AMERICAN CLEAN SKIES FOUNDATION

750 1st St, NE
Suite 1100
Washington, DC 20002
202.682.6294 *Main*
202.682.3050 *Fax*
www.cleanskies.org

Embargoed Aug. 2, 2012

Contact: jdeutsch@cleanskies.org

New Report Sees $25 Billion In U.S. Budget Savings From Switching Federal Freight Shipments To Carriers Using Alternative Fuels

Washington, D.C. – A new report from a Washington, D.C. energy policy group urges the federal government to begin allocating its $150 billion budget for transport services to carriers that fuel their fleets on domestically produced natural gas, electricity, biofuels and other alternatives to diesel and gasoline.

The report, by the non-profit American Clean Skies Foundation (ACSF), says a switch of just 20% of the U.S. government's business to freight and package carriers using alternative fuels would lead to taxpayer savings of up to $7 billion annually and approximately $25 billion by 2025 (assuming a gradual fuel shift, beginning in 2015). Much of the savings is attributable to reduced fuel costs because major alternatives, such as compressed natural gas (CNG), cost less per gallon than petroleum-based fuels.

The 55-page ACSF report -- *Oil Shift: The Case for Switching Federal Transportation Spending to Alternative Fuel Vehicles* -- finds that shifting federal transportation contracts to vans and trucks running on alternative fuels could reduce oil imports by billions of gallons annually; cut greenhouse gas (GHG) pollution by over 20 million metric tons a year; and stimulate the nationwide introduction of tens of thousands of new alternative fuel vehicles.

"When it comes to shipping goods to the government, we think it's high time for Washington to start 'Buying American' and using more carriers that rely upon cleaner domestic fuels. That will not only save billions of taxpayer dollars but also lead to cheaper and less polluting freight transportation options for everyone else," said Gregory C. Staple, CEO of ACSF and co-author of the report.

To get shippers that handle government business on the right course, the report recommends that Washington simply apply the same measurement and reporting tools developed by federal agencies over the last two decades to ratchet down petroleum use and harmful emissions associated with the government's own transportation fleet.

"Most people are probably unaware that the freight services which are used by the government and major product suppliers provide a 30 times larger opportunity for oil savings and emissions reductions than the cars and trucks that the government owns itself," said Warren Lavey, co-author of the report and ACSF's Senior Regulatory Counsel.

"Moreover," added Lavey, "our proposal does not require any new legislation or spending -- federal agencies already have the legal authority required to track the oil used and pollution associated with third-party shipping services. And agencies also have the authority to begin buying those services from freight carriers that increasingly rely on cleaner, domestically sourced alternative fuels."

Recommendations

To realize the budget and environmental benefits described above, the ACSF report makes three main recommendations:

1) Starting in 2014, federal agencies should publish annual targets and initiatives for buying more alternative fuels, reducing petroleum and lowering emissions associated with major transport services.

2) Starting in 2015, agencies should require major carriers to use alternative fuels for at least 5 percent of contracted shipments (measured in ton-miles). This requirement should increase by at least 2 percent each year from 2015 to 2025.

3) Starting in 2016, federal agencies should publish annual targets, and initiatives for using more alternative fuels, reducing petroleum and lowering emissions associated with the transport services used by major vendors to deliver products to the government (i.e., for vendor contracted shipping services not covered by the prior recommendations).

In addition, ACSF says Congress should encourage a transportation spending shift by directing the GAO to report annually, beginning in 2013, on the effectiveness of federal programs to increase the use of alternative fuels and to reduce costs related to transport services directly or indirectly purchased by federal agencies. Congressional oversight hearings may also be appropriate.

Background

The federal government owns or leases about 660,000 cars and truck and, in 2011, U.S. taxpayers spent $1.4 billion to purchase about 400 million gallons of gasoline and diesel fuel for use by these federal vehicles. Non-petroleum fuels currently account for only 4 percent of the fuel used by these fleets.

By comparison, federal agencies spend about $50 billion directly to procure transportation services each year from private-sector trucking companies and other carriers. And in FY2010, the U.S. Postal Service alone spent roughly the same amount on fuel reimbursements for third-party suppliers ($1.3 billion) as all federal agencies spent on fueling their own fleets.

A further estimated $100 billion is spent on transportation services associated with paying suppliers to deliver goods to federal facilities.

Several existing laws and executive orders, such as Executive Order 13514, require federal departments and agencies to “lead by example” in reducing petroleum use, raising energy efficiency, and mitigating adverse environmental impacts associated with federally owned vehicles and contracted transportation services.

For example, each federal agency annually is required to (a) reduce the petroleum used in its fleet vehicles by 2 percent; (b) increase its consumption of non-petroleum fuels by 10 percent; (c) ensure that alternative fuel vehicles account for at least 75 percent of new vehicle purchases or leases; and (d) cut GHG emissions. Each agency publishes an annual Strategic Sustainability Performance Plan, which is subject to approval by the Council on Environmental Quality (CEQ). The Office of Management and Budget (OMB) also issues an annual scorecard that tracks agency performance.

As a result of these standards and reporting requirements, most federal agencies have implemented vehicle purchasing, fueling and optimization initiatives for their fleets. Much more could be achieved by extending this framework of standards, performance tracking and purchasing targets from federally owned fleets to third-party transportation service providers. Further, most large freight carriers and many major product shippers already partner with the U.S. Environmental Protection Agency (EPA) or the Department of Energy (DOE) to track their use of petroleum and alternative fuels, increase their fuel efficiency and cut their emissions. Efforts to improve federal procurement practices could use data already reported by these suppliers.

The U.S. government’s shift from oil to alternative fuels and greater fuel-efficiency is not just about leading by example. It is about changing the management of fleets common to both government and private transportation service contracts. That would not only save taxpayer dollars, but it could have large economic and environmental benefits - positively shifting supply and prices for alternative fuels and vehicles throughout the nation.

About the Authors

Warren G. Lavey is Senior Regulatory Counsel at the American Clean Skies Foundation and Senior Fellow at the Environmental Law and Policy Center. He was a partner at the law firm Skadden, Arps, Slate, Meagher & Flom LLP, and an adjunct professor at Northwestern University's Kellogg School of Management and Washington University's School of Law. He holds a JD from Harvard Law School, a Diploma in Economics from Cambridge University, and an MS and BA in Applied Mathematics from Harvard University.

Gregory C. Staple is the CEO of the American Clean Skies Foundation. Prior to joining the Foundation he was a partner in the Washington, D.C., office of Vinson & Elkins and co-founder of the firm's climate change law practice. He was awarded a JD from the University of Michigan and a BA in political economy from the University of Rochester.

About the American Clean Skies Foundation

Established in 2007, ACSF seeks to advance America's energy independence and a cleaner, low-carbon environment through expanded use of natural gas, renewables, and efficiency. The Foundation is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.