



Green Public Procurement

February 2020

Context

Green Public Procurement (GPP) will in the coming years have an increasingly important role in Ireland's move toward a low carbon economy. The goals outlined in the Department for Communications, Climate Action, and the Environment's *All of Government Plan to Tackle Climate Breakdown* and the goal of net zero emissions by 2050 will struggle to be met if GPP is not effectively implemented. Dublin Chamber is in favour of committing to Green Procurement practices.

The recently issued (20 Oct 2019) Department of Public Expenditure and Reform Circular is a step in the right direction toward guidance from the EU in Green/Circular Economy Procurement practices. Currently, Ireland is lagging considerably behind its European neighbours in this area. In the past year alone the European Commission has released a GPP Training Toolkit and a Life Cycle Costing Toolkit.¹

While the Chamber welcomes news of the Government's movement on GPP, we want to ensure that it is progressed in the Irish context successfully. We need to ensure that the business community is ready to respond to newly enforced Green Public Procurement criteria, and as a Chamber we want to take the opportunity to convey steps that need to be put in place for this to be successful. In this light, Dublin Chamber is seeking to engage with relevant Government Departments in order to aid in moving toward its successful implementation.

The Business Case for Green Public Procurement

Successful GPP practices will encourage a widespread shift towards environmentally sustainable supply chains. This fundamental shift in criteria for procurement will also impact on overall procurement processes as the private sector will follow the lead of the public sector. Going forward, businesses that can exhibit their green credentials and supply chains will be viewed as more resilient and stable by financial institutions. The Irish banking sector is already exhibiting this trend.²

The focus on sustainability in procurement practices will have a knock on impact from large corporates down to SMEs that are part of their supply chains.

¹ European Commission https://ec.europa.eu/environment/gpp/index_en.htm

² AIB <https://www.irishtimes.com/business/financial-services/aib-targets-5bn-of-green-loans-1.3917356>

Business Requirements in the Move to GPP

In the broadest sense, Dublin Chamber is in favour of the principle of Green Procurement, GPP has a positive and essential role to play in achieving net zero emissions by 2050.

However, there are a number of challenges to address in advance of a move to GPP. As it is likely that the private sector will follow the lead of public sector, the success of GPP will impact all sectors, from the construction sector to hospitality.

Challenges;

- Many EU states are already far ahead of Ireland in implementing GPP. As the procurement system in Ireland allows EU businesses to respond to Irish tenders over the EU thresholds, moves towards GPP for Ireland poses the risk of potentially disadvantaging Irish businesses in the move to GPP practices.³
- Brexit may introduce a further challenge to SMEs competing for business internationally. Brexit will necessitate many Irish businesses to shift their focus beyond their traditional UK market towards European markets that are further ahead on the road to implementation of GPP.
- Sustainability criteria can be difficult to prescribe. For example, while a certain product may be made from sustainable materials, the carbon-footprint of its assembly and delivery needs to also be taken into account. This versus a product made from less sustainable materials but is manufactured nearby thus considerably reducing its carbon-footprint can be tricky to analyse.
- While many Dublin, and Irish, businesses are already making significant efforts to up their green credentials, many will not be practiced in reporting these.
- For SMEs in particular, while they might already be engaging in improving their green credentials under the guise of cost saving, the knowledge that it contributes to their own sustainability may be lacking.
- The tendering process generally is a cumbersome task for businesses, anything that adds to it may be received negatively, especially if there is a gap in understanding around what sustainable credentials they can convey.

Dublin Chamber Recommendations

The means of measuring sustainability criteria itself, whether this is a specific allocation of points, or, a sustainability lens through which all tenders are to be evaluated, must be carefully considered from the viewpoints of both the procuring agency or department and the businesses responding to the tendering process. Without this approach, Irish business is sure to be put at a disadvantage both by European competitors that are further along in their ability to demonstrate sustainable credentials, and by failing

³ Office of Government Procurement <https://ogp.gov.ie/revision-of-eu-thresholds/>

to engage with future procurement processes due to the change in criteria without explanation or consultation.

In light of the above outlined challenges, Dublin Chamber makes the below recommendations whilst also encouraging the OGP to focus on the use of the RPS Green Procurement Guidance for the Public Sector (2014) to be implemented. This document, although now five years old and in need of some updating, is a valuable start point.

In order for the business community to positively transition to the Green Procurement practices Dublin Chamber recommends;

- That the Department of Public Expenditure and Reform, Department of Communications, Climate Action, and the Environment, and the Office of Government Procurement work together to develop and implement a plan to successfully grow the use of GPP, to introduce mandatory sustainability criteria, and communications and training plan on GPP for the private sector.
- A phased introduction of GPP requirements to allow the businesses community the time to adapt and catch up with European competitors.
- GPP training for the business sector during the phased introduction.
- Introduce a suggested mandatory five percentage point allocation specifically for sustainability criteria in tender documents.
- Mandatory GPP criteria should be piloted in specific sectors before more widespread roll out.
- Engagement with the business community in establishing the means of reporting green/sustainable criteria. What can be included as information for this sustainability criteria cannot be rigid. It needs to be open to the full impact of factors including process, materials, location etc.
- Use of Life Cycle Costing should be widely implemented. A new focus on Life Cycle Costing will be positive in pushing procurement further toward providing quality as well as value for money whilst also encouraging more sustainable product and service provision. This should include a decisive directive to all Government departments that a 'lowest cost option' should not be the goal in procurement and that life cycle principles must be implemented. Life Cycle Costing should consider sustained performance, for example, where does the tendered good come from, how well will it perform, and, for how long. It should also ask can we reuse or can it feed into the circular economy when the equipment, goods or infrastructure is end of life.
- New GPP policy should allow for more innovative options, such as those introduced under the "as a service" model (example "Lighting as a Service").
- Communicate to the private sector the business case for the move to Green Procurement Principles.

Conclusion

Dublin Chamber welcomes the steps being taken by the Department of Public Expenditure and Reform and Department of Communications, Climate Action, and the Environment in moving toward

implementing Green Public Procurement Principles. However, Dublin Chamber is concerned at the medium term plan to ensure that GPP is implemented successfully. GPP criteria needs to be on the road to becoming mandatory, leading the way for the private sector to do similar.

Ireland is far behind its European neighbours in GPP. Unless a structured plan is put in place to improve it, this will remain the case and Irish business will struggle to compete internationally and at home. Firms may be seriously disadvantaged on the international market in their efforts to grow and survive in a post Brexit world if Government does not lead in enabling them toward establishing a more equal footing in relation to sustainable criteria in tendering. Finally, if GPP fails to be made a priority, if mandatory criteria are not introduced and businesses are not afforded the necessary training, it will be difficult for the private and public sector to succeed in moving to more sustainable practices and toward a low carbon economy.

In conclusion, Green Public Procurement is an essential component in moving enterprise and the public sector toward more environmentally sustainable practices. Whether this is going to impact on Irish business positively or negatively depends on its roll out.