



RIKSREVISIONEN

Summary:

Green public procurement- is
management effectively helping to
achieve the climate objective?

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Green public procurement- is management effectively helping to achieve the climate objective?

The Swedish National Audit Office has examined whether the Government, relevant government agencies and *Miljöstyvningsrådet* [the Swedish Environmental Management Council] use the green public procurement instrument in an efficient manner so that it helps to achieve the milestone target for 2020 for the Reduced Climate Impact environmental objective.

Background to the audit

Reason: Green public procurement is one of the policy instruments for reducing the burden on the environment and the climate. In March 2009, the Government presented two bills on a combined climate and energy policy, which the Riksdag decided to adopt in June 2009.¹ In order to achieve the milestone target for 2020 for the Reduced Climate Impact national environmental objective,, greenhouse gas emissions must be 20 million tonnes lower than 1990 levels for the non-trading sector². The climate bill outlines the policy instruments needed to achieve the milestone target for 2020 and the extent of the reduction in emissions to be contributed by each policy instrument, measured in million tonnes of carbon dioxide equivalents. The green public procurement instrument is part of the policy instrument group termed "Other measures" in the climate bill, along with legislation, information, training and environmental management systems. It is estimated that these measures together will contribute a 0.3 million tonne reduction in emissions between 1990 and 2020.

The Swedish National Audit Office pre-study showed evidence that green public procurement instrument has not been clearly focused on contributing to the national milestone target for 2020. Furthermore, evaluations by *Naturvårdsverket* [the Swedish Environmental Protection Agency] show that the proportion of procurements with well-defined environmental requirements is decreasing, whereas the proportion of procurements with weakly-defined environmental requirements is increasing.

Purpose: The aim of the audit is primarily to determine whether the work relating to green public procurement carried out by the Government, the relevant agencies and the Swedish Environmental Management Council has been focused on reducing emissions in line with the milestone target for 2020 and whether their management has been effective.

Scope: In the audit, the Swedish National Audit Office has focused mainly on the Government's management and monitoring of the Government's National Action Plan for green public procurement³

¹ Government Bills 2008/09:162 and 2008/09:163, report 2009/10:MJU 25, Riksdag Communication 2009/10:377.

² The non-trading sectors are the activities that are not covered by the EU emissions trading system. Emissions from the non-trading sector come mainly from domestic transport, agriculture and waste, etc., which are not included in the EU emissions trading system.

³ Government Communication 2006/07:54.

and the ordinance (2009:1) on environmental and road safety requirements for government agencies' cars and car journeys. The so-called "should" rule in *lag (2007:1091) om offentlig upphandling*, LOU [the Swedish Public Procurement Act (2007:1091)] has been considered in the audit to some degree. These three aspects are highlighted in the climate bill in the section dealing with green public procurement. The Swedish National Audit Office has also taken into consideration, in an overall manner, general conditions to enable the instrument to function both effectively and efficiently. In addition, the Swedish National Audit Office has carried out estimates of carbon dioxide emissions from the holding of green cars in the public sector. Furthermore, transaction costs as a result of the purchase of green cars by the public sector have been estimated. Life-cycle costs due to the central government sector's purchase of green cars have also been estimated. These calculations and estimates are designed to provide a basis for a discussion on how the policy instrument green public procurement can be used more effectively and efficiently.

The agencies mainly included in the audit are the Swedish Environmental Protection Agency and the Swedish Environmental Management Council, a company in which the Central Government has a majority shareholding. *Konkurrensverket* [the Swedish Competition Authority], *Kammarkollegiet* [the Swedish Legal, Financial and Administrative Services Agency] and *Transportstyrelsen* [the Swedish Transport Agency] have also been affected by the audit in some parts.

The activities audited belong to expenditure area 20, General Environmental Protection and Nature Conservation, and expenditure area 2, Economic and Fiscal Administration.

The audit's points of departure: The Riksdag has decided that the 16 national environmental objectives will form the basis for national environmental work. From the climate policy decisions adopted in 2009, it is clear that green public procurement is one of the policy instruments that will help achieve the national milestone target for reduced emissions by 2020. The Swedish National Audit Office has also taken into consideration the various statements put forward by the Riksdag in this area. The parliamentary Committee on Environment and Agriculture has emphasised the importance of the public sector to be a model and that green procurement is established in public sector as far as possible. The Riksdag has also called on the Government to improve monitoring and reporting of costs and effects of actions in the climate area.

The results of the audit

The overall conclusion drawn by the Swedish National Audit Office is that the management of work on green public procurement needs to be strengthened to make the policy instrument more effective. The Government needs to establish a clearer link between the National Action Plan for green public procurement and the milestone target for 2020 for *Reduced Climate Impact* and the other prioritised environmental objectives. The Government's National Action Plan for green public procurement lacks a clear focus on prioritised environmental problems. That makes it difficult to assess to what extent and in what areas green public procurement can help reduce adverse environmental impact in order to achieve the environmental objectives. Furthermore, tasks in the action plan and owner directives for the Swedish Environmental Management Council need to be updated and several basic conditions need to be strengthened. Sharper focus and updating of tasks is necessary, though that alone is not sufficient to make green public procurement more effective.

Stronger management and greater effectiveness in green public procurement could be achieved by identifying prioritised product groups in an ordinance. Such product groups should be procured in relatively large volumes by the central government sector, municipalities and county councils and they should have a significant adverse environment impact. Such a prioritisation could help to reduce the

environmental impact at low transaction costs. The Government's prioritisation of green cars is one example of a product group where this has been successful, despite certain deficiencies in management and monitoring of the green car ordinance. The green car ordinance is also used extensively by municipalities and county councils in their procurement of green cars because the environmental requirements in the ordinance are providing support for the procuring officers. Specifying environmental requirements in an ordinance for a product group with a considerable environmental impact where framework agreements for the public sector also exist to a large extent, has therefore led to reduced emissions and has at the same time kept transaction costs low.

However, identification of prioritised product groups should be limited to a few areas because otherwise there is a risk that the flexibility of the green public procurement policy instrument may be lost. Green public procurement is also used to achieve local environmental objectives and priorities and the current breadth of work on criteria is therefore needed.

The Swedish National Audit Office's estimates of total life-cycle costs for three years of green car purchasing by the central government sector shows that the question of whether purchasing green cars is a saving or a cost cannot be answered with an unequivocal yes or no. The estimates indicate that purchasing of green cars in 2009 led to an additional cost, whereas purchasing of green cars in 2010 led to a saving compared to purchasing conventional cars. The result depends on what kind of green cars are procured and in what volumes. Buying eco-classified diesel cars have led to a saving whereas buying ethanol cars has led to a cost in the Swedish National Audit Office's example.

The Swedish National Audit Office's estimates show that the reduction in emissions as a result of the purchase of green cars by the central government sector, municipalities and county councils is relatively limited. However, green public procurement also aims to bring about a long-term shift in consumption and production. Measurement of any such effects does not form part of the Swedish National Audit Office's audit.

The Swedish National Audit Office illustrates costs per tonne of reduced emissions as a result of the purchase of green cars in the central government sector by means of a number of numerical examples. The Swedish National Audit Office's examples show that it can mean either a cost of around SEK 3,000 or a saving of around SEK 12,000 per tonne of reduced emissions. However, these estimates should be seen as examples and be interpreted with caution because they are based on a number of assumptions and uncertainties.

In addition, the audit shows the following:

Basic conditions for the green public procurement need to be developed and strengthened to enable the procuring party to use the policy instrument in an effective manner. It is important, among other things, to provide an easy support for procurement and to establish a clearer focus in the work on green public procurement policy instrument.

The objectives in the Government's National Action Plan for green public procurement are process-orientated and are not focused on the national milestone climate target for 2020. Monitoring the action plan's objectives thus provides no basis for assessing which product groups are being procured or how many procurements result in the purchase of environmentally friendly products. Thus, monitoring also fails to provide a basis for assessing the climate impact or the impact on other environmental objectives.

Reporting and monitoring of the green car ordinance needs to improve. One aim of the ordinance is to increase the proportion of green cars when the central government sector purchases and leases cars. There is, however, no clear trend in the proportion of green cars purchased and leased between 2006

and 2010, despite the fact that the requirement regarding the proportion of cars that must be green cars gradually became more stringent over those years. It is unclear whether the lack of any increase is due to the fact that it has become easier to obtain exemptions from the ordinance or that agencies fail to comply with the requirements of the ordinance or that reporting of the agencies is deficient.

Tasks in the Government's National Action Plan for green public procurement for the years 2007-2009 need to be updated.

It is unclear what tasks in the action plan still apply to the Swedish Environmental Protection Agency, the Swedish Environmental Management Council and the Swedish Competition Authority.

The overhaul of the Ordinance on coordinated centralised procurement (1998:796) has not yet been carried out. That overhaul is included as a measure in the National Action Plan for green public procurement. The purpose of the measure was to investigate the possibility of supplementing the ordinance with a requirement that cost-effective, well-formulated environmental requirements must be established in the framework agreements of the central government sector. Framework agreements exist in 60 areas and the value of those agreements was approximately SEK 11 billion in 2009. Framework agreements could therefore be of great strategic importance as far as environmental requirements in public procurement are concerned. Framework agreements also help to keep the transaction costs for the procuring agencies down.

The Swedish Environmental Management Council's owner directive has not been updated. According to the owner directive, the directive applies mainly for the years from 2007 to 2009. However, the Government has begun an overhaul of the owner directive. One consequence of the fact that the owner directive has not been updated is that the Swedish Environmental Management Council is working according to the focus of the National Action Plan, as stated in the owner directive. But the council also to some extent works according to the focus of the Swedish Environmental Protection Agency's proposal for a revised action plan. However, the proposal for a revised action plan has been cancelled and the Government has decided not to approve it.

The "should" rule does not appear to have any impact in practice. The new should rule in the LOU means that agencies should take account of environmental considerations in public procurement if such is justified by the nature of the procurement. According to several of the procurement officers interviewed by the Swedish National Audit Office, the should rule has no impact on procurement work in practice. However, the rule has not yet been evaluated. The Swedish National Audit Office considers that the rule certainly creates legitimacy for establishing environmental requirements, but it is not clearly focused on establishing them. Neither does it focus on specific or overall environmental objectives.

There is a lack of designated responsibility for coordination of the area of green public procurement. Several ministries and agencies and the Swedish Environmental Management Council are working with green public procurement in some way. Green public procurement is also under development with new objectives and tasks being added both nationally and within the EU. Better coordination could clarify which objectives green public procurement should contribute to and make the work on the policy instrument more effective.

The information provided on green public procurement by the Swedish Environmental Management Council and the Swedish Competition Authority does not fully coincide. The Government has appointed a special investigator to investigate how support for procurement should be coordinated in order to enhance skills, accessibility, consistency and visibility for the parties in the procurement market. The Swedish National Audit Office shares the Government's view that support for procurement should be coordinated. At present there is a risk that lack of coordination in the field could lead to a lack of clarity in the information provided to procuring agencies and thereby reduce the

efficiency and effectiveness of the work.

Taking account of life-cycle costs in procurement can be a way of contributing to good management of central government and public resources. The audit shows how important it is for procuring agencies to take account of life-cycle costs when procuring because the purchase price of a product is only part of the total cost. Operating costs can also be substantial. Taking life-cycle costs into account can also facilitate more suitable monitoring of costs, for example for goods and services procured with environmental requirements.

The monitoring of the green public procurement is made more difficult by a lack of statistics in general in the procurement area. However, some monitoring is already possible, for example on the procurement of green cars. There is also access to some information on the policy instrument's environmental impact through the data reported by the agencies in accordance with *miljöledningsförrordningen* [the environmental management ordinance].

Recommendations to the government

The Swedish National Audit Office recommends that the Government adopt the following measures to strengthen the management of green public procurement instrument. According to the decision by the Riksdag, the instrument should contribute to the milestone target for 2020 and other environmental objectives. Clearer management can help to increase compliance with the objective and bring about more efficiency in the work. Ultimately, the Swedish National Audit Office's recommendations aim to reduce environmental impact at a low cost, in accordance with the statements by the Riksdag.

- *The National Action Plan for green public procurement should be clearly linked to the climate objective and the other prioritised environmental objectives so as to make clear that the purpose of green public procurement is to reduce adverse environmental impact.* With the actions plan's current objective, the work is focused on the process itself of establishing environmental requirements instead of on achieving reduced environmental impact. The environmental objectives form the basis for national environmental work. A clearer focus on these objectives in the action plan can help achieve the national milestone target for 2020 for the Reduced Climate Impact environmental objective and other environmental objectives.
- *Clear responsibility for coordinating the work on green public procurement should be designated in order to allow focus on common objectives in the area.* This responsibility for coordination is lacking in spite of the fact that several ministries, agencies and the Swedish Environmental Management Council are involved in the work on green public procurement. This area is also experiencing considerable growth both nationally and in the EU.
- *The tasks in the National Action Plan for green public procurement should be updated to clarify what tasks apply to the agencies concerned and the Swedish Environmental Management Council.* The Government should also overhaul the Ordinance on coordinated centralised procurement (1998:796) that was established when the action plan was presented in 2007.
- *The information on green public procurement to procuring parties should coincide.* The information provided to procuring agencies by the Swedish Environmental Management Council and the Swedish Competition Authority does not fully coincide at present. This could contribute to uncertainty among procuring agencies and may thereby lead to a lack of efficiency and effectiveness in the work.

- *The ability to designate prioritised product areas in an ordinance should be investigated.* This prioritisation can be highlighted in the National Action Plan for green public procurement in order to establish a clearer link between the plan and the national environmental objectives. The audit shows that green public procurement can help reduce environmental impact at a low cost by identifying product groups with significant adverse environmental impact and large procurement volumes. The Government has done this in the area of green cars. Procuring officers have also asked for more prioritised areas where the Central government sector takes precedence. A clearer prioritisation should be combined with a broad focus in the work on criteria to enable local environmental objectives and prioritisations, for example, to be met.