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SPP and Eco-labelling – EU procurement context

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Sustainable Public Procurement (SPP) and Eco-labels

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SPP – overall context

- General definitions exist
- UNEP definition rightly emphasizes the need to achieve the balance between **economic, environmental** and **social** goals
- The (outcome of) balance will depend on the local context



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What is an Eco-label?

- Eco-labelling is a **voluntary** method of **environmental performance certification and labelling** that is practiced around the world
- An ecolabel identifies products or services proven to be environmentally preferable within a specific category



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Eco-labels – opportunities and risks

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- Enhance environmental awareness and protection
- Ease the purchasing decisions for buyers and consumers
- Promote innovation

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- Wide range of eco labels may create confusion
- Not every eco label stipulates the same
- The industry of certification organizations might be better regulated

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EU approach to eco-labeling

- EU has 'its own' Eco-label
- Usage figures:
https://environment.ec.europa.eu/topics/circular-economy/eu-ecolabel-home/business/ecolabel-facts-and-figures_en
- Other eco-labels are also present in the market (for instance, 'Nordic Swan' in Nordic countries or 'Blue Angel' in Germany)



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SPP – EU and EEZ practice examples

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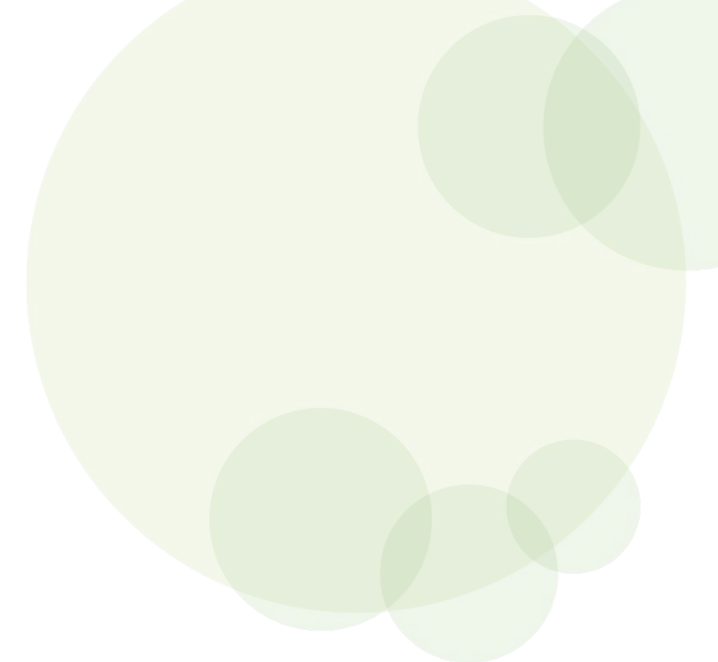


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(1) Latvia – Green and Social requirements and criteria

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Inter city bus service procurement (1)

- In Latvia, state subsidizes the inter city bus service, covering a demand risk
- Private operators are selected through open tender
- No mandatory SPP criteria exist for particular services



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Inter city bus service procurement (2)

- **Contract lasts 10 years**
- **Estimated value is around 450 million EUR**
- **Amount limitation is in force: single economic operator is allowed to obtain no more than 15 million kilometer mileage under the contract**
- **General requirement: average age of buses should not exceed 5 years within the duration of the contract**



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Inter city bus service procurement (3)

- Requirement for particular minimum wage for bus drivers
- Requirement for certain amount of seats available for people with disabilities
- Requirement for visual markings on the buses for people with vision problems
- Requirement for audio loops for people with hearing issues
- Award criterion on additional number of seats for persons with disabilities
- Award criterion on environmentally friendly busses



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Challenges and lessons learnt

- **Social requirements should be put forward after consultations with the NGO's representing particular groups of society**
- **Industry is not keen to take responsibility and try to provide obstacles to the new approach by complaints and litigation**

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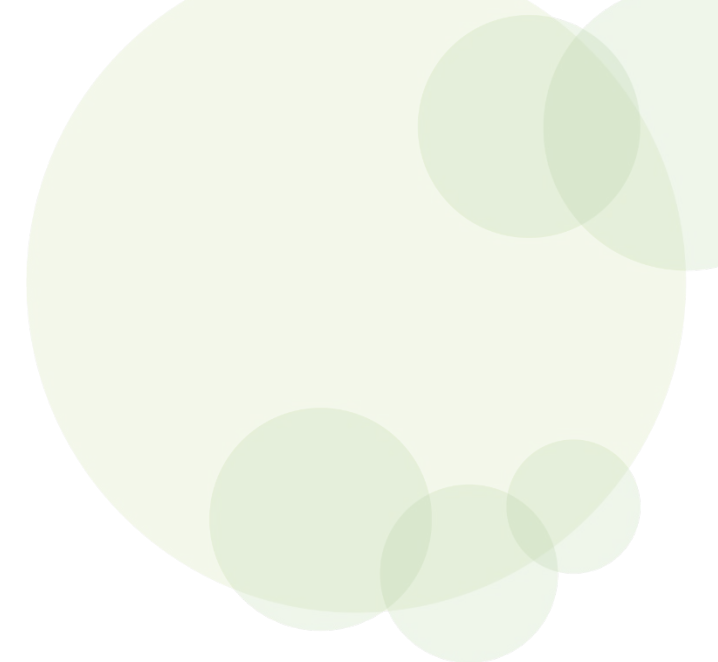


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(2) Finland – Energy Services Company (ESCO) contract

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ESCO contract in Vantaa city (1)

- City of Vantaa started a procurement process to contract an ESCO to improve the energy efficiency of 14 municipal buildings. The justification for this approach was that the energy saving measures and associated cost savings would be gained faster than would otherwise be possible using investment from the public budget alone
- The city decided to pilot ESCO services for 14 buildings over an eight-year time period. These properties were representative in terms of their age, size and design etc.
- The long-term plan was to roll out similar contracts for further municipal buildings if energy saving measures prove successful

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ESCO contract in Vantaa city (2)

- **Notable technical requirements were:**
 - The energy savings proposed by the ESCO had to be 100% guaranteed
 - The maximum repayment period is 10 years
 - Indoor air quality must remain similar to the current standard
- **To promote innovative solutions, the procurement documents did not define what energy-saving models should be used**
- **Instead, economic operators received detailed initial information about the energy audits for four buildings enclosed with the notice, on the basis of which they were able to select and suggest energy-saving measures**
- **The energy savings and solutions the winning ESCO proposed in its bid were then guaranteed as part of the contract**

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ESCO contract in Vantaa city (3)

- **Award criteria were:**
 - Euros saved /year: **20%**
 - KWh savings/year: **20%**
 - Savings/year tCO₂e: **30%**
 - Savings that can still be made in 2023 (MWh):**30%**

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ESCO contract in Vantaa city (4)

Contract management and monitoring:

- The winning ESCO gave a 100% guarantee of the energy savings they proposed. Any savings above the proposed amount are split between the ESCO and the city. Any shortfalls are made up solely by the ESCO
- In the follow-up, the entire project, and not individual buildings, is examined. This means that if in one building the savings target is not reached, this can be compensated for if it is exceeded in another

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Challenges and lessons learnt

- **Keep the targets clear in your mind from the start as they direct the entire process. All of the selected measures must be related to the targets**
- **Tender conditions that are too strict may prevent potential contractors from presenting innovative solutions**
- **The negotiated procedure challenges both the contracting authority and the contractor. Suppliers must feel that trade secrets will be kept confidential**
- **It is worth investing in pilot projects! The economic situation can provide inspiration for the market to develop effective ways of maintaining and renovating properties to save energy**

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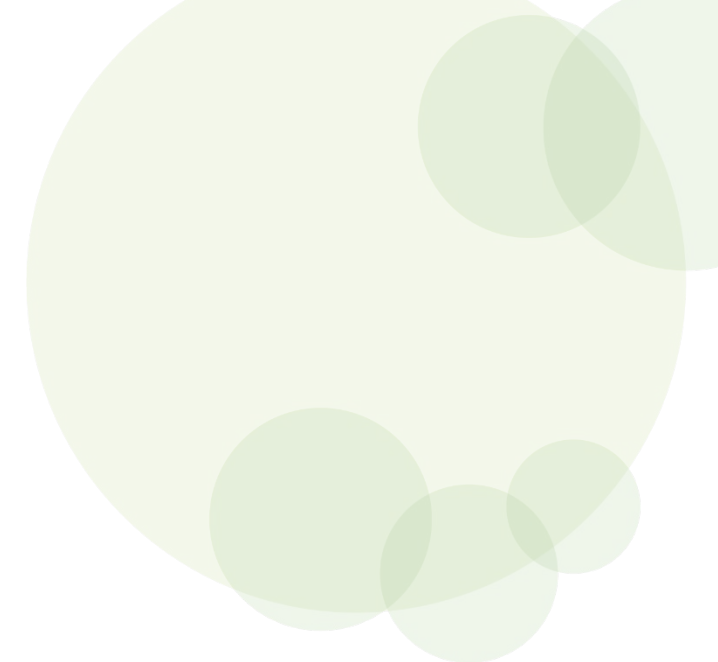


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(3) The Netherlands – purchasing event materials in a sustainable way

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Purchase of event materials (i)

- The municipality of The Hague are responsible for facilitating events and meetings, such as receptions, dinners, openings, and lunch buffets. Materials, such as chairs, bar stools, screens and tableware are needed for the events and meetings. When resources of municipality are not enough, suppliers from private sector are attracted. The necessary size and volume of supply can vary enormously.
- Municipality made a tender for 5 year period. In the tender documents, environmental and social clauses were used, in line with overall strategy of the municipality.

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Purchase of event materials (II)

- The contract was awarded according to best price – quality ratio, the price having 40%, and the quality – 60% of overall criteria weighting. The quality criteria included two sub-criteria: 1) sustainability & innovation 2) services.
- **Sustainability and innovation:**
 - The choice of materials and products when purchasing new materials;
 - Emission-free transport;
 - Handling of the materials at the end of the depreciation period;
 - Materials used for disposable items
- **Within the contract, at least 5% of following categories of people had to be employed:**
 - Persons registered as unemployed jobseekers, irrespective of being recipients of benefits or not;
 - Persons with an occupational disability benefit;
 - Persons suffering from physical, mental or intellectual disability
 - Students who are looking for an internship or workplace;
 - Persons performing sheltered work

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Challenges and lessons learnt

- The most difficult part of the procurement process was verifying bidders' claims about social and environmental criteria
- The recommendation is to put more emphasis on the hard evidence rather than on what tenderers would plan to do
- It is useful for a contracting authority to have in place policies on sustainable procurement

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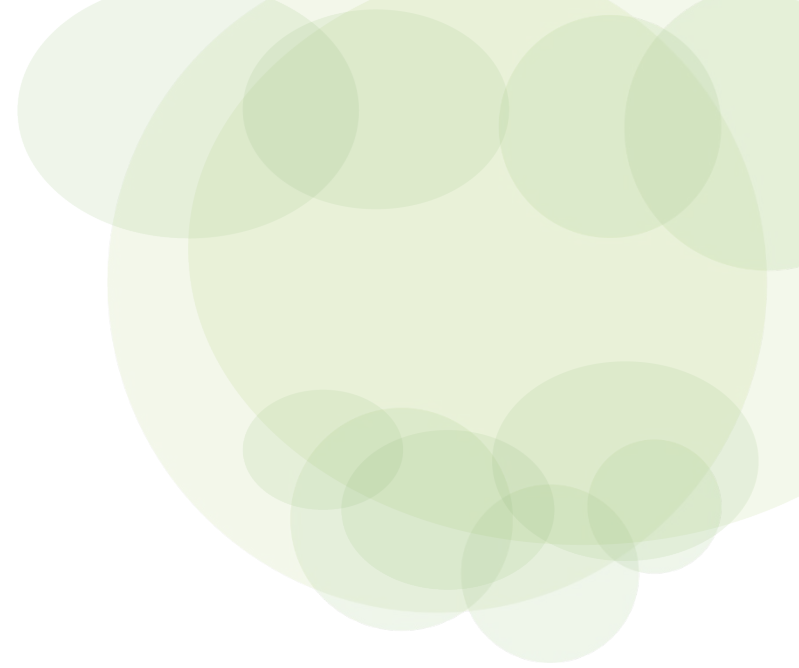


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