

Ecodesign requirements for electronic displays

Lead department	Department for Business, Energy and Industrial Strategy
Summary of proposal	Update ecodesign requirements to facilitate realisation of the full potential energy and carbon emission savings from the new requirements for electronic displays.
Submission type	Impact assessment (IA) – 18 December 2020
Legislation type	Secondary legislation
Implementation date	1 March 2021
Policy stage	Final
RPC reference	RPC-BEIS-5004(2)
Opinion type	Formal
Date of issue	2 February 2021

RPC opinion

Rating¹	RPC opinion
Fit for purpose	The evidence and analysis supporting the EANDCB and the SaMBA are sufficient. The assessment of both have been strengthened through consultation. There are other areas which would benefit from improvement, in particular post-implementation review (PIR) plans and assessment of wider impacts, including competition.

¹ The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). The RPC rating is fit for purpose or not fit for purpose.

Business impact target assessment

	Department assessment	RPC validated
Classification	Qualifying regulatory provision (OUT)	Non-qualifying regulatory provision (<i>de minimis</i>)
Equivalent annual net direct cost to business (EANDCB)	-£0.4 million	-£0.4 million (2016 prices, 2017 pv)
Business impact target (BIT) score	Not applicable	Not applicable
Business net present value	£3.2 million	
Overall net present value	£3.0 million	

RPC summary

Category	Quality	RPC comments
EANDCB	Green	The EANDCB is based upon sufficient evidence and reasonable assumptions, and the assessment has been strengthened through consultation. The RPC considers the IA's assessment of the direct impacts on business to be appropriate, although this would be improved by further discussion.
Small and micro business assessment (SaMBA)	Green	The IA provides a good description of impacts on small and micro businesses and addresses exemption, disproportionality of impact and mitigation. The SaMBA would benefit from strengthening in some areas.
Rationale and options	Good	The IA sets out the rationale clearly and provides a discussion of non-regulatory options, explaining why these have not been taken forward.
Cost-benefit analysis	Good	The Department has used consultation to gather additional evidence, enabling it to quantify transition costs. The IA monetises carbon savings.
Wider impacts	Good	The IA now usefully includes a section on trade impacts. Some areas of wider impacts could be strengthened, such as assessment of competition impacts.
Monitoring and evaluation plan	Satisfactory	The Department provides a high-level description of its plans for a post-implementation review (PIR). This section would benefit from detail on what will be done, when and how.

Policy detail

Description of proposal

The IA states that *ecodesign* legislation requires manufacturers of energy-related products to meet minimum requirements that should improve the energy efficiency and environmental impacts of their products (page 1). The legislation provides for secondary standards for specific products and, in December 2018, the UK, at the time an European Union (EU) member state, voted in favour of new and updated *ecodesign* requirements for electronic displays. Because the UK has left the EU and the EU exit transition period has ended, these requirements will not apply automatically in the UK and, therefore, UK legislation is required to implement the requirements.

Impacts of proposal

The Department monetises a cost of £11.4 million over a ten-year period in present value terms, mainly reflecting additional ongoing manufacturing costs of meeting the increased energy performance requirements. These estimates reflect more expensive component parts and/or more advanced/expensive manufacturing processes. Benefits are estimated at £15.1 million over 10 years. Net energy savings account for the majority of the monetised benefits, leading to reduced energy bills for consumers (commercial and domestic). Reduction in CO_{2e} and improved air quality levels account for the remaining monetised benefits. The societal net present value (NPV) is estimated at £3.8 million over ten years in present value terms (£3.0 million in 2016 prices; 2017 present value base year).

Estimated costs to UK business consumers amount to around £11 million over ten years in present value terms. The IA treats these as direct business costs; they are more than offset, on an aggregate basis, by an estimated £14 million saving to business consumers in reduced energy costs. The IA treats these savings as direct because they would be automatic through purchase of the product and not dependent upon a change in behaviour (paragraph 110). This approach results in an overall business NPV of around £3 million and an EANDCB of -£0.4 million (2016 prices; 2017 present value base year).

EANDCB

Evidence and data

Missing monetised costs. The RPC commented on the consultation stage IA that the Department should use consultation to gather further evidence to enhance the assessment. In particular, the RPC suggested that the Department should aim to monetise transitional costs or explain more fully why it would not be proportionate to monetise them at the final stage. The Department now provides a fuller assessment of transition costs, including monetising the cost of reading and understanding the requirements (paragraphs 55-61, pages 26-28). The RPC now considers the assessment to be proportionate but it could be improved further by demonstrating that this assessment covers sufficiently the cost of communicating the proposed changes, particularly in a fragmented supplier market where industry representation does not seem to be strong.

Direct/indirect impacts

The method used to apportion impacts on businesses into direct and indirect is consistent with that used in a previous *ecodesign* final stage IA and appears to be reasonable.² Energy savings to business users are treated as a direct benefit, on the basis that they would be automatic through purchase of the product and not dependent upon a change in behaviour. The increase in purchase price is treated as a direct cost to business users. The IA would be improved by further discussion of why the direct/indirect treatment is appropriate, referring explicitly to RPC guidance on direct and indirect impacts,³ including a further discussion of why impacts on business consumers should be treated as direct. In particular, it should consider why, in this specific case, it is appropriate to treat increased purchase costs as a direct impact and describe choices facing consumers, in terms of which electronic display products to purchase and when (e.g. decisions on upgrading older equipment).

SaMBA

The IA provides a proportionate SaMBA (paragraphs 116-127). This section explains that any SMBs in the electronic displays sector would be active in importing, reselling, installing and/or servicing, rather than manufacture. The IA identifies that some SMBs may experience an increase in testing costs. The Department notes that SMB end-users of electronic displays will benefit from reduced energy costs over the lifetime of the equipment. Overall, the IA provides a good discussion of impacts and potential mitigation.

² RPC-4413(2)-BEIS 'The Ecodesign for Energy-Related Products (Amendment) Regulations 2020', 2 February 2020.

³ Available at: <https://www.gov.uk/government/publications/rpc-case-histories-direct-and-indirect-impacts-march-2019>

The IA would benefit from addressing whether the balance of reduced energy costs and increased purchasing costs differs between large and small business customers. In particular, this should address whether small businesses are more likely to delay purchase of replacement electronic display equipment if the purchase price increases, and thereby experience smaller energy cost savings.

The IA asserts that small and micro repair businesses are likely to benefit from better repair information (paragraph 118, page 46). The IA would benefit from explaining whether the consultation provided support for this assessment, i.e. that consumers will increasingly seek to repair electronic display products rather than buy new, and that repair businesses will experience a net benefit.

Rationale and options

The Department explains that the UK agreed the the EU *ecodesign* legislation after a lengthy EU consultative process. The Government also consulted UK stakeholders and carried out their own cost-benefit analysis prior to voting in favour of the EU regulations. The RPC welcomes the discussion of non-regulatory options, such as self-regulation and voluntary agreements and the IA's explanation of why these options were not taken forward.

Cost-benefit analysis

Description of businesses affected

The IA would benefit from providing a clearer and more prominent assessment of the nature, number and size of the businesses likely to be affected. This could cover, in particular, the size distribution of businesses undertaking assembly work, how this has changed over time and how it might develop in the future. The latter could address, for example, potential consolidation or fragmentation (possibly driven by new entrants or other businesses using new technical solutions or achieving improved economies of scale).

Evidence and data

The IA would benefit from further consideration of whether the detailed analysis (including both impact assessments and technical studies) and assessment by the European Commission (EC) for EU-wide policy could be used or modified for the UK. For example, section 8.2 of the EC IA covers how the proposal might affect burdens of existing measures. Although this is unlikely to affect the *de minimis* classification of the measure, the IA would benefit from considering this further.

Modelling

Market for electronic display products and demand factors. The RPC suggested on the consultation stage IA that the final stage IA would benefit from presenting further evidence about the market and the extent to which businesses would pass on costs to consumers through higher prices. The IA now helpfully includes further consideration of this area, including reference to elasticity of demand (page 18). This

assessment could be improved further by discussing whether any previous electronic display measures resulted in prices being increased by more than the cost of the energy saved, as that situation would result in a net burden on purchasers, including businesses.

Risk and uncertainty

Following RPC comments on the consultation stage IA, the Department has helpfully expanded the sections on sensitivity analysis and risk, in particular by adding a sensitivity on the appraisal period (paragraphs 99-103 and tables 7-8).

Wider impacts

Trade impacts and competition assessments

The RPC commented previously that the IA would benefit from an enhanced discussion of the potential trade impacts of the proposal in relation to different UK trading partners. The IA now includes a section on trade impacts (paragraphs 81-83). The IA would benefit from further discussion of competition impacts, linked to the assessment of impacts on trade and SMBs. It would be helpful if the IA included a discussion of whether any manufacturers may be forced to exit the market due to lack of mitigation, and the impact that could have on competition and innovation.

The IA would also benefit from explaining how consumers and the wider public will be assured of business compliance with the new requirements, both during transition and afterwards (e.g. whether there would be any 'kite mark'-type system and associated costs).

The IA would also benefit from an assessment of market surveillance costs, perhaps informed by the EU IAs (footnote 17, page 30).

Monitoring and evaluation plan

The IA describes, at a high level (paragraphs 143-145), the Department's plans for a post-implementation review (PIR). The section would benefit from some detail on what will be done, when and how, and a fuller justification, on proportionality grounds, for why the PIR would be primarily a qualitative assessment.

For further information, please contact regulatoryenquiries@rpc.gov.uk.