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Federal employment of alternative fuel vehicles can save $7B annually, study says

By Sarah Smith

The U.S. could save more than $25 billion through 2025 by building on existing policies and shifting a portion of the federal transportation spending to alternative fuels, according to an Aug. 2 report from the American Clean Skies Foundation.

The estimated $7 billion annual cost savings would stem from switching 20% of the government's business to alternative fuel freight and package carriers, saving roughly 3 billion gallons of petroleum and cutting greenhouse gas emissions by more than 20 million tonnes annually, the report said.

"The tools exist today to measure emissions, fuel efficiency and price per … mile shipped," Greg Staple, Clean Skies CEO and co-author of the report, said in an Aug. 1 interview. "We have the tools to move government spending to cheaper, cleaner fuel, because we have the metrics. It just takes the initiative to really implement some preferences and to determine the savings."

Currently, federal agencies spend about $50 billion annually on transportation services from private sector trucking companies and other carriers, and the federal government spends more than $100 billion indirectly on related transportation services, the report said.

In looking at how the government could change its transportation spending, part of Clean Skies' goal was to build on an established tool set already in place, Staple said. The proposed shift would be in keeping with an executive order adopted in 2009 directing federal agencies to purchase transportation services that promote energy security and efficiency, the report said. The U.S. Office of Management and Budget, along with the Council on Environmental Quality are well-positioned under the existing executive orders, the report noted.

Clean Skies also looked to the U.S. Postal Service's Strategic Sustainability Performance Plan as a case study for reducing petroleum consumption while simultaneously reducing costs. The USPS plan showed that third-party transportation providers accounted for 80% of the organizations direct and indirect petroleum use and 40% of its overall greenhouse gas emissions.

The postal service developed a strategy that focused on the contracted transportation services, in addition to its own operations, aiming to cut its petroleum use to 20% below 2008 levels by 2020. The USPS has set benchmarks to compare transportation suppliers on the basis of fuel efficiency, encouraged suppliers to use more efficient vehicles and required suppliers with current contract commitments of more than $500,000 to provide sustainability data to by fiscal year 2015.

The Clean Skies report used the savings calculated under the USPS sustainability plan to arrive at its estimated cost-savings from a government-wide program to reduce third-party petroleum consumption.

The foundation also noted the successful adoption of alternative fuel vehicles under the U.S. Department of Energy's National Clean Fleets Partnership, citing a number of private fleets such as UPS, Frito-Lay, Ryder and Verizon that are transitioning their fleets to compressed natural gas, LNG and electric vehicle technologies.

Staple said Clean Skies' focus on the federal government's third-party transportation contracts arose from a combination of factors, including the increasing price advantage of alternative fuels over petroleum and the extent to which the government relies on vehicles other than its own fleets.

"It came from the practical observation of the large amount of freight traffic and package delivery services, and recognizing that the government is prime customer for these," Staple said. "There are many more third-party vehicles coming in and out of government buildings, or servicing them, than the sedans you see in the federal fleet."

The government's need to save money is also a driving factor, Staple said, with CNG and LNG costing 43% and 31% less than diesel, respectively. Hybrid electric vehicles tend to cost somewhere between 30% and 67% less than gasoline per mile, while electric vehicles cost 60% to 86% less per mile than gasoline, the report noted.

Clean Skies proposed a phased-in approach, recommending that in 2014 federal agencies should develop and report annual targets, measures and initiatives for increasing the use of alternative fuels. While federal agencies drew up plans in 2010 outlining alternative fuel plans for their own fleets, they should begin tracking their major third-party transportation services carriers, the report said.

Once the metrics are well understood, agencies would have initial targets to meet starting in 2015. Although that is only a few years away, Staple said he is confident it is a feasible goal. The increasing prevalenceof alternative fuel vehicles is bringing that market to a turning point, and the government's third-party transportation contracts could nudge it a little further.

Obstacles may still remain, and the report acknowledged that this type of alternative fuel program would need to be coordinated with existing initiatives, such as those that seek to award contracts to small or minority-owned businesses. Each agency would then need to take a look at its own goals to assess whether or not there are conflicting objectives.

But Staple said Clean Skies tried to craft a practical program and expressed confidence in its achievability.

"It's not rocket science. We don't need new technology. It's a refocus of policy," Staple said. "And the times demand it."