

Who Will Reap From FLEEEP? Using Executive Order 13514 for Comparative Business Advantage

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The Federal Government

- 1.8 million workers
- 500,000 buildings
- More than 600,000 vehicles
- Spent \$24.5 billion on fuel and electricity in 2008
- Procured \$500 billion annually in goods and services

Terminology: Scope 1, 2, and 3 Greenhouse Gas (GHG) Emissions

- Scope 1: The GHG emissions, i.e., carbon your company emits burning fuel, or otherwise emits.
- Scope 2: GHG your electric utility emits in supplying you the electricity you demand.
- Scope 3: GHG emitted by firms that supply the goods and services that your company purchases.
- These are your direct and indirect GHG emissions.
- Subcontracting converts scope 1 and 2 into 3.

Can Green Procurement Help?

- Federal climate change legislation uncertain
- Regulatory approach is under pressure at federal and state level
- Are there other near-term ways to help move the economy toward sustainable practices?

FLEEEP: Executive Order 13514

(Federal Leadership in Environmental, Energy, and Economic Performance)

- Issued Oct. 5, 2009
- Requires each federal agency to report, and set goals for reducing, their scope 1, 2, and 3 GHG emissions.
- The scope 3 goals are separate.
- Each agency to appoint a “senior sustainability manager.” Over 50 agencies have done so.
- OMB and CEQ to hold agencies accountable

U.S. Federal Policy – EO 13514

- “It is therefore the policy of the U.S.
 - that Federal agencies shall increase energy efficiency; measure, report, and reduce their greenhouse gas emissions from direct and indirect activities; ...
 - “leverage agency acquisitions to foster markets for sustainable technologies and environmentally preferable materials, products and services;”

Goals Under EO 13514

- 35 federal agencies have already set a goal for reduction of their own GHG emissions
- President Obama set overall goal of 28% reduction in GHG by 2020 for federal agencies collectively. (DoD: 34% (non-combat))
- By July 31, 2010, each agency to set reduction goal for scope 3 emissions off a 2008 baseline
- Strategic Sustainability Performance Plan
- 95% of new contract actions to conform
- By January 5, 2011, report scope 1, 2, 3

Will EO 13514 Really Affect the Private Sector?

- Potentially enormous leverage on federal contractors to address their own greenness – a big change.
- Real test: will federal contracts contain green procurement criteria that affect contractor selection?

Is the Administration Serious About Greening Their Supply Chain?

- The first key test: will federal agencies insert in federal RFPs a requirement for GHG reporting “using accepted greenhouse gas accounting and reporting principles?”
- Without that, agencies cannot even begin to address scope 3 GHG emissions.

If the Administration is Serious, Then Metrics are the Key

- We have moved from counting the column inches of green press releases, to real substance.
- How do you measure “greenness”?
 - Absolute levels: tons of CO₂
 - Intensity measures: lbs. CO₂/available ton mile
 - NGOs and federal programs have the metrics

Green Procurement Criteria Contemplated in EO 13514

- “developing and implementing innovative policies and practices to address scope 3 emissions unique to agency operations.”
- “requiring vendors and contractors to register with a voluntary registry or organization for reporting greenhouse gas emissions.”
- “purchasing preferences or other incentives for products manufactured using processes that minimize GHG;”
- “Other options for encouraging sustainable practices and reducing GHG;”

Problems for Federal Contractors Who Want To Be Ready

- Timing: bottoms up GHG inventory tied to specific contracts will require many months and flexible sustainability software
- Are they greener than the incumbent?
- Mandatory reports under federal contracts will require more than “greenwashing”
- Problem of subcontractors

Advanced Strategies for Reducing Federal Scope 3 GHG Emissions

- Inherent efficiency – minimizing GHG
- Offsetting GHG -- carbon neutral procurement? Note Denmark
- Lifecycle cost analysis to substantiate your strategy as the least cost way to reduce scope 3 emissions.
(Intermodal shipping or alternative fuel vehicles)

Other Candidates for Undertaking Green Procurement

- States
- Municipalities
- Large private firms – Wal-Mart has started to green their supply chain
- Environmental groups who will encourage their members to follow similar practices

The End

- Questions?