standards which would permit an increase in the energy used by a covered product. The impact on energy savings of the earlier effective date for HCFCfree product standards is not large: compared to introducing HCFC-free classes in 2001, the 1998 introduction carries an energy penalty of less than 0.1 quad over the period 1998–2030. The earlier effective date may have a countervailing environmental benefit by encouraging earlier use of HCFC substitutes.

The standards for the HCFC-free classes of products will be raised to a standard level equal to that for comparable HCFC-using classes effective 9 years after publication of the final rule for this rulemaking. At this time it is anticipated that alternative design options without HCFCs will permit efficiency improvements. The Department is seeking comments concerning requirements for HCFC-free products.

V. Environmental, Regulatory Impact, Takings Assessment, Federalism, and Regulatory Flexibility Reviews

A. Environmental Review

The Draft Environmental Assessment for Proposed Energy Conservation Standards for Refrigerators, Refrigerator-Freezers, and Freezers was prepared pursuant to the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321 et seq.), regulations of the Council on Environmental Quality (40 CFR parts 1500–1508), the Department regulations for compliance with NEPA (10 CFR part 1021) and the Secretarial Policy on the National Environmental Policy Act (June 1994). Section V.B.2. of the Secretarial Policy requires that the Department provide an opportunity for interested parties to review environmental assessments prior to the Department's formal approval of such assessments.

In accordance with the Secretarial Policy, the Department seeks comments on the Draft Environmental Assessment, which is printed within the TSD accompanying this proposed rulemaking.

B. Regulatory Planning and Review

Today's regulatory action has been determined to be an "economically significant regulatory action" under Executive Order 12866, "Regulatory Planning and Review." (58 FR 51735, October 4, 1993). Accordingly, today's action was subject to review under the Executive Order by the Office of Information and Regulatory Affairs (OIRA). There were no substantive changes between the draft submitted to OIRA and today's action. The draft and other documents submitted to OIRA for review have been made a part of the rulemaking record and are available for public review in the Department Freedom of Information Reading Room, 1000 Independence Avenue, SW, Washington, DC 20585, between the hours of 9 a.m. and 4 p.m., Monday through Friday, telephone (202) 586– 6020.

The following summary of the Regulatory Analysis focuses on the major alternatives considered in arriving at the proposed approach to improving the energy efficiency of consumer products. The reader is referred to the complete draft "Regulatory Impact Analysis," which is contained in the TSD, available as indicated at the beginning of this NOPR. It consists of: (1) A statement of the problem addressed by this regulation, and the mandate for government action; (2) a description and analysis of the feasible policy alternatives to this regulation; (3) a quantitative comparison of the impacts of the alternatives; and (4) the economic impact of the proposed standard.

DOE identified the following six major policy alternatives for achieving consumer product energy efficiency. These alternatives include:

- No New Regulatory Action
- Informational Action
- —Product labeling
- Consumer education
- Prescriptive Standards
- Financial Incentives
- —Tax credits
- -Rebates
- Voluntary Energy Efficiency Targets
- The Proposed Approach (Performance Standards)

Each alternative has been evaluated in terms of its ability to achieve significant energy savings at reasonable costs, and has been compared to the effectiveness of the proposed rule.

If no new regulatory action were taken, then no new standards would be implemented for these products. This is essentially the "base case" for each appliance. In this case, between the years 1998 and 2030 there would be expected energy use of 45.54 quads (48.05 EJ) of primary energy, with no energy savings and a zero net present value.

Several alternatives to the base case can be grouped under the heading of informational action. They include consumer product labeling and DOE public education and information programs. Both of these alternatives are already mandated by, and being implemented under the Act. One base case alternative would be to estimate the energy conservation potential of enhancing these programs. To model this possibility, the Department assumed that market discount rates would be lowered by 5 percent for purchasers of refrigerator products. This resulted in energy savings equal to 0.05 quads (0.05 EJ), with expected consumption equal to 45.5 quads (48 EJ). The net present value is estimated to be \$0.08 billion.

Another method of setting standards would entail requiring that certain design options be used on each product, i.e., for DOE to prescribe technology standards. For these products, prescriptive standards are assumed to be implemented as standards at one level below the performance standards. The lower standards level entails slightly smaller expenditures for tooling and purchased parts. Consequently, the economic impacts that are expected before the implementation date should be slightly smaller for prescriptive standards. This resulted in energy consumption, between 1998 and 2030, of 39.27 quads (41.43 EJ), and savings of 5.76 quads (6.62 EJ). The net present value, in 1990 dollars, was \$7.26 billion.

Various financial incentive alternatives were tested. These included tax credits and rebates to consumers, as well as tax credits to manufacturers. The tax credits to consumers were assumed to be 15 percent of the increased expense for higher energy-efficiency features of these appliances, while the rebates were assumed to be 15 percent of the increase in equipment prices. The tax credits to consumers showed a change from the base case, saving 0.07 quads (0.07 EJ) with a net present value of \$0.19 billion. Consumer rebates showed slightly higher energy savings; they would save 0.07 quads (0.08 EJ) with a net present value of \$0.23 billion.

Another financial incentive that was considered was a tax credit to manufacturers for the production of energy-efficient models of these appliances. In this scenario, an investment tax credit of 20 percent was assumed. The tax credits to manufacturers had no effect; the energy consumption estimates are 45.54 quads (48.05 EJ) with no energy savings and a zero net present value.

The impact of this scenario produces no savings because the investment tax credit was applicable only to the tooling and machinery costs of the firms. The firms' fixed costs and most of the design improvements that would likely be adopted to manufacture more efficient versions of these products would involve purchased parts. Expenses for