



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

**Response to Bicameral Task Force
on Climate Change**

April 25, 2013

Report Number HR-MA-13-002



HIGHLIGHTS

BACKGROUND:

On February 25, 2013, the co-chairs of the Bicameral Task Force on Climate Change requested help in assessing whether the U.S. Postal Service is doing everything it can to confront the threat of climate change.

The task force asked us to (1) identify the existing requirements in legislation, regulation, executive order, and other directives that apply to the Postal Service; (2) assess whether the Postal Service is meeting those requirements; and (3) make recommendations for improving performance if the Postal Service is not fully meeting the requirements. Also, they asked us to assess (1) the authorities the Postal Service has to reduce emissions, (2) the Postal Service's authorities to make the nation more resilient to the effects of climate change, and (3) the most effective additional steps the Postal Service could take to reduce emissions or strengthen resiliency.

We did not perform a comprehensive review of the Postal Service's progress in meeting legislative requirements on climate change. Our response is based on the best information available and is intended solely for the use of the task force.

WHAT THE OIG FOUND:

The National Energy Conservation Policy Act, the Energy Policy Act, and

the Energy Independence and Security Act include requirements on energy consumption and greenhouse gas emissions that apply to the Postal Service. The Postal Service's performance is generally on track to meet the legislative requirements of these laws related to climate change, but it is not on track to meet requirements for greenhouse gas emissions and petroleum fuel consumption reductions. Additionally, the Postal Service has established its own policies aimed at reducing greenhouse gas emissions and making the nation more resilient and it has goals in place to accomplish them.

WHAT THE OIG RECOMMENDED:

This report is provided for information only. We offered no formal recommendations and no management action is required. However, in response to the request for recommendations for improving performance, we suggested the Postal Service focus on reducing contract transportation emissions and enhance strategies outlined in its draft 2012 Strategic Sustainability Performance Plan. We also suggested the Postal Service replace its aging delivery fleet with fuel efficient vehicles using new technologies as soon as financial and legislative constraints have been mitigated.

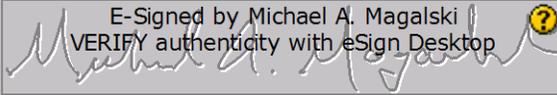
[Link to review the entire report](#)



April 25, 2013

MEMORANDUM FOR: Thomas G. Day
Chief Sustainability Officer

E-Signed by Michael A. Magalski
VERIFY authenticity with eSign Desktop



FROM: Michael A. Magalski
Deputy Assistant Inspector General
for Support Operations

SUBJECT: Response to Bicameral Task Force on Climate Change
(Report Number HR-MA-13-002)

Attached is a copy of our response to a request from the co-chairs of the Bicameral Task Force on Climate Change to assess whether the Postal Service is doing everything it can to confront the threat of climate change. (Project Number 13YO015HR000). This report is provided for information only and requires no management action.

At the request of the task force, we (1) identified the existing requirements in legislation, regulation, executive order, and other directives that apply to the Postal Service; (2) assessed whether the Postal Service is meeting those requirements; and (3) made recommendations for improving performance. Additionally, we assessed (1) the authorities the Postal Service has to reduce emissions, (2) the Postal Service's authorities to make the nation more resilient to the effects of climate change, and (3) the most effective additional steps the Postal Service could take to reduce emissions or strengthen resiliency.

We were not engaged to, and did not perform, a comprehensive review of the Postal Service's progress in meeting legislative requirements related to climate change. We provided responses based on the best information available at the time of this request. The information is intended solely for the use of the Bicameral Task Force on Climate Change.

We appreciate the cooperation and courtesies provided by you and your staff. If you have any questions or need additional information, please contact Lorie Nelson, director, Human Resources and Support, or me at 703-248-2100.

Attachments

cc: Ronald A. Stroman
Corporate Audit and Response Management

Response to Bicameral Task Force on Climate Change

HR-MA-13-002



OFFICE OF THE INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

March 29, 2013

The Honorable Henry A. Waxman
The Honorable Edward J. Markey
Cochairs, Bicameral Task Force on
Climate Change
U.S. House of Representatives
Washington, D.C. 20515-9994

The Honorable Sheldon Whitehouse
The Honorable Benjamin L. Cardin
Cochairs, Bicameral Task Force on
Climate Change
United States Senate
Washington, D.C. 20510-7720

Dear Messrs. Waxman and Markey and Senators Whitehouse and Cardin:

We received your February 25, 2013, letter seeking assessment of the extent of the U.S. Postal Service's efforts to prepare and respond to the threats of climate change.

Our Office of Audit reviewed requirements of federal laws, such as the Energy Policy Act of 1992 and its amendments, which for the first time extended previous energy management law for federal agencies to the Postal Service. Audit staff also reviewed Postal Service progress in meeting legislated goals and noted shortfalls in greenhouse gas emissions and petroleum fuel consumption reductions.

This review, an assessment of progress towards legislated goals, and a summary of prior relevant audit work are attached.

If you have any questions or require more details concerning this information, please contact Walter Olihovik, Director, Government Relations, at 703-248-2201.

Sincerely,

A handwritten signature in cursive script that reads "David Williams".

David C. Williams
Inspector General

Enclosures

Introduction

Climate change poses risks to many environmental and economic systems — including agriculture, infrastructure, ecosystems, and human health — and presents a significant financial risk to the federal government. The Government Accountability Office found the federal government is not well organized to address the fiscal exposure presented by climate change, partly because of the inherently complicated, cross-cutting nature of the issue. This document responds to a February 25, 2013, request from the cochairs of the Bicameral Task Force on Climate Change for help in assessing whether the U.S. Postal Service is doing everything it can to confront this threat.

The task force has asked that we (1) identify the existing requirements in legislation, regulation, executive order (EO), and other directives that apply to the Postal Service, (2) assess whether the Postal Service is meeting those requirements, and (3) make recommendations for improving performance if it is not fully meeting the requirements. Additionally, we are to assess (1) the authorities the Postal Service has to reduce emissions, (2) the authorities to make the nation more resilient to the climate change, and (3) the most effective additional steps the Postal Service could take. Our response to this request follows.

Part I. Existing Requirements and Progress

Existing Requirements Applicable to the Postal Service

There are several policies related to energy consumption and greenhouse gas (GHG) emissions that apply to the Postal Service. The National Energy Conservation Policy Act (NECPA) serves as the underlying authority for federal energy management goals and the foundation for most current energy requirements. NECPA, signed into law in 1978, initially did not apply to the Postal Service. However, the Energy Policy Act (EPACT) of 1992 amended NECPA such that certain provisions now apply to the Postal Service. In addition, NECPA has been updated and amended by subsequent laws and regulations, including EPACT of 2005 and the Energy Independence and Security Act (EISA) of 2007 that also apply to the Postal Service. Following is an overview of the applicable provisions.

EPACT 1992

- Amends provisions of NECPA dealing with federal energy management. EPACT required the Postal Service to follow provisions of NECPA §166.
- Requires the Postal Service, to the maximum extent practicable, meet the federal energy management goals for federal buildings.

EPACT 2005

- Revises energy reduction goals and performance requirements for federal buildings created by NECPA, including: a timetable for reduced energy consumption; federal procurement guidelines for energy efficient products; and extension of federal agency authority to enter into energy savings performance contracts.
 - Requires vehicles acquired by the federal government, including the Postal Service, to use alternate fuel unless granted a waiver by the U.S. Department of Energy.

EISA 2007

- Revised the 20-percent energy reduction requirement originally established by EPACT 2005 to 30-percent reduction in building energy consumption by 2015. The Postal Service is required to meet these requirements to the maximum extent practicable.
- Amended EPACT 1992 by prohibiting federal agencies, including the Postal Service, from acquiring a light duty, motor vehicle or medium duty, passenger vehicle that is not a low GHG emitting vehicle.
- Requires Federal fleets, including the Postal Service fleet, to reduce petroleum consumption by 20 percent and increase alternate fuel consumption by 10 percent annually by 2015.
- Requires training for contracting officers in contract negotiation and management on energy contracts.

The Postal Service has also adopted as part of its energy goals many of the requirements of EO 13514.¹ EO 13514, *Federal Leadership in Environmental, Energy, and Economic Performance*, that requires agencies measure, manage, and reduce GHG emissions toward agency-defined targets.² EO 13514 also requires additional improvements in water efficiency by 2020.

Progress Towards Meeting Requirements

The Postal Service has established targets in line with applicable requirements in order to lead the organization toward a more sustainable future. Those targets include goals for reduction in GHG emissions and facility energy and fuel consumption. Table 1 lists those goals and provides the Postal Service's status at meeting those goals.

¹ EOs generally do not apply to the Postal Service because of the Postal Service's unique mission and status as a non-appropriated federal agency. However, the Postal Service typically complies voluntarily.

² The Postal Service defined its greenhouse gas Scope 1 and 2 reduction target as a 20percent reduction by 2020. Similarly, the Postal Service has a Scope 3 reduction target of 20%.

Table 1. FY 2012 Postal Service Sustainability Metrics

Metric	Goal	Baseline Year	FY 2012 % Change from Baseline	Goal Status	Criteria
GHG ³	20% GHG Scopes 1 and 2 Reduction by 2020	2008	(19.3%) ⁴	On Target	EO 13514
	20% GHG Scope 3 Reduction by 2020	2008	(3.7%)	Off Target	EO 13514
Facility Energy	30% Facility Energy Reduction by 2015	2003	(33.9%)	On Target	Postal Sustainability Goal
	30% Facility Energy Intensity Reduction by 2015	2003	(32.4%)	On Target	EISA 2007
Fuel	20% Petroleum Fuel Reduction by 2015	2005	4.6 %	Off Target	EISA 2007
	10% Annual Alternative Fuel Increase by 2015	2005	140.7%	On Target	EISA 2007
Water	10% Water Consumption Reduction by 2015	2007	(38.1%)	On Target	Postal Sustainability Goal
	26% Water Intensity reduction by 2015	2007	(30.9%)	On Target	EO 13514

Source: Postal Service Office of Sustainability.

Recommendations for Improvement

The Postal Service's performance generally is on track to meet the existing legislative requirements related to climate change, except the nonbinding EO 13514 requirement to reduce Scope 3 GHG emissions toward agency-defined targets, and the EISA 2007 requirement to reduce petroleum fuel consumption by 20 percent. While we have not completed any specific reviews on the Postal Service's progress in meeting legislative requirements related to climate change, we provide the following information:

³ Scopes 1 and 2 GHG emissions include direct emissions from combustion in vehicles and facilities, and indirect emissions from purchased electricity and steam used in facilities. Scope 3 GHG emissions include all other indirect emissions.

⁴ Parentheses indicate a percentage decrease from baseline.

Greenhouse Gas Emissions

As of fiscal year (FY) 2012, the Postal Service is on target to reduce its scope 1 and 2 greenhouse gas emissions by 20 percent by 2020. However despite a reduction from FY 2008, the Postal Service is not on target to reduce its scope 3 GHG emissions by 20 percent by 2020. Scope 3 GHG emissions consist of indirect sources, including contracted transportation services, employee business travel, and contracted waste and wastewater disposal. The largest contributor to Scope 3 emissions is contract transportation. We suggest that the Postal Service focus on this area, as a reduction here would have the largest impact. However, to meet the goal, the Postal Service should also enhance strategies outlined in its draft 2012 Strategic Sustainability Performance Plan (SSPP), which includes:

- Reducing contracted transportation petroleum fuel use 20 percent by FY 2020.
- Minimizing petroleum use from federal employee travel.
- Minimizing contracted waste disposal.
- Minimizing transmission and distribution losses by reducing electricity consumption.

Petroleum Fuel Consumption

Since FY 2005, overall petroleum fuel consumption has increased by 4.6 percent. During this time, the Postal Service reduced some petroleum fuel use mostly through carrier optimal routing⁵ related to the introduction of the Flat Sequencing System.⁶ The Postal Service has also worked to emphasize driving practices that reduce fuel consumption. Despite these efforts, overall fuel consumption has increased compared to the baseline. Reducing petroleum fuel use presents a challenge due to the addition to the delivery network of nearly 1 million new addresses each year, as well as an aging fleet of delivery vehicles.

The Postal Service's financial condition, as well as legislative constraints, restricts its ability to continue to move forward with reduction of petroleum fuel consumption. The Postal Service is up against its statutory limit for borrowing and is expected to continue to have liquidity shortfalls at least through 2013. The Postal Service will be limited in its ability to meet established goals without legislative actions that would address the Retiree Health Benefits Fund prefunding requirement, closure/consolidation of facilities, and delivery schedules. As soon as financial and legislative constraints have been mitigated, we recommend the Postal Service replace its aging delivery fleet with fuel efficient vehicles using new technologies.

⁵ Carrier optimal routing is a computer software application that creates compact, contiguous and safe city carrier delivery routes. It also creates optimal travel paths for the carrier routes which reduces unnecessary travel and results in savings in work hours, fuel and vehicle costs, and ultimately captures energy savings.

⁶ Flat Sequencing System is a type of processing equipment that sorts flat-sized mail pieces in delivery point sequence at high speeds.

Part II. Authorities and Additional Steps

In the context of our response, we interpret 'authorities' to refer to the Postal Service's ability to establish its own policies and goals aimed at reducing GHG emissions and making the nation more resilient.

Authorities to Reduce Emissions

As an independent government agency, the Postal Service can enter into contracts, and can buy and sell facilities, real property, equipment, and vehicles.⁷ The Postal Service not only has the authority to reduce emissions, it also has goals to make this happen. The Postal Service is on target to achieve many of the nonbinding goals in EO 13514.

Authorities to Strengthen Resiliency

The Postal Service included a policy statement as an appendix to its SSPP that discusses its approach to climate change adaptation. This topic pertains to an agency's ability to respond to the effects of climate change. The Postal Service recognizes that the scope, severity, and pace of future climate change impacts are difficult to predict, but that it is clear that potential changes could burden and disrupt its ability to fulfill its mission, which is to provide universal mail service. According to the policy statement, it will consider potential climate change impacts when undertaking long-term strategic and financial planning and when making relevant decisions affecting policies, planning, resource allocation, and operations. As these impacts take place, the Postal Service must balance climate change impacts with its ability to continue mail processing and delivery operations.

Additional Steps

The Office of Sustainability suggests that the Postal Service's two biggest areas of opportunity to further reduce Scope 1 and 2 GHG emissions are replacement of the fleet of 20 year old plus vehicles with more fuel efficient models, and energy reduction projects, such as upgrades to heating, ventilation, and air conditioning and lighting systems. However, the Postal Service cannot take these actions due to a lack of available capital funding. The Postal Service is working to deploy cross functional teams, referred to as "Green Teams," consisting of postal employees with a wide range of specialties who implement low and no cost efforts to reduce resource utilization. They focus on five sustainability target areas – energy, waste, fuel, water, and consumables spending. To reduce Scope 3 emissions, the Postal Service will continue to focus on the optimization of highway contract routes and air transportation. For climate change adaptation, the Postal Service plans to take a strategic look at critical infrastructure, including processing centers, data centers, and delivery and retail units.

⁷ 39 U.S.C. §§ 401(3), (5), and (6); 2006.

The OIG has issued a number of audit reports related to facility energy consumption and GHG emissions, in which we have recommended additional steps the Postal Service could take to further reduce emissions or strengthen resiliency. Table 2 lists the relevant reports and summarizes the corresponding recommendations. The Postal Service has put into place many of the recommendations.

Table 2. Prior OIG Audit Reports Relevant to Climate Change

Report Title	Report Number	Final Report Date	Recommendation(s)
<i>Estimated Supply Chain Management Impact Associated with Waste, Trash, and Recycling Services</i>	CA-MA-08-001	1/10/2008	<ol style="list-style-type: none"> 1. Develop standardized procedures for file management and payment tracking for waste, trash, and recycling services contracts. 2. Develop tracking mechanisms that allow for payment reports by contract number for waste, trash, and recycling services contracts. 3. Develop reports and procedures that adequately account for recycling contract revenue. 4. Provide contracting officer representatives for waste, trash, and recycling. 5. Service contracts with adequate policies, procedures, and instructions to manage these complex contracts.

Report Title	Report Number	Final Report Date	Recommendation(s)
<i>Facilities Energy Management Strategy</i>	DA-AR-08-004	4/9/2008	<ol style="list-style-type: none"> 1. Finalize and publish a National Energy Management Plan. This plan should establish a long-term vision and goals that encompass facilities referenced in the EISA of 2007. 2. Update the <i>Facility Energy Management Policy and Guide</i>. This should clarify the organizational structure for carrying out energy management responsibilities. 3. Continue to develop systems for reporting actual energy consumption baselines and progressing toward energy reduction goals. In this regard, management should consider expanding electronic energy billing interfaces to collect actual energy consumption data or develop other long-term solutions.
<i>Postal Service National Energy Management Plan</i>	DA-MA-08-003	9/26/2008	<ol style="list-style-type: none"> 1. Amend the National Energy Management Plan to: <ol style="list-style-type: none"> a. Include the remote building management system pilot. b. Clarify procedures for reporting baseline information. c. Include key performance metrics and timeframes in an appendix.
<i>Sustainability: Promoting Energy and Recycling Compliance</i>	DA-MA-09-001	6/12/2009	<ol style="list-style-type: none"> 1. Reinforce energy and recycling polices with installation managers. 2. Require periodic talks to employees on energy and recycling practices.

Report Title	Report Number	Final Report Date	Recommendation(s)
<i>Sustainability: Promoting Energy and Recycling Compliance Fiscal Year 2009</i>	DA-MA-10-001	1/28/2010	<ol style="list-style-type: none"> 1. Issue written guidance to installation managers to encourage the use of more remote building management systems. 2. Issue written guidance to installation managers and provide periodic service talks to employees to reinforce awareness of energy and recycling policies.
<i>Delivery Vehicle Replacement Strategy</i>	DA-AR-10-005	6/16/2010	<ol style="list-style-type: none"> 1. Replace maintenance intensive vehicles beginning in FY 2011. 2. Re-emphasize to vehicle maintenance and district managers the reinvestment threshold, the importance of completing Postal Service Forms 4587, <i>Request to Repair, Replace, or Dispose of Postal-Owned Vehicle</i>, to include cumulative costs, and the need to obtain required approvals as detailed in Handbook PO -701, <i>Fleet Management</i>. 3. Monitor maintenance intensive delivery vehicles at the area level.
<i>Nationwide Facility Optimization</i>	DA-AR-11-009	8/26/2011	<ol style="list-style-type: none"> 1. Use the Building Operators Management Association or comparable standards to determine leasable space and update the Postal Service's Facility Planning standards for determining earned space. These factors should be the basis for calculating the extent of excess space in the management reporting system. 2. Revise the vice president, Facilities, Report Card to include measurement in square footage terms and seek to include facility optimization goals as part of the National Performance Assessment.

Report Title	Report Number	Final Report Date	Recommendation(s)
<i>Integrating Sustainable Energy in Facilities</i>	DA-MA-12-001	12/19/2011	<ol style="list-style-type: none"> 1. Establish and monitor performance metrics for new alternative energy systems. 2. Continue to monitor opportunities and economic feasibilities for alternative energy systems.
<i>Benchmarking Sustainability Contracting Practices</i>	CA-MA-12-002	8/8/2012	Develop sustainability contract clauses and use, as guidance, those clauses provided by benchmarked agencies that are consistent with the Postal Service's sustainability goals. Training should be provided to contracting officials and relevant business partners, once the clauses are implemented.