

Guidance¹ for Federal Agencies: New Alternative Fuel Vehicle Definitions under Section 2862 of the National Defense Authorization Act of 2008

Federal Fleet Activity
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Introduction

Section 2862 of the National Defense Authorization Act of 2008 (NDAA 2008) amended the Energy Policy Act of 1992, (EPAAct 1992, 42 U.S.C. 13211(3)) by adding several new vehicles to the definition of “alternative fueled vehicle.” Newly defined alternative fueled vehicles (AFVs) include the following four types of vehicles:

- a new qualified fuel cell motor vehicle (as defined in section 30B(b)(3) of the Internal Revenue Code of 1986);
- a new advanced lean burn technology motor vehicle (as defined in section 30B(c)(3) of that Code);
- a new qualified hybrid motor vehicle (as defined in section 30B(d)(3) of that Code); and
- any other type of vehicle that the Administrator of the Environmental Protection Agency demonstrates to the Secretary of Energy would achieve a significant reduction in petroleum consumption².

Section 30.B of the Internal Revenue Service (IRS) Code (U.S. Code Title 26, Subtitle A, Chapter 1, Subchapter A, Part IV, Subpart B, Section 30.B) provides definitions of each of these vehicles. Vehicles recognized as AFVs under EPAAct 1992 count towards Federal agency AFV acquisition requirements³. This document serves to provide Federal agencies with guidance on determining which vehicles are considered AFVs under Section 2862 of NDAA 2008, and to advise agencies of some points to consider before acquiring any AFV.

Guidance

EPAAct 1992 AFV acquisition credits will be awarded to Federal agencies for acquiring these newly defined AFVs beginning in fiscal year (FY) 2009. Agencies will be awarded one AFV acquisition credit for each qualifying vehicle acquired, regardless of weight class. In other words, light-duty, medium-duty and heavy-duty vehicles which meet the definitions for one of these newly defined AFVs will earn one EPAAct 1992 AFV acquisition credit.

Agencies are responsible for ensuring that AFVs acquired under the NDAA provision meet the definitions (including emission requirements, fuel economy requirements and maximum available power requirements) detailed in Section 30B of the Internal Revenue Code of 1986. Vehicles that do not meet these requirements will not receive EPAAct 1992 AFV acquisition credits. This process should be repeated annually, since it is possible some vehicles may qualify one year, and then not qualify the next year due to vehicle model modifications. Additionally, new vehicles may be added to the list of qualifying vehicles each year.

¹This guidance is preliminary in nature, but does reflect the anticipated guidance that is expected to be provided as the program progresses and more data becomes available.

² Currently there are no vehicles that meet this definition.

³ EPAAct requires Federal agencies to acquire alternative fuel vehicles as 75 percent of covered light-duty acquisitions.

Agencies that purchase/lease vehicles that are not on the IRS qualifying list but which may qualify as AFVs (for example, special order vehicles that may not be certified by the IRS but may meet qualifying requirements) are encouraged to have the manufacturer and/or contractor supplying the vehicles verify that these types of vehicles do meet AFV qualifying standards prior to purchasing or leasing the vehicles.

The Federal Automotive Statistical Tool (FAST) web-based reporting tool will be modified to allow agencies to include these vehicles in FY 2009 annual reporting for EPC 1992 AFV credits.

Points to Consider Before Acquiring AFVs

Purchasing AFVs is only one part of an agency's overall petroleum reduction and alternative fuel use strategy. Agencies should ensure their acquisition selections support their overall fuel use strategy prior to acquiring any vehicles. Acquiring newly defined AFVs such as hybrid vehicles would assist with EPC 1992 AFV acquisition requirements, but Federal agencies have typically met or exceeded these requirements for the past several years. The requirements contained in Executive Order 13423⁴ and the Energy Independence and Security Act of 2007 are more challenging, requiring agencies to reduce petroleum consumption by two percent annually and to increase alternative fuel use by 10 percent annually, both compared to a 2005 baseline. Hybrid electric vehicles, for example, do not contribute to alternative fuel use and provide only a fraction of the petroleum reduction benefits compared to an AFV using alternative fuel. These petroleum reduction and alternative fuel use increase metrics are evaluated annually by the Office of Management and Budget (OMB), and agencies are evaluated on the degree of their success through the OMB Transportation Scorecards.

Incremental costs of all AFV acquisitions should be part of an agency's AFV acquisition strategy, as well as the mission of the agency. Installing alternative fuel infrastructure may not be cost effective for many smaller fleets; for these fleets, hybrids may provide a low cost method to reduce petroleum use. It is also important that agencies ensure that purchased hybrid vehicles can take advantage of the petroleum reduction benefits in start-and-stop (city) driving. Additional costs for purchasing a hybrid vehicle may make sense for delivery vehicles but not for recruiting vehicles that are driven primarily on the highway.

Agencies should conduct a thorough evaluation of fuel economy and potential petroleum reduction of all AFVs prior to developing a vehicle acquisition methodology. DOE's fuel economy website, <http://www.fueleconomy.gov/> provides a tool for fleets to use for comparing the fuel economy of various vehicles including hybrids, AFVs, and conventional vehicles.

⁴ Executive Order 13423 requirements will likely be codified under Section 142 of EISA 2007. The Department of Energy will complete a rulemaking on Section 142 requirements by June of 2009.

Appendix: National Defense Authorization Act of 2008 Language

SEC. 2862. DEFINITION OF ALTERNATIVE FUELED VEHICLE.

Section 301(3) of the Energy Policy Act of 1992 (42 U.S.C. 13211(3)) is amended-

(1) by striking `(3) the term' and inserting the following:

`(3) ALTERNATIVE FUELED VEHICLE

`(A) IN GENERAL-The term'; and

(2) by adding at the end the following:

`(B) INCLUSIONS-The term `alternative fueled vehicle' includes-

`(i) a new qualified fuel cell motor vehicle (as defined in section 30B(b)(3) of the Internal Revenue Code of 1986);

`(ii) a new advanced lean burn technology motor vehicle (as defined in section 30B(c)(3) of that Code);

`(iii) a new qualified hybrid motor vehicle (as defined in section 30B(d)(3) of that Code); and

`(iv) any other type of vehicle that the Administrator demonstrates to the Secretary would achieve a significant reduction in petroleum consumption.'.