

Activities and Accomplishments in MY 2002/FY 2003

In model year (MY) 2002, regulated State & Fuel Provider (S&FP) fleets continued to make progress toward the Energy Policy Act of 1992 (EPAct) goal of replacing petroleum. They achieved more than a 95% rate of compliance with the EPAct fleet regulations. To reach these levels they:

- Acquired more than 10,000 state-of-the-art alternative fuel vehicles (AFVs)—including the first hydrogen vehicle reported to the U.S. Department of Energy (DOE),
- Purchased more than 2.6 million gallons of biodiesel, and
- Traded almost 800 AFV credits.

The results highlighted in this report show encouraging signs that fleets are successfully using today's alternative fuel technologies to carry out everyday business activities. Some fleets are providing leadership at the local and state levels by surpassing their EPAct requirements. Others are even voluntarily engaging in entrepreneurial activities to distribute alternative fuels and develop vehicle technologies.

Status of Covered Fleets

In MY 2002, 302 entities were covered by S&FP requirements. Some of these entities represent one agency or business, while others constitute fleet operations for an entire state.

The outstanding compliance level was a result of the many ways fleets can comply, as well as a high level of outreach efforts telling fleets about how they can comply. These options include acquiring light-duty AFVs, purchasing credits from other fleets, using banked credits, and buying biodiesel.

The acquisition of AFVs is the most common method of compliance. In MY 2002, there were



GMC Yukon (left)

Mercury Mountaineer (right)

more AFVs to choose from, as four new flexible fuel sport utility vehicles (SUVs) were introduced.

Vehicle Acquisitions

Under S&FP regulations, 75% of new covered light-duty vehicles (LDVs) acquired by state fleets must be AFVs, and 90% of those acquired by alternative fuel providers must be AFVs. AFV acquisition requirements are determined by multiplying a fleet's number of newly acquired, nonexcluded LDVs by the applicable percentages.

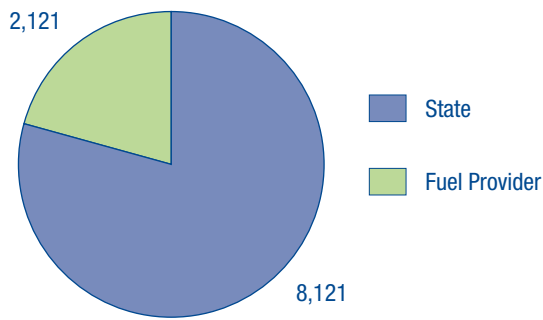
Although the total number of LDVs acquired was down 19%, covered fleets acquired 10,242 AFVs, only 3% fewer than in the previous year. Trends show that many fleets continued to acquire AFVs at the same pace as the year before, with many fleets buying more than required. As a result, fleets exceeded their AFV requirements and banked 2,617 credits, 32% more than in MY 2001. Excess credits can be banked and used for compliance in future years or sold to other fleets.

Credit Use and Trading

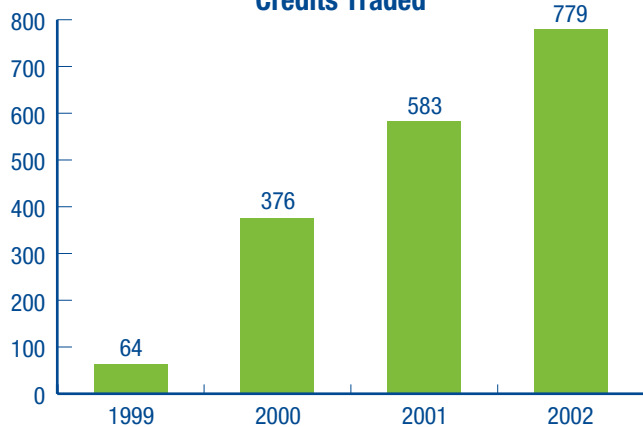
Covered fleets earn bankable credits when they exceed their light-duty AFV acquisition



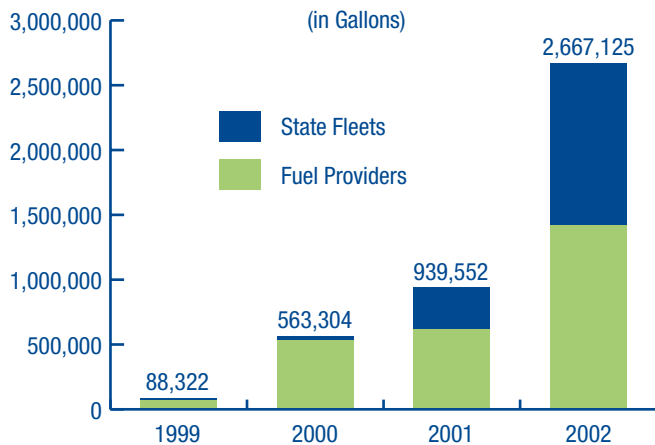
**Figure 1:
AFVs Acquired by Covered Fleets**



**Figure 2:
Credits Traded**



**Figure 3:
Biodiesel Fuel Use
(in Gallons)**



requirements. Fleets that need credits can also acquire banked credits from other fleets. In MY 2002, fleets used 1,461 banked credits to help satisfy their AFV requirements. These credits helped fleets satisfy almost 13% of their MY 2002 AFV requirements. Credit trading between fleets grew for the fourth consecutive year, with fleets trading nearly 800 credits in MY 2002, up 34% from the prior year.

Biodiesel Fuel Use

Fleets that acquire biodiesel fuel blends earn one credit for each 450 gallons of pure biodiesel used or one credit for every 2,250 gallons of B20*. In MY 2002, fleet records show a 184% increase in biodiesel fuel use, with fleets reporting more than 2.6 million gallons used compared to 939,000 gallons in MY 2001. Biodiesel credits accounted for nearly 44% of all credits used in MY 2002, with fleets using a total of 1,149 biodiesel credits.

MY 2002 saw the number of fleets using biodiesel jump from 46 to 60, accounting for almost 20% of all covered fleets. Seventeen state fleets reported using a total of 1.2 million gallons of biodiesel, while 43 fuel provider fleets used 1.4 million gallons. Figure 3 shows fuel providers to be the predominant users of biodiesel, but state fleets are also rapidly increasing biodiesel use.

Exemptions

In MY 2002, 30 fleets received 973 vehicle exemptions, 16% fewer than the 1,157 granted in MY 2001. The decline in exemptions is due to increased biodiesel use and the availability of new AFV models, specifically the four new flexible fuel SUVs.

DOE updated its exemption guidance (“Documentation Requirements for Exemption Requests”) in fiscal year (FY) 2003 to ensure that fleets are fully aware of their obligation to consider biodiesel as a compliance tool. The exemptions granted in MY 2002 reduced the number of AFVs required by 8%. The most common reason fleets applied for exemptions was that they had a justifiable business need for a particular vehicle type for which no AFV model was available.

*For more information on how biodiesel credits are calculated, download “Reporting Biodiesel Fuel Use Credits” from the EPAAct Web site (www.ott.doe.gov/epact/pdfs/biodiesel_guidance.pdf).

Table 1: MY 2002 Highlights

Fleets in Compliance	95%+
AFVs Purchased	10,242
Banked Credits Used	1,461
Biodiesel Fuel Used (in Gallons)	2.6 million
Biodiesel Credits Used	1,149
Credits Traded	779



As in past years, nearly all the exemption requests were from alternative fuel providers. DOE expects that the need for exemptions will decline as more compliance options become available and the accessibility of alternative fuels increases.

Program Activities & Accomplishments

In FY 2003, DOE continued to work with fleets to increase the number of AFVs on the road and expand the use of alternative fuels, including biodiesel. Efforts included:

Direct Communication with Covered Fleets

A proactive communication strategy with covered fleets is the best way to maximize compliance. DOE automated a number of its annual fleet communications. Each fall, covered fleets receive a reminder that their annual reports are due by December 31. Fleets that fail to file timely reports are reminded in writing soon after the filing deadline. Fleets with

Fleet Fuel Preferences

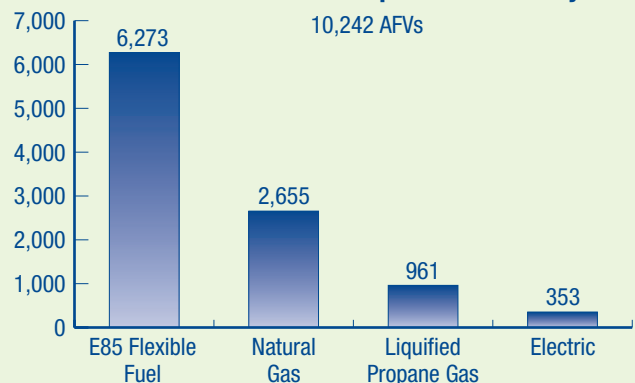
In general, bi-fuel and flexible fuel vehicle (FFV) configurations continue to be popular with covered fleets largely because of the lack of fueling infrastructure in some areas. FFVs that can run on E85 accounted for 61% of newly acquired AFVs. State fleets acquired 90% of the FFVs.

An encouraging factor this year was the opening of many new public ethanol fueling stations. The National Ethanol Vehicle Coalition estimates that 20 new E85 stations were installed in 2002, and 60 more new stations may be installed before the end of 2003. One electric provider installed four such stations to meet its fueling needs, and three other fuel provider fleets indicated that they installed or plan to install E85 fueling sites for their fleets.

Natural gas (26%) and propane (9%) vehicles were the next most popular AFVs purchased in MY 2002. DOE discourages fuel providers from acquiring FFVs that use E85 unless they can demonstrate that they have access to E85 fueling infrastructure. EPA requires fuel providers to use alternative fuel in their AFVs. State fleets are not required to do this, but they are encouraged to voluntarily use E85 in their FFVs.

Ninety percent of the AFVs acquired in MY 2002 were bi-fuel or FFVs. Of the more than 70,000 AFVs currently operated by covered state and fuel provider fleets, bi-fuel and FFVs make up more than 80% of all vehicles.

Figure 4:
MY 2002 Vehicle Acquisition Summary



credit deficiencies are sent a letter that summarizes their compliance status and instructs them to contact DOE to resolve any deficiencies. Fleets that fail to respond to these notices are contacted directly to resolve compliance issues.

These procedures have proven highly effective in resolving noncompliance issues. DOE stresses that fleets are obligated to consider all AFV options, including biodiesel, as compliance options.

Additionally, DOE in FY 2003 continued to field questions and inquiries from covered fleets on its regulatory information line and e-mail address.

Presentations at Conferences and Workshops

In FY 2003, DOE participated in several events of the Clean Cities Program, including presenting at the Southern California Alternative Fuel Vehicle Expo & Natural Gas Infrastructure Workshop and the 9th National Clean Cities Conference. DOE also exhibited at the National Conference of State Fleet Administrators and the World Natural Gas Vehicle

Conference. These events provided opportunities to distribute guidance materials, speak with affected stakeholders, and answer questions from fleet managers and state officials.

Success Stories

This year the DOE published "EPA Act Programs Celebrate Regulated Fleet Successes," a fact sheet that details how the Pennsylvania Turnpike Commission and Pacific Gas & Electric overcame hurdles to make their AFV programs more effective. The fact sheet was distributed at the 9th National Clean Cities Conference and is available on the S&FP Web site (www.afdc.doe.gov/pdfs/33827.pdf).

Conclusion

In MY 2002, covered fleets acquired 10,000 AFVs and consumed 2.6 million gallons of biodiesel as part of their EPA Act compliance efforts. More than 95% of covered fleets are in compliance with the S&FP requirements. The program has increased its outreach efforts by participating in regional and national workshops and events and publishing success stories on state programs that have expanded the use of alternative fuels.

For FY 2004, the S&FP Program will continue to work with fleets to provide them with useful guidance to increase compliance. This will include working with other DOE efforts, such as Clean Cities' voluntary activities, and industry trade organizations to ensure that DOE communicates with the largest possible audience of stakeholders.

What is EPA Act?

The Energy Policy Act of 1992 (EPA Act) was passed by Congress to reduce the nation's dependence on imported petroleum. Provisions of EPA Act require certain fleets to purchase AFVs. DOE administers these requirements through its State & Fuel Provider Regulations, Federal Fleet Regulations, Private & Local Government Regulations, and Alternative Fuel Petition Regulations.

For more information, visit www.ott.doe.gov/epact, or call the Regulatory Information Line at (202) 586-9171.

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Prepared by the National Renewable Energy Laboratory (NREL)
NREL is a U.S. Department of Energy National Laboratory
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DOE/GO-102003-1769
September 2003

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