

The power of green public procurement in the EU



Energy-efficient public buildings.



MOGENS PETER CARL
DIRECTOR-GENERAL FOR THE ENVIRONMENT,
EUROPEAN COMMISSION

Our current consumption in the EU causes environmental damage at unsustainable rates. In addition, rapidly developing economies are further increasing the pressure on the environment. If the world as a whole were to follow these same patterns of consumption, global resource use could quadruple within 20 years. So we must find ways to reduce the negative impacts of our production and consumption patterns on our environment, health and natural resources. One essential way to do this is to stimulate the faster development and wider use of environmentally beneficial products. And where better to start than with our public authorities.

GREEN PUBLIC PROCUREMENT

Europe's public authorities are influential consumers. They have an annual budget equivalent to 16 per cent of the EU's GDP, around €1,800 billion. There are many areas with major environmental impacts where public authorities, because of their relatively large spending power, have the capacity to trigger the supply of greener products and reduce their own environmental impact. Examples include office machinery, transport, food and catering, energy, construction and waste management. This process is green public procurement (GPP). In other words, public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle, as alternatives to the ones they would otherwise have procured. GPP procedures can bring a number of different benefits.

Cutting costs

Where products consume resources over their lifetime, the purchase of more resource-efficient products can significantly cut costs for users, even though the initial expenditure may be higher. Examples are office equipment, lighting, vehicles and buildings.

Stimulating innovation

GPP rewards firms that develop goods and services with a reduced environmental impact. It also encourages the development of new technologies, promoting innovation that supports the EU economy. Environmentally improved goods are often niche products for which increased demand will lead to economies of scale, allowing products to move into mainstream markets. The pull of public procurement may stimulate greater and faster technological innovation or breakthroughs that will ultimately lead to lower unit costs and mass market availability. This will help consolidate the international position of EU industry.

Achieving environmental goals

Where GPP leads to the purchase of greener products, the reduced environmental impact from those products will help achieve environmental goals, and could do so more cheaply than other available policy instruments. This would reduce the cost of achieving those goals. A study conducted for the European Commission, the EU's executive body, between 2001 and 2003 shows just how important this role could be. Each year the public

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Greener office supplies could contribute significantly to reducing carbon emissions.

trading partners, such as the USA, Japan, Canada and Australia, followed by rapidly developing countries, such as China, South Korea, Thailand and the Philippines. Back in 2002 the OECD Council adopted a recommendation on green public procurement. As a follow up to the Johannesburg summit on Sustainable Development in September 2002, a Marrakech Task force on sustainable procurement was created with the aim of spreading sustainable (green) public procurement practices, in particular in developing countries.

MISCONCEPTIONS AND BARRIERS HINDERING FURTHER UPTAKE OF GREEN PUBLIC PROCUREMENT

The most common arguments against green public procurement are that it is more expensive than conventional procurement and problematic from a legal point of view. Both are incorrect. Many green alternatives, such as energy efficient computers, printers and photocopiers, are no more expensive than conventional products. And even if some of these products are more expensive in terms of their initial purchase price, they save money over their life cycle, which offsets the higher cost. Typical examples are energy saving bulbs, which are around four times more energy efficient than the alternatives and last up to 10 times longer, and printers and copiers that can print double sided, thus saving paper.

There is a need to further clarify the legal framework on public procurement. The EU's new Public Procurement Directives of 2004 clearly allow public purchasers to include environmental criteria in their tender documents, provided those criteria are: relevant for the final product purchased; sufficiently detailed; and transparent and non-discriminatory. Governments are even allowed to go one step further and decide, for example, to make green purchasing mandatory for certain parts of their administration, or set targets for certain product groups. However, a problem raised by many stakeholders is the need to clarify whether it is legal to include environmental criteria which relate to the production process.

Member States do not do enough to help implementation, eg by providing freely accessible environmental databases for criteria and guidance, helpdesks and training. This results in poor quality GPP in terms of both legal compliance and quality of environmental specifications. This leads to added costs and less GPP.

Current GPP activity tends to be decided locally with different environmental criteria applying in different geographical markets. This increases the administrative costs for companies that reply to different procurement requests, which may involve remeasurement, or restatement of environmental attributes. This could reduce the rewards from innovation for suppliers whose greener products may only meet some of a wide variety of environmental criteria and reduce the clarity of public sectors requirements, and hence the incentive to innovate.

Finally, in most Member States there is still a general lack of high level political support, resulting in a shortage of resources required to implement GPP. If there is no strong centralised political message on GPP, individual purchasing organisations will fail to give management support for GPP, thus exacerbating the problem.

sector buys more than 2.8 million PCs. If it started purchasing energy efficient desktop computers, 830,000 tonnes of CO₂ would be saved, which would bring the EU 0.25 per cent closer to its Kyoto goal.

According to an expert study by Hans Nilsson in 2003 on technology procurement, the US Department of Energy set out in early 1998 to use procurement to develop the market for a new generation of smaller, brighter and less expensive compact fluorescent lamps. The initial sales goal of one million lamps was exceeded by more than 50 per cent. And as a result of the programme, 16 new lamp models have been brought onto the US market at reasonable prices.

A recent study carried out for the Commission on the costs and benefits of GPP refers to the procurement of public railcars with particle filters for the *Taunusbahn* in Germany (2004-2005). The filter ecotechnology used comes from recent technological efforts to reduce emissions by improving engine technologies so as to meet the high emission standards that will come into force in 2012. This procurement approach not only stimulated R&D to develop economically efficient ecosolutions, but also resulted in the breakthrough of this ecotechnology onto international markets.

In the bus sector, public procurement represents about 33 per cent of the market. Specifying requirements aimed at reducing CO₂ and pollutant emissions could significantly improve the offer of cleaner buses on the mass market as a result of the economies of scale achieved within this market segment.

STATE OF PLAY

A recent survey shows that only seven of the 27 EU Member States practise a significant amount of green purchasing, ie green criteria appearing in more than 40 per cent of tenders published in the year. Even in those front running countries, ie Austria, Denmark, Finland, Germany, the Netherlands, Sweden and the UK, there is scope for improvement, because many of the green tenders were not formulated in a clear, non-discriminatory way.

Despite strong recommendation by the Commission in its 2003 Communication on Integrated Product Policy calling for Member States to adopt national action plans on GPP by the end of 2006, only 11 Member States have so far adopted such plans.

Outside Europe, green or sustainable procurement policies have been launched by most of our important

THE POLITICAL CONTEXT FOR GREEN PUBLIC PROCUREMENT AT EUROPEAN LEVEL

In recent years, the strategic importance of public procurement for both the environment and competitiveness in Europe has been receiving growing attention in EU Member States and at European level. The benefits are two-fold: new products, services and technologies are kind to the environment, but they also have the potential to open up new markets and create new jobs. The EU eco-industries sector already accounts for one-third of the global market, which is estimated at €550 billion per year, and it has enjoyed a healthy annual growth rate of around five per cent since the mid 1990s. Green public procurement plays an important role in many of our policy initiatives, from our climate change policies, to the Environmental Technologies Action Plan (which includes a range of measures to overcome barriers to the development and wider use of ecotechnologies) and Integrated Product Policy (which seeks to reduce the negative environmental impacts of a product throughout its life cycle). EU leaders have repeatedly stressed the importance of eco-innovation for EU competitiveness in the context of the EU Strategy for Growth and Jobs. By promoting energy efficiency and renewable energy sources, green public procurement can also help create a more sustainable energy system in Europe, as set out in the recent Green Paper on a European Strategy for Sustainable, Competitive and Secure Energy. Other benefits include more sustainable use of natural resources, waste prevention and recycling and more sustainable cities.

It is necessary to maximise the effectiveness of GPP by raising political support and identifying common criteria for its application. This will pull the latest environmental technologies onto the market and reduce the environmental impact of public consumption. EU leaders recognised this need by including an EU wide GPP target in the renewed EU Sustainable Development Strategy. The aim is that by 2010 the average level of EU GPP should meet the standard currently achieved by the best performing Member States.

EUROPEAN INITIATIVES TO STIMULATE GREEN PUBLIC PROCUREMENT

The European Commission has published a handbook entitled *Buying Green* in all EU languages. It explains in clear, non legal terms how to include environmental criteria at the different stages of a public procurement procedure. The new website on green public procurement also has some useful background information including links to databases of environmental criteria for products, to national websites on green public procurement, and to environmental management schemes and eco-label websites. The Commission promotes the use of eco label criteria in tender documents, since they are an easily accessible source of environmental information for many product groups.

The Commission has financed various workshops on GPP and is developing a web based training toolkit on GPP, including examples of environmental tender specifications for 11 product and service groups.

To reach the ambitious goal set down in the renewed Sustainable Development Strategy, the Commission is stepping up its efforts and early in 2008 will publish a

Communication that will set targets for GPP and provide legal and operational guidance. The Communication will also kick off a process of cooperation with Member States and stakeholders to identify criteria for priority product and service groups. Finally, it will stimulate awareness raising and training and encourage the application of GPP to EU funded projects, focusing in particular on local authorities.

CONCLUSION

The European Commission will step up its cooperation with EU governments to implement green public procurement throughout Europe and reach the EU wide target set by the EU leaders in the renewed Sustainable Development Strategy. Efforts will particularly focus on local and regional authorities, as it is ultimately each individual purchasing officer who must be persuaded to give GPP a try and help to achieve a more ecofriendly world. By doing this, public authorities will give a strong signal to the supply side and stimulate EU industry to develop new environmental technologies. This will help ensure competitiveness in a global world which is increasingly concerned with the environmental aspects of production and consumption.

Because of the huge purchasing power of the public sector, we can achieve immense environmental benefits by buying green. We must not miss this chance.

Author

Prior to his appointment as the European Commission's Director-General for Environment in November 2005, Mogens Peter Carl served as Director-General for Trade for over five years. He joined the Commission in 1974, specialising in international maritime issues, covering transport, law of the sea and fisheries. In 1979, he was posted to the Commission's delegation in Washington, and was then seconded to the World Bank. He returned to Brussels in 1985 to concentrate on the Commission's international trade policy. Mr Carl holds a Masters degree in Economics from the University of Cambridge, and an MBA from INSEAD at Fontainebleau.

Organisation

The European Commission is the executive arm of the European Union. The mission of its Environment Directorate-General is to protect, preserve and improve the environment for present and future generations, and to promote sustainable development. This includes, of course, developing and implementing policies on climate change, biodiversity and air, water and soil pollution. Part of this mission is to encourage the private and public sectors to implement sustainable policies and voluntary approaches by taking account of environmental requirements in their activities.

Enquiries

Website: http://ec.europa.eu/environment/gpp/index_en.htm