UPS’s Alternative Fuel Philosophy

- Efficiency
- Diversification
- Good Policy
HISTORY

• Founded in 1907
• Started on bicycles, then motorcycles
• 1913 bought first Model T Ford truck
• 1930s – fleets of electric package cars in NYC + LA
• 1980s – Began testing propone trucks
• 1989 – Began testing CNG “package cars”
• 2002 – 11 LNG class 8 trucks in service
WHERE WE STAND – our “Rolling Laboratory”

<table>
<thead>
<tr>
<th>Total Alternative Technology Vehicles</th>
<th>3,647</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Fleet</strong></td>
<td>2,565</td>
</tr>
<tr>
<td>Compressed Natural Gas</td>
<td>930</td>
</tr>
<tr>
<td>Liquefied Natural Gas</td>
<td>684</td>
</tr>
<tr>
<td>Composite Body Diesel</td>
<td>400</td>
</tr>
<tr>
<td>Hybrid Electric</td>
<td>380</td>
</tr>
<tr>
<td>Electric</td>
<td>102</td>
</tr>
<tr>
<td>Hydraulic Electric</td>
<td>41</td>
</tr>
<tr>
<td>Propane</td>
<td>28</td>
</tr>
<tr>
<td><strong>International Fleet</strong></td>
<td>1,082</td>
</tr>
<tr>
<td>Propane</td>
<td>847</td>
</tr>
<tr>
<td>Compressed Natural Gas</td>
<td>85</td>
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<tr>
<td>Electric</td>
<td>63</td>
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<tr>
<td>Ethanol</td>
<td>62</td>
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<tr>
<td>Biomethane</td>
<td>19</td>
</tr>
<tr>
<td>Hybrid Electric</td>
<td>6</td>
</tr>
</tbody>
</table>

TOTAL MILES TRAVELED On Alternative Technology Vehicles

300 MILLION
Why Natural Gas?

Natural gas is the largest segment of our alternative fuel fleet. Why is that?

- Alternative Fuels only cost-effective for tractor-trailers
- Only natural gas can power heavy trucks
- “Bridge Fuel”
Heavy Truck Corridors Align With NG Pipelines
UPS’s use of other alternative technology vehicles

- Propane Autogas
- Full Electric, Hybrid Electric, Hydraulic Electric
- Synthetic Fuels
WHERE WE’RE GOING

UPS’s future of alternative fuel investment looks bright

• 2014 Projects:
  – $400 million commitment
  – Only new tractors for U.S. small package delivery will run on natural gas
  – Build 9 new LNG fueling stations
  – 5.4% of fleet will run on alternative fuels by year’s end

• 1 billion miles traveled using alternative fuels by 2017
HOW WE CAN GET THERE

• Eliminating Disincentives
  – Tax LNG on energy-equivalent basis
  – Excise tax on trucks

• State incentives
  – Tax Rebates, Credits, Exemptions
  – Grants

• Consistency & predictability