features than a standard water heater; criteria include minimum hot water delivery requirements, warranties, and safety standards. Qualified units offer a variety of energy efficiency levels, ranging from 14 to 50 percent when compared to a new, non-qualified model, allowing households to save \$40 to \$285 a year on their energy bills.

Tax credits and incentives have helped encourage customers to make ENERGY STAR purchases. However, unless extended by Congress, federal tax credits for gas tankless and heat pump water heaters will expire at the end of this year. In spite of this, many state programs provide rebates on the purchase of ENERGY STAR units. A number of utility companies across the country also offer rebates for high efficiency water heaters, which can help when encouraging customers to purchase an ENERGY STAR model. Many of these rebates can be found online in the Coalition for ENERGY STAR Water Heaters energy efficiency program incentive database at www.eswaterheaters.org. Even with the federal tax credit expiration, Congress may enact legislation to further incentivize high-efficiency purchases.

The future of water heaters looks highly efficient. New, more stringent federal standards will take effect in 2015, adding even greater efficiency to the market. Gas-fired and electric models under 55 gallons will face a 4 to 5 percent improvement over current federal standards. Larger gas-fired units will be required to be more than 30 percent efficient, and larger electric water heater efficiency will increase by more than 120 percent. ●

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About ENERGY STAR

Established in 1992, ENERGY STAR is a joint program of the United States Environmental Protection Agency and the United States Department of Energy designed to save money and help address climate change through energy-efficient products and practices at home and at work. For more information, visit www.energystar.gov or call 1-888-STAR-YES.

About Coalition for ENERGY STAR Water Heaters

"Coalition for ENERGY STAR® Water Heaters" is the name of the national awareness and education campaign managed and conducted by the Consortium for Energy EfficiencySM (CEE) of Boston, Massachusetts. The campaign is supported and financially sponsored by manufacturers, industry associations, and energy efficiency program administrators to promote the installation of higher efficiency residential water heaters.