Rinnai®

March 20, 2025

Jen Vinh
Planning, Rule Development, and Implementation
South Coast Air Quality Management District
21865 Copley Drive, Diamond Bar, CA 91765

(Submitted via email at: jvinh@aqmd.gov)

Re: Comments on Proposed Amended Rule 1121 & 1111

Dear Ms. Vinh,

Rinnai America Corporation (Rinnai) appreciates the opportunity to provide comments on the South Coast Air Quality Management District's (SCAQMD) Proposed Amended Rule 1121, Reduction of NOx Emissions from Residential-Type, Natural Gas-Fired Water Heaters (PAR 1121) and Proposed Amended Rule 1111, Reduction of NOx Emissions from Natural-Gas-Fired Furnaces (PAR 1111). As a leading manufacturer of high-efficiency water heating appliances, Rinnai remains committed to supporting emissions reductions while preserving consumer choice and affordability, ensuring technical feasibility, and maintaining market stability.

Rinnai notes that its current product offerings do not fall within the scope of PAR 1111 and PAR 1121, but as an industry stakeholder and manufacturer of water and space heating products, Rinnai has concerns regarding the structure and implementation of the rules and their implications for manufacturers, consumers, regulatory consistency, and compliance with law.

Regulatory Disparities

Rinnai is concerned that PAR 1121 creates an uneven regulatory framework that disadvantages tankless water heaters in comparison to tank-type water heaters in the Southern California market. Specifically, the proposed amendments include a shift in the deadline for new building compliance from January 1, 2026 to January 1, 2027 for tank water heaters, as well as a phased-in alternative compliance option, providing manufacturers and distributors of these products with additional time and flexibility to adjust to new regulatory requirements. On the other hand, the zero-NOx deadline for Rule 1146.2 remains unchanged, with no phase-in alternative, for tankless gas water heaters as well as boilers and process heaters. Consequently, we are disadvantaged in the Southern California market since our products will be eliminated from the marketplace after January 1, 2026 while products covered by existing Rule 1121 will still be available for installation. These proposed amendments create an unbalanced regulatory landscape that the District needs to reconsider.

Practical Implications

While a phased-in transition is preferable to an immediate and impractical ban, the current proposal remains problematic for the industry. Even with the alternative compliance pathway, the revised rule still presents substantial logistical and financial burdens for manufacturers, distributors, and consumers. The requirement to retool manufacturing processes, adjust supply chains, and meet phased-in sales

targets will impose compliance burdens (including reporting and labeling mandates) and high costs that will ultimately be passed on to consumers, either partially or in total. The need to modify manufacturing, sales and distribution is exacerbated by ongoing supply chain challenges, manufacturing and distribution infrastructure limitations, and the lack of technical feasibility.

PARS 1111 and 1121 also fail to account for concerns regarding consumer choice, product availability, and market feasibility. The rule drastically reduces consumer choice, particularly in existing buildings where electric alternatives may be impractical due to inadequate electrical infrastructure, increased installation costs, or space constraints. By accelerating a transition to technologies that are not yet viable in all applications, the rules will force consumers into higher-cost and less practical options that could require expensive retrofits.

Additionally, Rinnai has concerns about the rule's cost-effectiveness. Rinnai encourages the District to conduct a comprehensive third-party cost-benefit analysis of the transition from low NOx to zero NOx emissions. A full life-cycle emissions assessment is necessary, as net benefits may be minimal or even negative when considering factors such as emissions from electricity generation, distribution losses, improper installation, cold temperatures, and installation challenges in tight spaces. And on the other hand, the costs imposed on consumers and businesses will be significant, including not only product costs but installation costs that may include electrical upgrades, space reconfiguration, venting modifications, and condensate management.

Furthermore, in light of recent challenges—including tragic and devastating wildfires, rising inflation, and trade tariffs—the District should be especially mindful of the financial burden on constituents. As communities work to recover and rebuild, it is critical to ensure that new regulations do not inadvertently impede much-needed housing and infrastructure development. Instead, the District should prioritize policies that facilitate rapid and cost-effective construction while balancing environmental and public health goals.

EPCA Preemption

Despite SCAQMD's efforts to adjust its regulatory approach, Rinnai maintains that the current proposal still conflicts with federal law. The Energy Policy and Conservation Act (EPCA), 42 U.S.C. § 6201 *et seq.*, prohibits state and local regulations from setting standards that effectively ban gas appliances because such bans concern the energy use or energy efficiency of those appliances. The zero-NOx standard effectively eliminates gas-fired water heaters and furnaces from the market and forces market shifts toward alternatives. This is precisely the type of regulation that EPCA preempts. Having a phased-in ban, rather than an immediate ban, does not avoid EPCA preemption.

Conclusion and Recommendation

While Rinnai is in some sense neutral because it does not produce these products, it remains concerned that the District's modified approach is still unlawful under EPCA, imposes significant and unwarranted burdens and financial penalties (taxes) on manufacturers, and harms consumer choice and affordability.

We appreciate the District's efforts to develop an alternative approach to Rule 1146.2's zero-NOx rule, which is preempted, for PARS 1111 and 1121. However, the underlying issues regarding legality,

regulatory fairness, compliance feasibility, and consumer impacts need to be resolved before any alternative approach is adopted.

We appreciate the opportunity to provide these comments and remain available for further discussions.

Sincerely,

Marc D. Neufcourt
Director, Regulatory and Government Affairs

Cc: Perry McGuire, Rinnai America Corp., Vice President and General Counsel
Renee Eddy, Rinnai America Corp., Chief Innovation Officer
Sarah Jorgensen, Reichman Jorgensen Lehman & Feldberg