

Sustainable public procurement

Public sector becomes a pioneer in sustainable procurement





Public procurement sets an example

The value of public procurement in Finland is EUR 27 billion per year. This means that public actors have 27 billion reasons to make procurements that will help to mitigate climate change, reduce the amount of waste and prevent the chemicalisation of the environment.

The Finnish Government recently passed a resolution that encourages all public actors to adopt sustainable procurement – the central government, regional governments and the municipal sector. However, a mere decision is not enough. More information, a change of perspective and actions are needed.

The Earth has limited natural resources, the climate continues to heat up and many different poisonous compounds are placing a burden on the environment. Public procurement accounts for a significant 15% share of Finland's GDP, which is why this process can affect the state of the environment.

It is the task of the public sector to prepare regulations – laws, provisions and instructions. It should also take responsibility for its own solutions. Being a pioneer and setting an example sends a message to private actors and consumers that an increase in the sustainability of the natural economy is absolutely essential.

We have a duty to take not only the economy but also the environment into consideration when making procurements. Wise choices made now will increase cost-effectiveness and decrease problems for future generations as well. Sustainable procurement can significantly reduce greenhouse gas emissions.

At best, public sector procurement encourages the development of environmentally beneficial technology. Demand for products that reduce the burden on the environment increases and markets open up to innovations.

Sustainable procurement can also provide clear financial savings in addition to improving the state of the environment. Some procurement may increase costs to begin with, but lower usage costs quickly compensate for this. Saving energy reduces costs immediately.

The promotion of sustainable procurement requires commitment from management, as well as a new kind of procurement competence. I encourage all public sector actors to adopt this way of thinking. Let's build a more sustainable future for the environment together.



Paula Lehtomäki
Minister of the Environment

Targets for five central groups

Sustainable procurement responds to demand by selecting the best ecological and economical alternative. The Government expects measures from those responsible for public procurement, particularly in the areas of energy, construction and housing, transport, food services, energy-using equipment and services.

Electricity from renewable sources

The Government supports the use of renewable forms of energy through its resolution. The central government will switch to green electricity. At least 30% of purchased electricity will be produced from renewable energy sources by 2010 and at least 60% by 2015.

Low energy and passive buildings

New government buildings or new leased properties must meet the requirements of energy efficiency class A and existing buildings under renovation must meet the requirements of at least energy efficiency class C by 2010. All buildings that are new, under renovation or leased must be passive by 2015.

Transport on rails

The need for transport and mobility will be reduced by 10% by 2015. State officials will take into consideration the fuel consumption and emissions of vehicles purchased for mass transport. In 2020, at least half of all new purchased or leased passenger cars will have carbon dioxide emissions of less than 120 g/km and at least 25% will be under 110 g/km.

Sustainable eating

The amount of organic, vegetable-based or seasonal food will be increased in foodstuff procurement for food services. These foods will be available in Government kitchens and provided by food services at least once a week in 2010 and at least twice a week by 2015.

Criteria for energy- and eco-labels

Criteria equivalent to the requirements for energy- and eco-labels will be used as comparative principles in the procurement and leasing of energy-using equipment. Furthermore, public actors will switch to energy-efficient lighting.

Life-cycle environmental impacts will be reduced in service procurement by, for example, taking the criteria set for Nordic or EU eco-labels into consideration.

Objectives

Central government:

70% of procurement is sustainable in 2010

100% of procurement is sustainable in 2015

Municipalities and local State government:

25% of procurement is sustainable in 2010

50% of procurement is sustainable in 2015



Means for promoting sustainable public procurement

Sustainable procurement requires commitment from the entire organisation. The management has to support the employees handling procurement, who in turn have to show initiative when planning procurement. The best way to promote sustainable procurement is to create an environmental programme for the organisation and take the environment into consideration in the procurement process.

The Government commits to implementing environmental systems or programmes that enhance energy and material efficiency by 2010.

The Government platform also includes numerous other means that an organisation can use to promote sustainable procurement. In particular, measures must be taken to reduce energy use, develop environmental competence and promote environmental innovations.

Energy-saving work begins now

Saving energy is essential in order to mitigate climate change. Public actors also have to significantly decrease their energy use.

The Government will set an energy-saving target for the years 2016 and 2020, and draw up a plan to achieve these targets. Energy will also be saved in the buildings owned or leased by the central government. An energy review will be compiled and this will subsequently serve as the basis for saving energy.

Transport can also be made more sustainable. The Government will reduce the amount of greenhouse gas emissions resulting from travel and official trips. The same measure is recommended for municipalities.

Responding to questions

According to a study commissioned by the European Commission in 2005, one of the biggest barriers to increasing sustainable procurement is the lack of information, management support and practical tools. The State will respond to this challenge and centralise the environmental competence and advisory services related to procurement in an existing expert organization. The purpose is to distribute information and guidelines to, for example, the municipalities.

The advisory service for sustainable procurement and food services will be made permanent in order to help develop the expertise of those responsible for public nutrition services. More training is also planned.

Help with implementing new ideas

Public procurement can promote environmental innovations. However, new openings are not created unless risk-taking and attempting new ideas are encouraged.

A trial “help desk” has already been established in Finland to coordinate procurement programmes and environmental technology procurement. It would develop new operating models and energy- and material-efficient solutions in cooperation with companies and public actors.

Material- and energy-efficient innovations driven by demand will be promoted through the creation of a new funding model. The Finnish Funding Agency for Technology and Innovation (Tekes) is currently preparing a funding model that could lower the threshold for procurement organisations to prepare for investment in innovative environmental technology.





Saving by reducing emissions

Switching to sustainable procurement does not automatically mean increased costs. Good experiences and estimates show that taking the environment into consideration in procurement saves money and increases innovations.

The entire organisation can save

The Danish city of Kolding, which has a population of more than 80,000, decided to take the environmental perspective into consideration in all procurement. The decision has reduced the cost of procurement by 10% per year.

Finland would save approximately EUR 20–30 million at the local level if all municipalities could achieve a 9% energy-saving target by 2016. Reaching the same target would mean savings of EUR 11–13 million in the Government.

Life-cycle costs are worth calculating

The cost of use in some product groups, such as those requiring energy, is very important in terms of overall cost. Calculation of life-cycle costs may show that a product that is more expensive at the time of purchase can be the most reasonable in terms of overall economy. For example, procurement of compact fluorescent light bulbs (CFL) for 300 public buildings in Hamburg reduced the energy bill by EUR 225,000 per year.

When preparing a directive on public procurement of road vehicles, the European Commission estimated that savings from lower fuel costs compensate for the possible higher procurement costs of low-emission vehicles. According to the calculations,

vehicle procurement costs would possibly increase by EUR 11.5 billion over a five-year period (2012–2017), but fuel costs would fall by EUR 21.4 billion during the same period. On the other hand, the purchase price of a reasonably sized low-emission vehicle is often less than that of ‘traditional’ choices, which means savings in procurement, annual vehicle taxes and the cost of use.

A grateful environment

If all public buildings in the European Union switched to electricity produced from renewable energy sources, carbon dioxide emissions would drop by 6.1 million tonnes. This is equivalent to approximately one-fifth of the greenhouse gas emission reduction commitment outlined in the Kyoto Protocol.

A switch to organic foodstuffs in public kitchens in EU countries would reduce carbon dioxide emissions by about 4.9 tonnes, which is equivalent to the greenhouse gas emissions of approximately 600,000 people. Eutrophic phosphorous emissions would decrease by more than 41,000 tonnes, which corresponds to the emissions of about 3.5 million people.

New solutions to the market

In Sweden, organisations like the Energy Market Authority have arranged competitive bidding to encourage new solutions in public sector procurement, for example, to improve the energy efficiency of refrigeration equipment or to develop new heat pumps.

The resulting solutions have also benefitted companies, as they have been able to bring new inventions to the market.

Four steps to more sustainable procurement

1

Need

Determine the need for the procurement and the best way to satisfy that need. Sometimes the solution can be leasing, repairing or tuning up an existing machine rather than buying, or it can be a decision not to purchase at all.

Solutions for small and medium-sized companies should be utilized by dividing the purchase into smaller parts, or by allowing alternative bids.

2

Specification of environmental requirements

Assess the key environmental requirements in the technical specifications and in the supplier's technical eligibility. Record the mandatory requirements in the call for tenders.

For example, the client can require fulfilment of eco-label criteria, or the use of wood or recycled material and avoidance of harmful chemicals. In some product groups, the call for tender can be limited to environmental products. In services and building contracts, the environmental management measures implemented by the supplier can be an important element of technical eligibility.

3

Selection principles

The principle of selection is the best overall economy of the tender. The principles of comparison of tenders are environmental considerations and life-cycle costs. These environmental criteria must be defined in an open and unbiased manner in the call for tenders.

4

Tender comparison

Ensure that the tenders received correspond to the mandatory requirements in the call for tenders and compare them to determine which is the best overall.

The environmental aspect has to be taken into consideration!

The environmental aspect has to be taken into consideration in office equipment and transport services. When procuring office equipment, central administration authorities have to apply energy-efficiency requirements that are at least at the Energy Star level.

Furthermore, those responsible for arranging public transport services within the scope of application of the Regulation on Public Service Obligations (PSO Regulation) must also take energy efficiency and emissions into consideration in the procurement of road vehicles after 2012.

For additional information

Ministry of the Environment

www.environment.fi > Business and the environment > Sustainable production and consumption > Environmental production and purchasing

Ministry of Employment and the Economy

www.tem.fi > Consumers and the market > Public procurement

Public Procurement Advisory Services

www.hankinnat.fi

EU Green Public Procurement website Green Public Procurement (GPP) Training toolkit

ec.europa.eu > EUROPA > European Commission > Environment > Green Public Procurement > Toolkit on Green Public Procurement

Directive on the promotion of clean and energy-efficient road transport vehicles (2009/33/EY)

ec.europa.eu > EUR-Lex > ID celex > 32009L0033

Domestic green procurement links

Valtioneuvoston periaatepäätös kestävien valintojen edistämisestä julkisissa hankinnoissa (PDF, in Finnish)

www.ymparisto.fi > Yritykset ja yhteisöt > Tuotteet ja hankinnat > Julkiset hankinnat

Kestävien hankintojen toimintaohjelma (PDF, in Finnish)

www.ymparisto.fi > Yritykset ja yhteisöt > Tuotteet ja hankinnat > Julkiset hankinnat

Julkisten hankintojen ympäristöopas (PDF, in Finnish)

www.ymparisto.fi > Yritykset ja yhteisöt > Tuotteet ja hankinnat > Julkiset hankinnat > Julkisten hankintojen ympäristö-opas

Public Environmental Technology Procurement

www.motiva.fi > Areas of Operation > Materials Efficiency > Help for Environmental Technology Procurement

Eco-labels (mostly in Finnish)

www.ymparistomerkki.fi

Hymonet – environmental database for procurement (subject to a fee, in Finnish)

www.hymonet.com



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