
Public procurement for a better environment

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1. **Introduction**

1.1. **Potential benefits of Green Public Procurement (GPP)**

Each year European public authorities spend the equivalent of 16% of the EU Gross Domestic Product on the purchase of goods, such as office equipment, building components and transport vehicles; services, such as buildings maintenance, transport services, cleaning and catering services and works. Public procurement can shape production and consumption trends and a significant demand from public authorities for "greener" goods will create or enlarge markets for environmentally friendly products and services. By doing so, it will also provide incentives for companies to develop environmental technologies.

A more sustainable use of natural resources and raw materials would benefit the environment as well as the overall economy, creating opportunities for emerging "green" economies. Such a shift could also boost the competitiveness of European industry by stimulating innovation in eco-technologies – which have been recognised as a high-growth sector where Europe is already a world leader. Studies have confirmed that there is considerable scope for cost-effective green public procurement (GPP) - in particular in sectors where green products are not more expensive than the non-green alternatives (taking into account the life cycle cost of the product). As "greener" goods are defined on a life cycle basis, GPP will affect the whole supply chain and will also stimulate the use of green standards in private procurement.

1.2. **Policy background**

The potential of GPP as a policy instrument has been increasingly recognised, and over recent years there has been growing political commitment at national, EU and international levels. In 2002, the OECD adopted a Recommendation on green public procurement. As a follow-up to the Johannesburg World Summit on Sustainable Development (September 2002), a Marrakech Task force on sustainable procurement was created with the aim of spreading sustainable (green) public procurement practices. Sustainable procurement policies have been launched in many OECD countries (USA, Japan, Canada, Australia, and South Korea) as well as in rapidly developing countries (such as China, Thailand, and Philippines).

Within the EU, the potential of GPP was first highlighted in the 2003 Commission Communication on Integrated Product Policy where Member States were recommended to adopt national action plans for GPP by the end of 2006. The new European legal framework for public procurement has clarified how public purchasers can include environmental considerations in their procurement processes and procedures. Most recently, the renewed EU

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1. It's worth noting that 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%.
2. An environmental technology is any technology designed to prevent or reduce the environmental impacts, at any stage of the life cycle of products or activities.
3. UNEP Year Book 2008
4. Life cycle costs should cover the purchase price and associated costs (delivery, installation, commissioning...), operating costs (including energy, spares, maintenance) and end-of-life costs such as decommissioning, removal and disposal.
Sustainable Development Strategy (June 2006), set the policy objective for 2010 of bringing the average level of EU green public procurement up to the standard achieved by the best performing Member States in 2006.

This Communication is part of the Action Plan on Sustainable Consumption and Production and Sustainable Industrial Policy (SCP/SIP), which establishes a framework for the integrated implementation of a mix of instruments aimed at improving the energy and environmental performances of products.

1.3. Action at the European level

The basic concept of GPP relies on having clear and ambitious environmental criteria for products and services. A number of national criteria and national approaches to GPP have been developed. However, as the use of GPP increases, the criteria used by Member States should be compatible to avoid a distortion of the single market and a reduction of EU-wide competition. Having a single set of criteria would considerably reduce the administrative burden for economic operators and for public administrations implementing GPP. Common GPP criteria would be of a particular benefit to companies operating in more than one Member State as well as SMEs (whose capacity to master differing procurement procedures is limited).

Environmental criteria do exist at the European level – for e.g. under the EU Eco-label\(^6\); the Energy Star Regulation\(^7\); the Ecodesign for energy-using products Directive\(^8\). Some recent proposals also aim at setting criteria which will be useful for GPP, such as the proposal for a revision of the Ecodesign for energy-using products Directive, which provides for the setting of both minimum requirements and advanced performance benchmarks, the proposal for a Directive on the promotion of clean and energy efficient vehicles\(^9\) which establishes a harmonised methodology for calculating the lifetime cost of pollutant emissions and fuel consumption and the proposal for a Directive on the promotion of the use of energy from renewable sources\(^10\) which includes sustainability criteria for biofuels and bioliquids and may involve – in future- the setting up of sustainability criteria for biomass, including forest biomass.

The more in-depth development and setting of environmental criteria and their interrelation and potential use for GPP are core elements of the Action Plan on Sustainable Consumption and Production and Sustainable Industrial Policy. The Action Plan aims, in particular, to establish a dynamic framework to improve the energy and environmental performance of

\(^7\) Regulation (EC) No 106/2008 of the European Parliament and of the Council of 15 January 2008 on a Community energy –efficiency labelling programme for office equipment; Whilst the Energy Star is a voluntary label, the Regulation makes the use of the underlying requirements mandatory for central government authorities and Community Institutions in public procurement contracts falling within the scope of the Public Procurement Directives
\(^9\) COM (2007)817 final of 19.12.2007; the proposal would establish a harmonised methodology for calculating the lifetime cost of pollutant emissions and fuel consumption (external costs) of vehicles and would require contracting authorities and public transport operators to use this methodology when calculating the overall price of a vehicle for procurement decisions
\(^10\) COM (2008) 19 final of 23.1.2008; the proposal includes sustainability criteria for biofuels and bioliquids and provides that the Commission shall report on requirements for a sustainability scheme for energy uses of biomass, other than biofuels and other bioliquids, by 31 December 2010 at the latest
products and foster their uptake by consumers. This will include setting ambitious standards throughout the market, ensuring that products are improved by a systemic approach to incentives and innovation and ensuring that demand underpins this policy. The specific elements of relevance for public procurement will be discussed in more detail below.

1.4. Obstacles to the take-up of GPP

To date, the potential of GPP has only partially been exploited. At the beginning of 2008 only 14 Member States had adopted national action plans (twelve more Member States are working towards the adoption of a plan or a strategy). The main obstacles to increased take-up are:

- Limited established environmental criteria for products/services – and where these do exist there are often insufficient mechanisms, such as databases, to publicise them.
- Insufficient information on life cycle costing of products and the relative costs of environmentally friendly products/services.
- Low awareness of the benefits of environmentally friendly products and services.
- Uncertainty about legal possibilities to include environmental criteria in tender documents.
- The lack of political support and resulting limited resources for implementing/promoting GPP (improved training is particularly necessary).
- The lack of a coordinated exchange of best practice and information between regions and local authorities.

2. Objectives

The general objective of this Communication is to provide guidance on how to reduce the environmental impact caused by public sector consumption and to use GPP to stimulate innovation in environmental technologies, products and services.

The specific objectives of this Communication are to address the obstacles to the uptake of GPP that have been identified in section 1.4.:

- a process for setting common GPP criteria;
- information on life cycle costing of products;
- legal and operational guidance;
- political support through a political target, linked to indicators and future monitoring

3. A common approach to GPP

3.1. In terms of the procurement process

Public procurement is essentially a process and for the purpose of this Communication, GPP can therefore be understood 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."

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11 Detailed information on the state of play and content of national GPP action plans can be found at the GPP website on Europa: [http://ec.europa.eu/environment/gpp/national_gpp_strategies_en.htm](http://ec.europa.eu/environment/gpp/national_gpp_strategies_en.htm)
The Communication seeks to cover all public procurement procedures, above and below the thresholds defined by the European public procurement Directives. In all cases, environmental specifications, selection and award criteria and contract clauses would need to be formulated in full compliance with EU public procurement legislation and other relevant EU or national legislation.

3.2. In terms of environmental performance

The process-oriented definition of GPP is insufficient to allow objective benchmarking and target setting. For this to be possible it needs to be linked to compliance with clear GPP criteria. A preliminary set of common GPP criteria has already been established for a series of product and service groups, examples of which can be found in the Staff working document in Annex of this Communication. As explained in section 4.1, the Commission now proposes to formalise this process with a view to endorse the existing and establish further common GPP criteria for more product groups, in close cooperation with the Member States and relevant stakeholders. Common GPP criteria have the advantage of avoiding market distortions and reduced competition which could arise as a result of differing national GPP criteria.

In order for a procurement procedure to qualify for GPP, GPP criteria will, in principle, be formulated as minimum technical specifications that all bids have to comply with. Some of the GPP criteria may also be formulated as environmental award criteria, to stimulate additional environmental performance without being mandatory and therefore without foreclosing the market for products not reaching the proposed level of performance. Award criteria, if given a significant weighting, may however give an important signal to the market place. Depending on the type of product and the number and importance of the other –non environmental- award criteria, a weighting of 15 % or more could be considered “significant”.

4. COMMON GPP CRITERIA

4.1. Process for setting common GPP criteria

A preliminary set of common GPP criteria has been established in the framework of a recently developed Training Toolkit on Green public procurement. Criteria have been developed for product and service groups in 10 sectors which had been identified as most suitable for implementing GPP. The criteria have been based on existing European and national ecolabel criteria where appropriate, as well as on information collected from stakeholders of industry and civil society. An expert group which brings together Member State representatives who are active in the field of GPP has been set up and has closely cooperated with the Commission services in the criteria setting exercise.

The Commission proposes to formalise this process of consultation with the aim of achieving more and better GPP based on common GPP criteria and a common measurement method, based on the principles of the open method of coordination. Therefore, Member States will be invited to formally endorse the already developed GPP criteria, after their endorsement by the Commission services and following a final consultation round with the Member States and with stakeholders from industry and civil society, in accordance with the Minimum Standards for Consultation. The formal endorsement by Member States would imply that the common GPP criteria would be included in the national action plans and guidance on Green public procurement which Member States have set up or are in the process of setting up in the light of the Communication on Integrated Product Policy of 2003.

12 The Training Toolkit can be downloaded from: http://ec.europa.eu/environment/gpp/toolkit_en.htm
This process will be repeated in the future and the Commission will continue to steer the work of the group of national GPP experts and develop and submit new draft GPP criteria for more product and service groups. Draft criteria will also be discussed with stakeholders from industry and civil society. Approval of criteria will be subject to strict consultation standards. Work will focus on sectors which have been identified as having the highest potential for GPP (section 4.2).

This process will take full account of existing and on-going work on environmental criteria setting within the framework of the SCP. Criteria will be based on a life cycle approach. Examples of potential sources of future GPP criteria are: the EU Ecolabel criteria; the Energy Star energy efficiency requirements for office equipment; the environmental performance benchmarks which will be developed under the implementing measures in the framework of a revised Ecodesign Directive; the proposed methodology for internalising external costs in the proposal for a Directive on the promotion of clean and energy efficient vehicles and the proposed sustainability criteria for biofuels and bioliquids in the proposal for a Directive on the promotion of the use of energy from renewable sources. Common GPP criteria will only be set for products and services which are not (yet) covered by mandatory GPP criteria.

The established GPP criteria distinguish between "core" and "comprehensive" criteria. The core criteria are designed to allow easy application of GPP, focussing on the key area(s) of environmental performance of a product and aimed at keeping administrative costs for companies to a minimum. The "comprehensive" GPP criteria take into account more aspects or higher levels of environmental performance, for use by authorities that want to go further in supporting environmental and innovation goals. Since "core" criteria form the basis of the "comprehensive" criteria, this distinction between "core" and "comprehensive" will reflect differences in terms of ambition and availability of green products whilst at the same time pushing markets to evolve in the same direction.

Where, for the same product, European criteria distinguish between various levels of environmental performance, the "core" and "comprehensive" GPP criteria are drafted accordingly. If, for instance, a given product is covered by both the Energy Star energy efficiency requirements and by the voluntary European Ecolabel, the "core" GPP criteria would be set at the level of the energy efficiency requirements of the Energy Star Regulation, whereas the "comprehensive" criteria would be set on the basis of ecolabel criteria. The two sets of criteria will allow Member States and contracting authorities to gradually improve levels of GPP, and to give clear signals to the market place to continuously improve the environmental performance of products and services. For product groups which are not covered by any of the above mentioned Regulations or schemes, but only by the European Ecolabel, the process for setting common GPP criteria would similarly seek to identify "core" and "comprehensive" GPP criteria, with the "core" criteria being based on the ecolabel criteria which address the main environmental impacts and are easiest to comply with, whereas the "comprehensive" criteria would address additional ecolabel criteria that can be considered relevant for defining a given product.

Where no European criteria exist, GPP criteria would be based on national or other databases of environmental criteria and also discussed with stakeholders from industry and civil society. Criteria are and will be formulated in a way so as to facilitate their understanding by (public) purchasers and bidders and to ease their inclusion in public tender documents, in full

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14 Section 6 refers to future mandatory measures on GPP, which may include the setting of mandatory thresholds for public procurement in the framework of the revised and/or new Labelling Directives (see section 2.3 of the Action Plan on Sustainable Consumption and Production)
compliance with Public procurement legislation. Where individual materials (such as wood) are addressed within the context of several priority sectors (construction, paper and printing services, energy and furniture, in the case of wood), one coherent set of criteria will be developed. Where different materials can be used for the same purpose, criteria setting will take into account the possibility to increase the use of renewable substitutes where appropriate.

The "core" GPP criteria will be used as a basis for target setting and benchmarking, to stimulate their EU-wide take-up. Monitoring will therefore take into account compliance with "core" GPP criteria. In addition, verification of compliance with "comprehensive" criteria could be carried out in the best performing Member States, in view of setting new benchmarks for the future.

4.2. **Priority sectors**

The Commission has identified ten "priority" sectors for GPP. These have been selected on the basis of the importance of the relevant sector in terms of the scope for environmental improvement; public expenditure; potential impact on the supply side; example setting for private or corporate consumers; political sensitivity; existence of relevant and easy-to-use criteria; market availability and economic efficiency.

The priority sectors are:

1. Construction (covering raw materials, such as wood, aluminium, steel, concrete, glass as well as construction products, such as windows, wall and floor coverings, heating and cooling equipment, operational and end-of-life aspects of buildings, maintenance services, on-site performance of works contracts)
2. Food and catering services
3. Transport and transport services\(^{15}\)
4. Energy (including electricity, heating and cooling coming from renewable energy sources)
5. Office machinery and computers
6. Clothing, uniforms and other textiles
7. Paper and printing services
8. Furniture
9. Cleaning products and services
10. Equipment used in the health sector

5. **GPP TARGETS**

5.1. **Target for GPP in the renewed Sustainable Development Strategy**

The renewed Sustainable Development Strategy set a formal GPP target, that by year 2010, the average level of GPP should be the same as the current (i.e. 2006) level of the best performing Member States.

\(^{15}\) whilst the proposal for a Directive on the promotion of clean and energy efficient vehicles establishes a harmonised method for calculating the lifetime cost of pollutant emissions and fuel consumption and provides for the mandatory use of this method in public procurement after a transitional period, it is still useful to propose GPP criteria for Transport and transport services which would apply until the new harmonised methodology provided for under the proposal would become applicable.
Several front-running Member States in the field of GPP have set ambitious GPP targets: the Dutch government has set a 100% Sustainable Procurement target to be reached by 2010; the Austrian Government has identified different targets to be met by 2010 for 5 product groups: IT: 95%, electricity: 80%, paper: 30%, cleaning products: 95%, vehicles: 20%. In France, 20% of total annual renewal of vehicles purchased by central government should consist of "clean" vehicles, 20% of new constructions should be compliant with HQE\textsuperscript{16} standards or equivalent and 50% of all wood products should be legally sourced and sustainable by 2010. In the UK, the Sustainable Procurement Action Plan is closely linked to a series of sustainable operations targets for the Government office estate, including a pledge to go carbon neutral by 2012 and to reduce carbon emissions by 30 per cent by 2020.

A recent study on GPP performance across EU Member States has provided the Commission with clear indications on the current level of GPP in the best performing Member States, which is the baseline for the target set in the renewed Sustainable Development Strategy. On this basis, the Commission proposes that, by the year 2010, 50% of all tendering procedures should be green, where "green" means "compliant with endorsed common “core” GPP criteria as referred to in Section 4.1. The percentage would be expressed in both number and value of green contracts as compared to the overall number and value of contracts concluded in the sectors for which common “core” GPP criteria have been identified.

Only for product and service groups for which common GPP criteria have been established, is it possible to objectively benchmark the situation between Member States and propose more detailed targets. The Commission is currently developing a method for calculating exact levels of GPP, which will focus on compliance with common "core" GPP criteria and will be based on an analysis of a representative sample of tendering procedures. The method will be implemented in the best performing Member States. In 2010, the survey will be repeated in all the EU Member States. It is therefore very important for the Member States to endorse the common GPP criteria that are being developed and to implement these in their national action plans and guidance on Green public procurement. Compliance with “comprehensive” criteria will be monitored as well, but only in the best performing Member States, with a view to measuring progress in these Member States and assess the potential of setting new targets for the future: increasing the target for procedures complying with “core” GPP criteria and/or setting a target for compliance with “comprehensive” criteria.

5.2. Specific targets for GPP in the implementation of EU funding mechanisms

5.2.1. Procurement by Member State authorities using EU funds

Every year billions of euros are spent under the EU’s Cohesion Policy for regional development and economic and social cohesion throughout Europe. For the 2007-13 programming period (with a total budget of €308 billion), sustainable development was reconfirmed as one of the most important principles of the Cohesion Policy.\textsuperscript{17}

Many other EU funding programmes exist, such as for instance the Seventh Framework Programme (FP7), which bundles research-related EU initiatives. It set aside a maximum overall amount for Community financial participation of EUR 50 521 million for the period 2007 – 2013. Whilst most of this money would finance core research activities which are not relevant for GPP, the overheads of the projects (covering a maximum of 7% of grants) would be suitable for “greening”.

\textsuperscript{16} French construction standard aimed at achieving high environmental quality (“Haute Qualité Environnementale”)

\textsuperscript{17} Article 17 of the General Provisions Regulation for the Cohesion Policy 1083/2006/EC
Where these funds are spent directly by public authorities and the latter carry out procurement procedures to implement the funded projects, the Commission considers that GPP could easily be incorporated. A focussed action where managing authorities and other beneficiaries of EC funding would be strongly recommended to use GPP for the implementation of EC funded projects, would create an important incentive for the overall uptake of GPP, as those projects cover an important part of total public procurement expenditure. Such a practice by Member States, particularly those where GPP is lower than average, would contribute to their reaching the 50% target of GPP in their procurement procedures.

5.2.2. Procurement by the European Commission

The European Commission will gradually implement GPP in its general public procurement training sessions and introduce the recommended criteria, which have been developed in the framework of the Training Toolkit on GPP (Section 7), in its tendering procedures, wherever appropriate.

6. Potential Mandatory Measures

The Action Plan for Sustainable Consumption and Production and Sustainable Industrial Policy has concluded that stimulus is needed to promote the uptake of environmentally performing products, whilst avoiding Internal Market distortions which may result from purely national incentives for GPP. It therefore proposes mandatory measures for public procurement as described in its Section 2.3.

7. Guidance

The Commission intends to highlight existing legal and operational guidance on GPP and to add to it where necessary. Although this is mainly directed at contracting authorities wishing to apply a GPP policy within their organisation, Member States should include it in their national GPP policies as it will facilitate implementation. The guidance includes:

- Legal and operational guidance for implementing GPP since legal uncertainty over certain issues is still perceived as a barrier to harmonized uptake of GPP.
- Procurement practices for more efficient procurement which demonstrate and therefore promote that GPP is a cost-effective way of purchasing goods or services.
- GPP Training toolkit. A web-based GPP Training Toolkit, directed at purchasers, policy-makers, managers, and consultants, has been developed. The Toolkit will be endorsed by the Commission services and translated into all EU languages. The Commission will cooperate with the Member States to ensure EU-wide dissemination through existing national and regional cooperation platforms.

The details of the guidance are set out in a separate Staff Working Document accompanying this Communication.

8. GPP and Innovation

GPP is a powerful instrument for stimulating innovation and encouraging companies to develop new products with enhanced environmental performance. The Commission will seek to fully tap into this potential of GPP through various actions:
• EU-wide dissemination of the recent guide on "Public Procurement for Research and Innovation"\(^{18}\) and of the guidance for contracting authorities included the Communication on pre-commercial procurement\(^{19}\);

• establishing an EU voluntary system for third party verification of the performance claims of new technologies which would ease the verification of compliance with environmental specifications set out in tender documents;

• identifying "lead markets"\(^{20}\) and using GPP to foster the development and market take-up of new products and services.\(^{21}\) The Lead Market Initiative aims to create favourable framework conditions in order to stimulate innovation which is crucial for competitiveness, through a mix of public policy actions. Currently, 6 Markets have been identified, 3 of which cover environmental topics, namely sustainable construction, recycling and bio-based products and are therefore of particular importance for GPP.

9. **GREENING PRIVATE PROCUREMENT**

The definition and criteria used for identifying and promoting "greener" goods are based on a life cycle approach and cover elements which affect the whole supply chain, ranging from the use of raw materials and production methods to the types of packaging used and the respect of certain take-back conditions. These criteria can equally inform private procurement practices. Member States and Community Institutions are encouraged to strengthen this link between Green public and private procurement\(^{22}\).

10. **INDICATORS FOR GPP – MONITORING AND BENCHMARKING - TIMETABLE**

Two types of indicators can be used to assess the "level of GPP".

**Quantitative indicators** can be used to assess the uptake and progress of the policy, by comparing the level of GPP (expressed in numbers and values of green tendering procedures) with the overall level of public procurement. To assess the impact on the supply side, the Commission proposes additionally to calculate the value of green contracts as compared with the overall value of public procurement contracts.

**Impact-oriented indicators** allow the assessment of the environmental and financial gains delivered by GPP.

The Commission is currently developing a method for calculating those indicators, which would be based on an analysis of a representative sample of tendering procedures in the Member States. To guarantee uniform monitoring and benchmarking, it is proposed to focus on the sectors for which common GPP criteria as referred to in Section 4 have been established.

In 2010, the Commission will monitor the GPP situation in all the Member States, using the above methodology. A tendering procedure will be considered "green" if it has resulted in a

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\(^{19}\) COM(2007) 799 final of 14 December 2007


\(^{22}\) A good example of this link to private procurement can be found in the "Mayor of London's Green Procurement Code" at: [http://www.greenprocurementcode.co.uk/](http://www.greenprocurementcode.co.uk/)
contract which complies with "core" GPP criteria. The results of the monitoring exercise in the best performing Member States will form the baseline for setting future targets. In the best performing Member States, compliance with "comprehensive" GPP criteria will also be measured, in view of setting additional targets for the future and stimulate innovation. This exercise will be repeated every five years.

The monitoring and benchmarking exercise will act as an incentive for the uptake of the GPP criteria in national tendering procedures. The Commission will, before the end of 2008, seek the formal endorsement by the Member States of those GPP criteria which have already been established. Formal endorsement implies their inclusion in national GPP guidance and in the national action plans which Member States have been asked by the Commission to adopt (in its Integrated Product Policy Communication of 2003). To date, 14 Member States have adopted these action plans and 10 more are in the process of adopting such plans. Even in the absence of action plans, the Commission urges Member States to ensure the uptake of the common GPP criteria in national tendering procedures. Member States will be asked to report on this at regular coordination meetings organised by the Commission. Member States will be asked to formally endorse each new set of criteria and to ensure their effective implementation at national level.

11. CONCLUSION AND WAY FORWARD

The Commission is committed to promoting GPP because it is effective in promoting the take up by the market of the cleanest products and services. This results in more sustainable consumption but also promotes eco-innovation and with it the competitiveness of the EU economy.

The Commission proposes that the Member States, the European Parliament and the Council should:

- endorse the proposed approach and method for setting common GPP criteria, the political target, and the recommended tools for more and better green public procurement,
- implement these through national GPP strategies and increased cooperation, and in particular when implementing EU funding mechanisms;
- support on-going work aimed at proposing complementary measures to ensure harmonized development of GPP criteria and targets and maximize political support for GPP.