



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

March 29, 2013

OIG-CA-13-006

The Honorable Henry A. Waxman  
Co-Chair, Bicameral Task Force on Climate Change  
Ranking Member, Committee on Energy and Commerce  
U.S. House of Representatives

The Honorable Sheldon Whitehouse  
Co-Chair, Bicameral Task Force on Climate Change  
Chairman, Subcommittee on Oversight  
Committee on Environment and Public Works  
United States Senate

The Honorable Edward J. Markey  
Co-Chair, Bicameral Task Force on Climate Change  
Ranking Member, Committee on Natural Resources  
U.S. House of Representatives

The Honorable Benjamin L. Cardin  
Co-Chair, Bicameral Task Force on Climate Change  
Chairman, Subcommittee on Water and Wildlife  
Committee on Environment and Public Works  
United States Senate

Dear Mr. Waxman, Senator Whitehouse, Mr. Markey, and Senator Cardin:

This letter and its enclosure responds to your February 25, 2013, two-part request for information concerning the Department of the Treasury's (Treasury) efforts to confront the growing threat of climate change. We performed a review of Treasury's relevant programs and operations for which we have oversight responsibility. We coordinated our review with the Treasury Inspector General for Tax Administration, who received a similar request and has the oversight responsibility for the Internal Revenue Service (IRS). Although we planned to focus on Treasury's efforts to address climate change for the non-IRS programs and operations, we found that Treasury's authorities are centralized within the Office of Environmental Health and Safety and do not delineate between Treasury's offices and bureaus.

In preparing this response, we (1) reviewed applicable statutes, executive orders, policy, and guidance relevant to addressing the threat of climate change; (2) requested, obtained, and reviewed other relevant information and documentation from Treasury; and (3) interviewed Treasury officials responsible for addressing the growing threat of climate change. As a courtesy, we provided the Treasury officials with a draft of this letter and its enclosure and considered their comments as we prepared the final document.

Based on our review of relevant documents and interviews, we found that Treasury acknowledges that climate change will be one of the major challenges of the 21st century and understands that certain aspects of its operations and mission could be impacted by expected changes in regional climate conditions throughout the United States. Additionally, Treasury is taking a comprehensive approach to climate change that incorporates new knowledge and changing conditions into its missions, facility operations, and programs to adapt to a changing climate. In this regard, Treasury has demonstrated a commitment to leadership in environmental stewardship and complying with environmental and energy statutes, executive orders, and regulations.

The *Treasury Strategic and Sustainability Performance Plan*, issued June 2012, put forth the following priorities for Treasury offices and bureaus:

- Achieve an investment target of \$9.5 million in performance-based contracts for federal building energy upgrades by the end of calendar year 2013<sup>1</sup>
- Follow through on energy reduction projects throughout Treasury to ensure that aggressive goals for reducing greenhouse gas (GHG) emissions are met by 2020.
- Implement a recycling system at the Bureau of Engraving and Printing's Washington, DC, facility to save 12 million gallons of potable water annually
- Integrate the social cost of carbon into budget allocation to ensure appropriate consideration when projects are selected for funding
- Improve the life cycle environmental management of electronic assets

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<sup>1</sup> Presidential Memorandum, "Implementation of Energy Savings Projects and Performance-Based Contracting for Energy Savings" (issued Dec. 2, 2011), directed federal agencies to enter into performance-based contracts over the next 2 years for federal building energy upgrades with a government-wide minimum of \$2 billion. Treasury's commitment is \$9.5 million.

Among its recent accomplishments, Treasury reported that it:

- Received the Leadership in Energy and Environmental Design (LEED) Gold Certification for the Main Treasury Building which the U.S. Green Building Council believes is the oldest building in the world to achieve LEED certification;
- Reduced greenhouse gas (GHG) emissions from the 2008 baseline by 20 percent for Scopes 1 and 2 and 8.5 percent for Scope 3 placing Treasury ahead of planned GHG reductions by fiscal year 2020;<sup>2</sup>
- Increased renewable electricity use by 11 percent;
- Reduced fleet petroleum use by 61 percent using a 2005 baseline; and
- Installed an electric vehicle charging station at the Main Treasury Building for charging newly acquired electrical vehicles and for use by other federal agencies.

We would be pleased to brief you or members of your staff on this response or any other work under our respective or joint jurisdictions. If you have any questions, you may contact me at (202) 622-1090, or a member of your staff may contact Marla A. Freedman, Assistant Inspector General for Audit, at (202) 927-5400.

Sincerely,

/s/

Eric M. Thorson  
Inspector General

Enclosure

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<sup>2</sup> GHG emissions are classified into three "scopes," based on source of emissions: Scope 1 emissions are direct GHG emissions from sources owned or controlled by an entity; Scope 2 emissions are indirect GHG emissions resulting from the generation of electricity, heating and cooling, or steam generated off site but purchased by the entity, and the transmission and distribution (T&D) losses associated with some purchased utilities; and Scope 3 emissions include indirect GHG emissions from sources not owned or directly controlled by the entity but related to the entity's activities. Scope 3 GHG emission sources currently required for federal GHG reporting include T&D losses associated with purchased electricity, employee travel and commuting, contracted solid waste disposal, and contracted wastewater treatment.

**Response by the Inspector General of the Department of the Treasury**  
*Request for Information Regarding the Department of the Treasury's Efforts to  
Address the Effects of Climate Change*

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**Part 1 of Request from Bicameral Task Force on Climate Change**

*(1) Identify the existing requirements in legislation, regulation, executive order, and other directives that apply to [the Department of the Treasury (Treasury)]*

We identified the following requirements to address climate change applicable to Treasury in statute, executive order, implementing guidance, and Treasury policy.

- The Energy Independence and Security Act of 2007<sup>3</sup> (EISA) governs the initiative to move the nation toward energy independence and security. Goals include (1) increasing the production of clean renewable fuel sources; (2) protecting consumers; (3) increasing the efficiency of products, buildings, and vehicles; (4) promoting research on and deploy greenhouse gas capture and storage options; and (5) improving the energy performance of the federal Government.
- Executive Order (E.O.) 13514, *Federal Leadership in Environmental, Energy, and Economic Performance*, issued October 5, 2009, directed federal agencies to reduce greenhouse gas emissions, improve energy and water performance, and leverage federal purchasing power to foster sustainable clean energy technologies and environmentally-responsible products. Specific to adapting to climate change, Section 8.(i) of E.O. 13514 requires that federal agencies "evaluate agency climate-change risks and vulnerabilities to manage the effects of climate change on the agency's operation and mission in both short and long term."
- *Federal Agency Climate Change Adaptation Planning Implementing Instruction* issued by the Chair of the Council on Environmental Quality (CEQ) on March 4, 2011, required that federal agencies establish an agency climate change adaptation policy statement and plan.
- *Policy Statement for Climate Change Adaptation*, issued by Treasury on June 28, 2012, established a Treasury-wide directive to integrate climate change adaptation planning and actions into agency programs, policies, and operations. In its policy, Treasury requires bureaus to (1) analyze how climate change may impact their ability to achieve respective missions,

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<sup>3</sup> Pub. L. No. 110-140

**Response by the Inspector General of the Department of the Treasury**  
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Address the Effects of Climate Change*

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policies, programs, and operational objectives; (2) identify areas where budget adjustments and legal analysis would be necessary to carry out actions identified under the policy; and (3) coordinate with the Treasury Climate Change Adaptation Work Group which oversees and coordinates agency-wide climate change adaptation planning and implementation.

*(2) Assess whether [Treasury] is meeting these requirements*

We concluded that Treasury has met the requirements addressing climate change set forth in EISA, E.O. 13514, CEQ guidance, and Treasury policy. Specifically, Treasury issued the *Treasury Strategic Sustainability Performance Plan* (Sustainability Plan) which includes the *Climate Change Adaptation Plan: U.S. Department of the Treasury* (Adaptation Plan) in June 2012.

In the Sustainability Plan, Treasury addressed its efforts to achieve environmental, economic, and energy goals mandated in E.O. 13514 and prioritized actions based on a positive return on investment. Treasury also provided information in the Adaptation Plan in response to CEQ's implementing guidance which included developing an overarching policy statement about climate change, answering the guiding questions for high level vulnerability assessment, and providing details on current adaptation planning and implementation progress.

*(3) If [Treasury] is not fully meeting the requirements, make recommendation for improving its performance*

Based on our review, we have no recommendations for Treasury. We do want to caution that while Treasury has undertaken actions that are consistent with applicable statute, executive order, and implementing guidance for addressing climate change, we cannot provide assurance as to future compliance with these requirements or the effectiveness of its actions. That said, as part of our annual audit planning process, we will consider including periodic reviews of Treasury's progress in this important area.

**Part 2 of Request from Bicameral Task Force on Climate Change**

*(1) The authorities the [Treasury] has to reduce emissions of heat-trapping pollution*

We identified authorities applicable to Treasury in Part 1 of this request. We did not identify any other authorities Treasury may exercise to reduce emissions from heat-

**Response by the Inspector General of the Department of the Treasury**  
*Request for Information Regarding the Department of the Treasury's Efforts to  
Address the Effects of Climate Change*

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trapping pollution beyond its internal operations in the United States. We do want to note that Treasury receives appropriation authority to fund programs outside the United States through the Multilateral Development Banks and other international programs such as the Climate Investment Fund and Global Environment Facility. According to a Treasury official, some of these investments are intended to support global mitigation benefits which indirectly help the United States.

*(2) Authorities to make the nation more resilient to the effects of climate change,*

As noted in our response above, there were no authorities separate from those identified in Part 1 of this request and the appropriation authority to fund Treasury's international programs. We noted that CEQ recommended key steps for agencies to take to foster a common agenda of building a more resilient nation in its *Progress Report of the Interagency Climate Adaption Task Force: Recommended Actions and Support of a National Climate Change Adaptation Strategy* (CEQ Progress Report), issued in October 2010. Treasury has begun to address CEQ's recommended next steps consistent with requirements set forth in the E.O. 13514 as well as CEQ's implementing guidance, which Treasury is in compliance with to date. That is, Treasury issued the Sustainability Plan and Adaption Plan and has reported progress on the actions called for in these documents. For example, Treasury reported greenhouse gases (GHG) emission reductions of 20 percent for Scopes 1 and 2 and 8.5 percent for Scope 3, which are on track with targeted GHG emission reductions of 33 percent for Scopes 1 and 2 and 11 percent for Scope 3 by fiscal year 2020. Treasury also reported a 61 percent reduction in fleet petroleum use, already surpassing its fiscal year 2015 goal of 20 percent. Additionally, Treasury reported efforts to address climate change in its Adaptation Plan which include refining incident command and continuity of operations plans, increasing use of telework and flexible workspace, and providing emergency electricity generators and back up batteries to power key installations.

*(3) The most effective additional steps [Treasury] could take to reduce emissions or strengthen resiliency*

Treasury officials we interviewed did not offer any additional steps that Treasury could take to reduce emissions or strengthen resiliency outside the recommended next steps in the CEQ Progress Report. Based on our review and understanding of Treasury's missions and authorities, we did not separately identify additional steps that Treasury should be taking at this time.