

July 11, 2022

The Honorable Brenda Mallory
Chair
White House Council on Environmental Quality
17th Street and Pennsylvania Avenue, NW
Washington, DC 20504

The Honorable Gina McCarthy
National Climate Advisor
White House Office of Domestic Climate Policy
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Chair Mallory and National Climate Advisor McCarthy,

We write today to strongly encourage the Administration to establish a bold new performance contracting challenge to reduce the federal government's CO₂ emissions by 3.5 million metric tons each year over the next five years. This ambitious but attainable objective would result in an estimated 50% reduction of total scope 1 & 2 greenhouse gas (GHG) emissions from standard operations in federal facilities based on current federal energy and sustainability performance dataⁱ. Success in this challenge would maximize progress toward the Administration's goal of a net-zero emissions building portfolio by 2045.

A concrete emissions reduction target for agencies to achieve through Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs) would be a budget-neutral tool to deliver roughly \$1 billion in yearly federal energy cost savings to American taxpayers. Most importantly, and as cited by Secretary Granholm at a May 4th Senate Committee on Appropriations Energy and Water Development Subcommittee hearing, it would create jobsⁱⁱ. Based on the scope of typical projects, a challenge of this magnitude would support approximately 104,500 good-paying jobs, including 38,500 equipment manufacturing jobs and 44,000 local subcontractor and installer jobsⁱⁱⁱ.

The impact of a new performance contracting challenge for federal agencies would go well-beyond metrics. It would serve as a strong demonstration that the United States is serious about tackling climate change by breaking ground on projects within our government. Additionally, the challenge would help deliver on fundamental equity and environmental justice objectives. According to an industry survey, roughly 75% of performance contracts awarded by the Federal government since January 2020 are being built in HUBZones.

ESPCs and UESCs, known collectively as performance contracts, enable federal agencies to procure energy savings and facility infrastructure improvements with no up-front capital costs or appropriations. Financed and implemented by the private sector, performance contracts reduce energy and operating costs, address maintenance backlogs, and repair or replace aged and failing equipment in federal buildings while at the same time boosting jobs and our economy. With only 17%^{iv} of federal facilities evaluated in Congressionally required audits, over \$7.2 billion in potential cost-effective energy conservation measures (ECMs) have already been identified^v. Performance contracts are based on guaranteed private sector performance, and the government pays for the project over time, with actual savings generated by the infrastructure upgrades. If the promised savings are not achieved, the government does not pay.

Over \$13.5 billion has been invested through privately financed investments in performance contracting projects that have reduced government energy waste and cut federal utility bills by more than \$17.7 billion^{vi}. These projects also generated 615 trillion Btu in life cycle energy savings for the government, reflecting the value of utilizing performance contracting to improve U.S. energy independence and security while reducing greenhouse gas (GHG) emissions. Additionally, Congress provided \$250 million through the Bipartisan Infrastructure Law for grants that enable agencies to leverage the funding by implementing more comprehensive performance contract projects by including onsite renewable energy generation and storage and enhanced resiliency measures. We see tremendous potential for the Biden

Administration to expand upon this success and emphasize federal agency use of performance contracting to achieve the goals and targets outlined in Executive Order 14057^{vii}.

While ESPCs and UESCs are authorized by law, their use by federal agencies is primarily driven by presidential leadership and White House level management. Nothing drives agency performance better than high-level accountability. As you know, the Obama Administration's Federal Performance Contracting Challenge was highly successful in surpassing the goal of investing \$4 billion through private investment over five years. It led to the award of 340 performance contracts that enabled the government to reduce its carbon footprint by 1.4 million metric tons of CO₂ per year and create 30,000 jobs^{viii}. Under that challenge, each agency had a target and was provided technical assistance on project implementation from the U.S. Department of Energy's Federal Energy Management Program. Progress on the challenge was rigorously tracked by the Office of Management and Budget and the Council on Environmental Quality. The previous challenge laid the institutional framework in place to effectively support a more aggressive approach by this Administration.

The Administration's commitment to leading by example and achieving a net-zero emissions federal building portfolio by 2045, including a 50% emissions reduction by 2032, puts you in a unique position to embark on a transformative performance contracting goal. We respectfully urge you to expeditiously issue a challenge to federal agencies, as immediate action is needed today to lock in emissions reductions in the decades to come.

Chair Mallory and National Climate Advisor McCarthy, this is a critically important initiative with widespread bipartisan support and one that can be achieved. Our organizations stand ready to work with you to support your leadership in setting an ambitious goal and will follow through in working with the Administration to achieve it. Should you or your staff have any questions, please contact Jennifer Schafer, Executive Director of the Federal Performance Contracting Coalition (jasca@cascadeassociates.net).

Sincerely,

Alliance to Save Energy (ASE)
Business Council for Sustainable Energy (BCSE)
Federal Performance Contracting Coalition (FPCC)
National Association of Energy Service Companies (NAESCO)
National Association of State Energy Officials (NASEO)
Natural Resources Defense Council (NRDC)
U.S. Green Building Council (USGBC)

CC: The Honorable Shalanda Young, Director, White House Office of Management and Budget

The Honorable Jennifer Granholm, Secretary, U.S. Department of Energy

ⁱ *Comprehensive Annual Energy Data and Sustainability Performance*. (2020). U.S. DOE Federal Energy Management Program (<https://ctsedweb.ee.doe.gov/Annual/Report/TotalScope1And2GHGEmissionsSubjectToReductionTargetsComparedToFY2008.aspx>)

ⁱⁱ *Review of the Fiscal Year 2023 Budget Submission for the U.S. Department of Energy*. (May 2022). U.S. Senate Committee on Appropriations Subcommittee on Energy and Water Development. (<https://www.appropriations.senate.gov/hearings/a-review-of-the-fiscal-year-2023-budget-submission-for-the-us-department-of-energy>)

ⁱⁱⁱ *Direct Job Impact for ESPC Projects*. (2018). Federal Performance Contracting Coalition (<https://federalperformancecontracting.com/wp-content/uploads/2018/08/Job-Impact-of-ESPCs-chart-ESPCs.pdf>)

^{iv} *Comprehensive Evaluation Compliance (by Agency)*. (June 2022). U.S. DOE Federal Energy Management Program (https://ctsedweb.ee.doe.gov/CTSDDataAnalysis/Reports/PublicAgencyReport_ComprehensiveEvaluationCompliance.aspx)

^v *Comprehensive Evaluation Findings (by Agency)*. (June 2022). U.S. DOE Federal Energy Management Program (https://ctsedweb.ee.doe.gov/CTSDDataAnalysis/Reports/PublicAgencyReport_ComprehensiveEvaluationFindings.aspx)

^{vi} *Awarded DOE IDIQ Energy Savings Performance Contract Projects*. U.S. DOE Federal Energy Management Program. (<https://www.energy.gov/eere/femp/awarded-doe-idiq-energy-savings-performance-contract-projects>)

^{vii} *Exec. Order No 14057, 86 Fed. Reg. 70935, 70943* (Dec. 2021). (<https://www.federalregister.gov/documents/2021/12/13/2021-27114/catalyzing-clean-energy-industries-and-jobs-through-federal-sustainability>)

^{viii} *Federal Government Exceeds Goal for Renewable Energy and Energy Efficiency Investments*. (Dec. 2016). White House Council on Environmental Quality (<https://obamawhitehouse.archives.gov/blog/2016/12/28/federal-government-exceeds-goal-renewable-energy-and-energy-efficiency-investments>)