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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Public procurement for a better environment**

**SUMMARY OF THE IMPACT ASSESSMENT**

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## SUMMARY

Our current consumption in the EU causes environmental damage at rates that are unsustainable. If the world as a whole followed traditional patterns of consumption, global resource use might quadruple within 20 years. It is necessary therefore to stimulate the faster development and diffusion of environmentally beneficial products.

Public authorities yearly spend a sum which equals 16 % of EU GDP, particularly in sectors with relatively high environmental impacts and at the same time serious scope for improvement (transport, buildings and building fittings..). For instance, buildings account for approximately 40 % of the final energy consumption in Europe. For most public authorities, construction and renovation works, and running costs of buildings represent a major share of annual expenditure, in some cases over 50 %. By using GPP in the implementation of these works, stricter environmental standards would be applied, which could importantly reduce the overall energy consumption of these public buildings.

Green public procurement (GPP) is defined as a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured. It is a process that promotes, but not necessarily leads to, the purchase of a "green" product and which fully respects the EU legislation on public procurement.

The purchase of more resource efficient products can bring direct benefits to the purchasers and significantly cut costs for users, even where the initial expenditure is higher. Examples are office equipment, lighting, vehicles, buildings.

GPP furthermore rewards firms that develop such goods and provides incentives for the future development of technologies, promoting innovation that supports the EU economy. This increased demand will lead to economies of scale, allowing products to move into mainstream markets. GPP may stimulate greater and faster technological innovation or breakthrough that will ultimately lead to lower unit costs and mass market availability.

Where GPP leads to the purchase of greener products, the reduced environmental impact from those products will contribute to achieving existing environmental goals – and could do so more cheaply than other available policy instruments.

Considering this huge potential, GPP has received growing political attention in recent years, starting with the Communication on Integrated Product Policy of 2003 in which Member States have been strongly recommended to adopt national action plans on GPP. Also outside Europe, green or sustainable procurement policies have been launched in most important trade partner countries, such as the USA, Japan, Canada, Australia, followed by rapidly developing countries such as China, South Korea, Thailand, Philippines. The OECD Council has -already in 2002- adopted a Recommendation on green public procurement. As a follow-up of the Johannesburg summit on Sustainable Development of 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.

Most recently, the EU leaders have, in their renewed EU Sustainable Development Strategy adopted June 2006, set forth an EU wide target for GPP, stating that, by the year 2010, the average level of EU GPP up to the standard currently achieved by the best performing member states.

Research carried out in 2006 has shown that only 7 Member States were practising a significant amount of GPP and that in the remaining 20 Member States, GPP was applied much less, or not at all.

The EU Commission's Directorate-General for the Environment has prepared an impact assessment as a basis for the adoption of a new initiative on GPP, aimed at increasing the quantity and quality of GPP in the EU. The various options analysed in the light of the impact assessment have been discussed with stakeholders, at a meeting on 25 June 2007, and through subsequent contacts in writing. The members of the Advisory Committee on Public Procurement have also been invited to comment upon various policy options.

Following problems have been identified as hindering EU wide uptake of GPP:

- (1) Lack of awareness of benefits, misperception of the extent of costs, and lack of political support for GPP
- (2) Lack of legal clarity
- (3) Lack of information and tools for GPP, inadequate training structures, lack of knowledge of priority areas and absence of easy to apply GPP criteria
- (4) Lack of similarity between GPP procedures and criteria across the EU, which also results in increased administrative costs in particular for SMEs and hindering the internal market

The Commission services have identified a series of actions and measures aimed at radically increasing the quantity and quality of GPP in the EU 27. Those actions can be bundled into different policy options.

**Option 1** relates to "Business as usual": the Commission would continue to provide guidance on its GPP website, including relevant studies and the GPP Handbook, and hold regular meetings with national GPP experts to exchange best practice.

**Option 2** would consist of a package of support measures providing guidance, formulating recommendations and laying the basis for actions to increase and improve GPP in the EU, some of which would be delivered through a Communication. This option would allow to address all 4 problems through various measures/actions:

- set an EU-wide –voluntary- target for GPP, based on a quantification of the SDS target;
- highlight existing and provide additional operational guidance on GPP;
- provide legal clarity on certain issues;
- identify priority product and service groups and kick-off a process of increased co-operation with the Member States and relevant stakeholders to establish core and comprehensive common GPP criteria for those product groups;
- stimulate GPP awareness raising and training through dissemination of GPP training toolkit, creation of platforms of regional and local co-operation and recommending use of GPP in the implementation of EU funded projects;

- identify indicators for GPP and ensure regular monitoring and benchmarking based on these indicators.

**Option 3** would consist of mandatory targets for GPP, through a legal instrument; various alternative sub-options for targets could be envisaged:

- mandatory targets for basic GPP
- mandatory targets for "outcome-based" GPP
- mandatory targets for life cycle costing

**Option 4** would consist of various forms of mandatory GPP, through a legal instrument or a modification of an existing legal instrument; various alternative sub-options could be envisaged:

- mandatory GPP for certain types of contracting authorities (central government) when purchasing certain types of products or services (yet to be identified);
- mandatory GPP for all contracts above the thresholds of the public procurement Directives
- mandatory implementation of an environmental management scheme for all service and works contracts above certain thresholds.
- mandatory use of GPP in the implementation of EU funded projects, where appropriate

**Option 5** would consist of a proposal to modify the Standard forms on GPP, through the modification of a legal instrument, in view of facilitating monitoring of GPP, as an essential element of any voluntary or mandatory GPP policy.

The impact assessment has shown that:

Only minor improvements may be expected under the "business as usual" scenario (Option 1) because the underlying problems will not be properly addressed. Furthermore, as the uptake of GPP slowly rises, differences between the practices of Member States are likely to create increased market distortions and additional administrative costs for suppliers and only provide very limited stimulus for eco-innovation.

Option 2 which presents a package including support, guidance, recommendations and actions for increased GPP, some of which will be delivered through a Communication, is –at this moment in time- the preferred option. It is indeed the most effective option for addressing the problems related to the lack of information on costs and benefits, the lack of legal clarity and the overall lack on harmonised information and tools for GPP.

A clear target, even voluntary, would act as a political driver for Member States to step up their efforts in the field of GPP. It is likely to encourage the establishment and use of central guidance on GPP, coupled to internal targets and/or to political or legal instructions to selected (or all) regional and local authorities. The existence of a political target would also provide an indication to industry of the likely direction of demand for greener products in coming decades, allowing them to early respond to this new demand and plan innovation.

Providing operational guidance on GPP may help Member States to build up their own GPP strategies and increase GPP. It could substantially reduce the costs typically associated with setting up and implementing GPP processes. It may also lead authorities to other ways to reduce their costs and increase the effectiveness of their GPP. For instance, joint procurement (combining the procurement actions of two or more public authorities) may lead to economies of scale through bundled demand and reduce administrative costs by exchanging experience on GPP criteria and on new products available on other than local markets. Guidance on the inclusion of whole-life-costing as an award criterion will also encourage purchasers to apply GPP, as it will show that GPP is in many cases nothing else than efficient procurement, allowing to save money in the long run.

Contacts with stakeholders have made clear that, notwithstanding the new public procurement Directives of 2004 which expressly allow for the inclusion of environmental criteria in tendering procedures, there still is legal uncertainty. Indeed, Member States and contracting authorities have raised the need to clarify the possibility to define the product to be purchased, by reference to environmental criteria related to the production process of the relevant product. There also is uncertainty over evidence which may be requested from bidders to demonstrate compliance with technical specifications or selection criteria. The provision of core-criteria would remove one of the greatest hindrances to GPP, removing one of the greatest costs and causes of difficulty for practitioners. It would be likely to provide greater consistency in the product characteristics asked for by authorities and give greater transparency to producers and so better signalling of rewarding innovation opportunities, whilst also reducing their administrative costs from having to provide environmental product information in different procurement processes.

The creation of plate-forms of co-operation and the recommendation to use GPP when implementing EU funded projects would be particularly effective at initiating the uptake of GPP by local authorities, who are traditionally more difficult to reach in view of raising awareness on GPP, providing political support, guidance and training.

As regards the costs for implementing GPP, GPP would in principle lead to better consideration of the life cycle costs of the product. In particular in cases of resource efficient products, buying "green" products can also mean buying "cheaper" products for the purchaser over their lifetime. A recent study on the costs and benefits of GPP has concluded that the administrative costs for setting-up and implementing GPP in a local authority in Europe are somewhat higher than for standard procurement. The biggest cost driver is the continuous awareness raising, training and support for procurers. Costs for setting up the policy are low compared to the overall procurement budgets. There may be some additional costs resulting from the search of environmental criteria in procurement. The GPP criteria and guidance proposed by the Commission would significantly reduce those additional costs.

The costs for providing additional guidance to fill the gaps will be negligible compared to the sums involved in GPP, and borne by the Commission. The costs for dissemination through regional and local networks would fall mainly on the Commission, through the administration of programmes offering support and through grants for relevant projects. The Commission will also bear the costs for developing appropriate calculation methods and monitoring GPP. In the absence of legally binding rules, there will be no particular monitoring obligation for the Member States.

In conclusion, all sub-options under option 2 can be implemented without great additional costs for contracting authorities, or for the Member States.

However, the impact assessment has also shown that, to maximize the aggregate benefits of all complementary sub-options under option 2, increased political support is imperative. The most effective way of raising political support is through the adoption of mandatory measures. The impact assessment has already identified a series of mandatory options which would have the effect of raising political support to varying degrees, ranging from mandatory targets for GPP to mandatory GPP for all contracts covered by the public procurement Directives, including a modification of the standard forms for public procurement to ease monitoring. Since all mandatory options would call for the adoption of a legal instrument or a proposal to modify an existing legal instrument, a separate, additional impact assessment would need to be carried out, in order to identify the best solution(s).

This additional impact assessment will be carried out at a later stage, in view of adopting – possibly- the appropriate legal instrument to complement the guidance provided in the proposed Communication.

In view of monitoring, the Commission would propose indicators and announce continued support for establishing methods for calculating those indicators.