

CURRENT ISSUES

No. 30: DoD Contracting for a Greener Future (11/01/2012)

Throughout the past decade, the Department of Defense (DoD) has repeatedly stressed its responsibility to reduce energy consumption, enhance environmental protection, and increase investments in alternative power sources. Secretary of Defense Leon Panetta asserted that DoD is “helping to lead this nation when it comes to preserving our environment and building a more sustainable and secure energy future”.¹ This analysis of trends in DoD contracts for environment-related products, services, and research and development (R&D) is intended to help assess DoD’s commitment to building a more environmentally conscious military.

Methodology

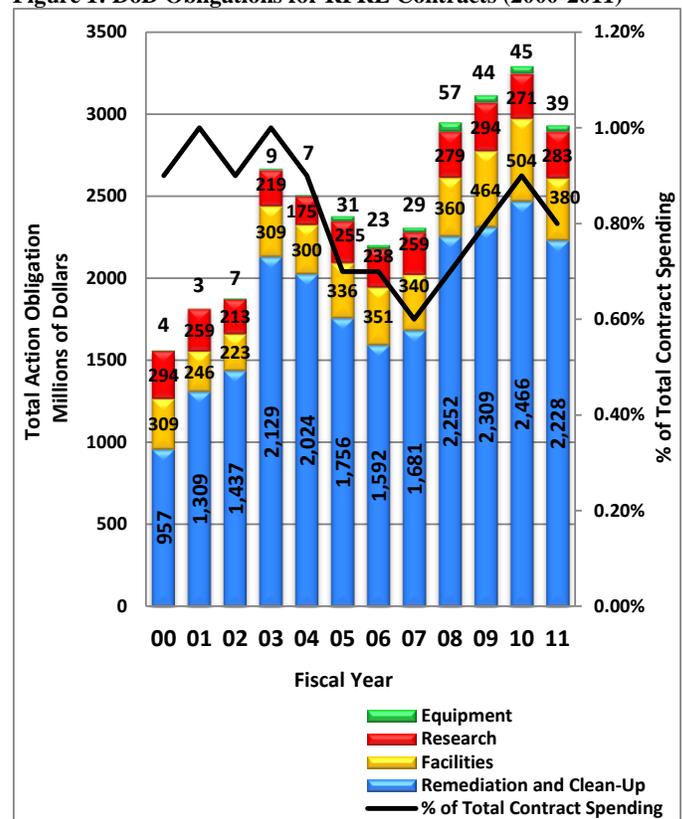
The primary source for this analysis is the Federal Procurement Data System (FPDS), a public database that includes data on most unclassified government contracts worth \$2,500 or more.² Years analyzed are fiscal years 2000 to 2011. The unit of measure is dollar obligated to contracts for products, services and research activities that directly correlate with a pro-environment agenda. First, this paper surveys dollar obligations for contracts in four categories: Research, Facilities, Remediation and Clean-Up; Equipment (RFRE).³ The paper then analyzes the share of contract dollars that was spent on recovered and/or sustainable products and services. Subsequently, this paper studies the firms receiving the most dollars for RFRE DoD contracts.

DoD Obligations for Environment-Related Contracts

In Figure 1, the bars present dollars obligated for RFRE contracts, as measured on the left-hand Y axis. The line shows the share of RFRE contract obligations of total DoD contract obligations, as measured on the right-hand Y axis. Between the years 2000 and 2011, DoD obligated a total of \$3.6 trillion for products, services

and R&D with an average annual growth rate of 7.4%. Of that amount, \$29.6 billion (about 0.8 percent) were obligated for RFRE contracts, with an average growth rate of 5.9% per year. Obligations for RFRE contracts have fluctuated despite year over year growth in total DoD contract obligations between 2000 and 2008. In 2000, \$1.6 billion were obligated to RFRE contracts; in 2011, that amount was \$2.9 billion. Furthermore, the share of RFRE contracts has fluctuated between 1 and 0.6 percent of total DoD contract obligations. Though obligations for RFRE contracts grew to record levels between 2008 and 2010, they decreased significantly in 2011 and may well continue declining in the coming years as overall defense spending is reduced.

Figure 1: DoD Obligations for RFRE Contracts (2000-2011)



Source: USA Spending, FPDS (accessed 10/19/12); CSIS Analysis

¹ Leon E. Panetta, Environmental Defense Fund Reception, May 2, 2012.

² Some government agencies are not required to enter their contract data into FPDS and none are required to report classified contracts.

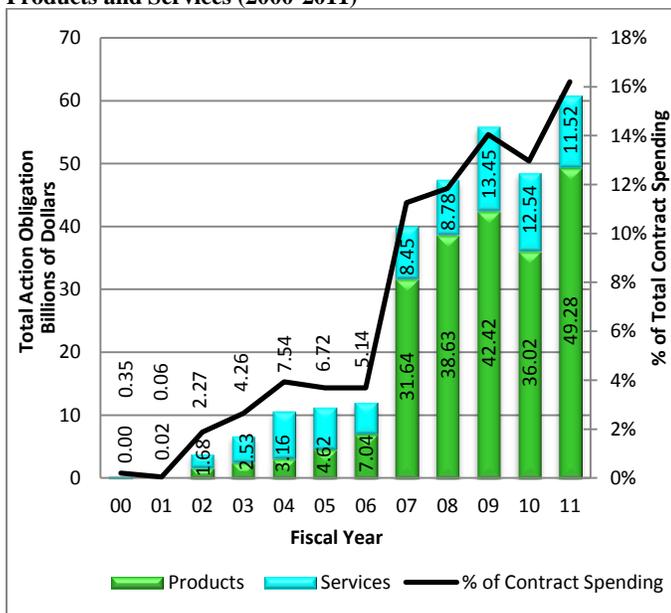
³ The “Research” category consists of R&D activities, analyses and studies on alternative energy, pollution control, and environmental protection. “Remediation and Clean-Up” includes services for removal, remediation, and disposal of oil and toxic substances. “Facilities” encompass all purchases, leases, construction, and operation of environmental sites. “Equipment” includes instruments used for recycling and clean-up purposes.

Throughout the eleven-year period, DoD's obligation for remediation and clean-up services totaled \$22.1 billion and accounted for 75 percent of RFRE contracts. The three remaining categories – facilities, research, and equipment – accounted for 14, 10, and 1 percent of environment-related obligations, respectively. This trend highlights DoD's focus on reactive projects with short-term results, with smaller investments in longer term, proactive projects such as research on alternative energy sources. For the latter, \$128 million were obligated in the 2000-2011 timeframe, of which the largest share (about 25 percent) went to R&D on geothermal energy.

Contracts for Recovered and or Sustainable Products and Services

Contracts entered in FPDS include a special designation when the product or service is considered one or more of the following: Environmental Protection Agency (EPA)-designated, energy efficient, bio-based, and/or environmentally preferable.⁴ As the bars in Figure 2 show, obligations for products and services meeting these criteria has fluctuated significantly, rising from \$340 million in 2000 to \$12 billion in 2006. They then rose sharply in 2007 to \$40 billion, increased to \$56 billion in 2009, dropped to \$49 billion in 2010, and rose to a record \$61 billion in 2011. The line shows that between 2000 and 2011, the share of recovered and/or sustainable products and services has wavered considerably between 16.2 and 0.02 percent of total contract obligations.

Figure 2: DoD Obligations for Recovered and/or Sustainable Products and Services (2000-2011)



Source: FPDS (accessed 10/23/12); CSIS Analysis

⁴ For more information on environmental reporting requirements, see the FPDS [Product and Service Codes Manual 2011 Edition](#), pp. 6-8.

The Industrial Base

The top 5 recipients of DoD RFRE contract obligations between 2000 and 2011 are presented in Figure 3. Together, these five contractors accounted for 25.5 percent of all environment-related contract dollars. All five are large companies specializing in large-scale engineering and construction projects, reflecting the DoD focus on remediation and removal of hazardous material. In addition, the substantial investments in this type of efforts (as opposed to R&D and alternative energy programs) precludes medium-sized and small companies from receiving a sizeable share of DoD's prime contract dollars and from being key players in the market for DoD's RFRE contracts.

Figure 3. Top 5 Contractors for DoD RFRE Contracts (2000-2011)

Contractor	Amount Obligated (Billions of \$)	% of Total RFRE Contracts
1.) Shaw Group	\$2.10	6.90%
2.) Parsons Corporation	\$1.70	5.50%
3.) Bechtel Group	\$1.50	5.00%
4.) Tetra Tech	\$1.50	5.00%
5.) Bechtel Parsons Blue Grass Joint Venture	\$0.90	3.20%

Source: USA Spending, FPDS (accessed 10/19/12); CSIS Analysis

Towards a Greener Future

Trends in the past decade show that even as the defense budget increased, spending on environment-related contracts fluctuated both in terms of total dollars obligated and in terms of their share of the total budget. Despite repeatedly addressing the issue in documents and speeches, DoD leadership has not committed a steady stream of funding to environment-related contracts. Furthermore, a considerable share of environment-related contract dollars was obligated towards relatively short-term, reactive efforts, such as clean-up and remediation, while investments in longer term research, for example on alternative energy, energy efficiency, and environmental protection, were smaller.

Given that upcoming years will require budget cuts, DoD must rethink its spending priorities. Future analysis of trends in DoD obligations for environment-related contracts will help track whether DoD continues its commitment for a greener military and improves its record on investing towards this goal.

–Tomoyo Nishimori and Guy Ben-Ari

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