



**COMMENTS OF Wolf Steel (Napoleon Products) ON
EPA'S PROPOSED RULE; "STANDARDS OF PERFORMANCE FOR NEW RESIDENTIAL
WOOD HEATERS, NEW RESIDENTIAL HYDRONIC HEATERS
AND FORCED-AIR FURNACES"**

Docket ID No. EPA-HQ-OAR-2018-0195

RIN 2060-AU00

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Attention: Docket ID No. EPA-HQ-OAR-2018-0195

Wolf Steel USA Ltd. is a manufacturer of wood heaters and has been doing business since 1991. Our lineup includes several different models of wood burning stoves and inserts. We support the initiative to provide the consumer with ecologically friendly products, but have concerns about the roll out of the program and the potential loss of revenue caused by the current hard cutoff date.

In effect, we believe that this roll out will seriously endanger the profitability and sustainability of the wood heater market. Additionally, a sell through period for this product will assist the market to be able to remove gradually the Non-EPA product, and at the same time introducing the lower emissions product with no risk to the stability of our business, our customers and our employees.

Please review our comments for a list of our concerns and possible impacts to our business:

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EPA Sell Through Comments

- Trying to squeeze moisture out of a raisin! The solution is not to inflict further restrictions on the emissions of EPA approved Wood burning appliances but to effectively remove the non-EPA approved products from operation.
- By lowering the emission levels limits, you are forcing manufacturers to reduce the number of models they offer and also increasing the costs of those products making them even more unattainable to the lower income families and thereby creating a greater value for the non-EPA products to be resold.
- The cost to design and certify new products justifies the importance of their longevity to recover those costs. However, EPA's changing Rules and the impact they have on the industry make the future of our industry unstable. Without confidence in the future, the industry will potentially fade away.
- As sales decline in the wood burning category, less funds are available to funnel into R&D for those products. Would you invest in an industry with an uncertain future?
- This year we witnessed a huge unprecedented decline in the quantity of wood burning appliances sold in our pre-season booking program.
- Distributors and Retailers are now only carrying minimal inventory of these products, if any. They order a product if the Consumer wants it but are more likely to sell them something they do have in stock, resulting in lost sales.
- While we have realized an overall increase in the Hearth Appliance category for 2018, the volume of sales in the wood burning category has fallen dramatically.
- We sell direct to Retailers but also sell to multiple Distributors. Retailers carry minimal inventory of products but Distributors do carry larger quantities. However, with no sell through those Distributors are already avoiding carrying inventory and are only ordering to supply certain demand through the current heating season. Essentially the 2020 Rule is actually a 2018 Rule. This trend will only increase for 2020 non-compliant products.
- Distributors are not interested in losing money by possessing inventory they cannot sell and therefore, avoid stocking it. This creates an opportunity for competitor's products to claim the space in their warehouses contributing to lost future sales of our products.
- It has become necessary to increase our inventory levels of these products to adjust for the lack of pre-season purchases which impacts our profit margins and ultimately will increase the cost of the products.
- Striking agreements to return any non-compliant products with our Customers that cannot be sold by the deadline is not a practical option. Even if we were to assume the costs of shipping both ways, we could do nothing more than scrap the products without sell through relief so the added cost of returning the products would only increase the loss.

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- Obviously we don't want to manufacture products that will not be sold and therefore reduced inventory levels will also limit the quantity of the 2015 compliant products we will have available for sale and since we cannot manufacture all the quantities within the short September to November primary sales season, we are faced with losing even more sales.
- To avoid possessing EPA non-compliant 2020 products, Retailers are selling off their showroom models and giving the space to 2020 compliant products which means they will sell next to none of our 2015 compliant products in 2019.
- Manufacturing lower volumes will result in increased costs of purchased parts which will contribute to higher prices for the Consumers.
- Loss of sales is expected to continue in this category as manufacturing costs are increased by R&D expenses, reduced quantity purchase advantages and the need to amortize costs over fewer units sold per year
- The decline in revenues from sales will further impact our ability to make funds available for R&D of new products.
- Without being able to offer the same comprehensive choice of 2020 compliant models, our market share will continue to diminish.
- We are working to develop products to meet the 2020 Rule, but we expect to offer only ½ the number of models we do today which reduces our Customer's choices.
- While we don't deny there is a positive impact in the reduction of emission levels between the 2015 and 2020 Rules; that impact is minimal when compared to all the non-EPA approved wood burning appliances that continue to operate in the field. Prohibiting sell through on the 2015 compliant products is doing little to improve the environment by comparison but will have a significant impact on what is/was a healthy industry.
- The test methodology for cordwood testing has yet to be officially designated making it impractical to expect wood burning appliances to be developed and tested to the 2.5 grams/hour requirements by 2020. Providing three or even two years of sell through relief would help us overcome some the challenges related to meeting these new requirements while maintaining an income to fund the Research and Development of these new appliances.
- We have been waiting for the method of testing with cordwood to be finalized which has impaired the development of new compliant products.
- Consequently, we are requesting that a 3 year sell through period be applied to the 2020 Rule.
- Alternatively, by simply permitting the sell through of products **manufactured** before the May 15th, 2020 deadline much of this situation could have been and could still be averted if EPA will change the proposed Rule to permit sell through for wood burning stoves, inserts and fireplaces.

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