

Environmental requirements in procurement processes City of Stockholm

Purpose

- Provide an overview of the environmental requirements in procurement processes set by the City of Stockholm, and an evaluation of its impact on prices, on the industry and on the procuring body

Evaluation

- Prices were not affected by the environmental requirements
- Green procurement has not limited competition

Conclusion

- Dare to try something innovative
- Set gradual requirements that allow suppliers to make the necessary changes
- Set proportional requirements to avoid limiting bids from smaller suppliers
- Set specific contract conditions, instead of qualification requirements.

Purpose

In May 2016, the City of Stockholm (COS) produced an evaluation of the city's green procurement, which sets environmental requirements for transport within their public tendering process for transport services and goods. The city's environmental requirements aim at accelerating a technological transition towards fossil-free road transport and minimising negative impacts of city logistics on the environment.

Green procurement

Green procurement is the purchase of environmentally friendly products and services, the selection of contractors and the setting of environmental requirements in a contract.

The procurement mechanisms discussed here contribute to move forward in the implementation of electric freight vehicles in city logistics and to reach the EU target on zero emission logistics in city centres. This work will feed into the FREVUE report D3.5 on Policies, Procurement and Governance that will be published in 2017 and also aims at inspiring other cities across Europe to set similar requirements.

Overview

The City of Stockholm has set stronger environmental requirements for transport in three sectors recognising that each contract area is unique.

- *Type of requirements:* on vehicles and fuels in three contract areas: passenger transport, furniture and office relocation, and groceries.
- *Rationale:* the city has taken into consideration each sector's specific characteristics: industry composition, types of vehicles used, maturity of the industry in regards to environmental requirements, vehicle lifetime, etc.

Gradual increase of the requirements to enable adaptation

The City of Stockholm introduced conditions of contract instead of qualification requirements to give companies time to comply: "Requirement does not have to be satisfied until the contract is signed or a certain set period after the contract is signed".

Case A: Furniture and office removals

Removals of goods for schools, offices, libraries, public authorities and social housing.

Requirements: cars should be **green vehicles** according to the national definition in the road tax law, and trucks should meet the emission requirements equivalent to Euro 5 or higher. Light commercial trucks are allowed to release maximum 225 grams CO₂ per km or should run on renewable fuels. For heavy vehicles, newly purchased vehicles should fulfil Euro 6, and alternatively they should adhere to the city's definition of *green heavy vehicles

At least one of the vans should be able to run on renewable fuels **at the latest six months after contracting the agreement.**

Flexible requirements help avoid limiting competition

"Stricter requirements, where possible..."

Case B: Passenger transport with specially-adapted vehicles includes school buses and other fixed route services for people with disabilities.

Requirements: when the first green procurement for passenger transport was undertaken in 2010, a definition of "green vehicle" was missing for the category of specially-adapted passenger vehicles. Therefore, the City of Stockholm developed its own requirements including a model detailing

*Green heavy vehicles

Heavy vehicles are counted as *green vehicles according to the City of Stockholm's definition, if they fulfil any of the following:

- a) Vehicles run entirely on electricity
- b) Vehicles partly run on electricity
- c) Vehicles approved for operation with at least one other type of fuel than diesel, petrol or LPG.

the calculation of emissions.

Vehicles with room for maximum 6 (8) passengers other than the driver are allowed to emit max 160 (190) gram CO₂ per km mixed driving, or must be approved to run on biofuel or electricity. When estimating the emissions, the share of biofuel that is used is considered. The vehicle's tailpipe emissions are reduced by 50% of the share of biofuel.

...with a flexible approach, to avoid limiting competition”

The requirements on special vehicles within the agreement area of passenger transport are quite strict. To give the suppliers the possibility to build up their vehicle fleet under their own conditions, the maximum emission allowed is **not calculated per vehicle, but as an average for the vehicle fleet** that is used in the contract with the city.



Case C: Groceries. Procurement of dairy products, dried products, fresh produce, etc., primarily for pre-schools, schools and healthcare providers.

“Proportional requirements that mandate stronger requirements for bigger suppliers”

Within the procurement of groceries, it was important to the city not to make it harder for smaller suppliers, and therefore a

proportional model was used to exclude the smallest suppliers from the requirement of providing green heavy vehicles. Suppliers with up to five vehicles only have requirements equivalent to the procurement department’s basic level. Bigger suppliers have an increased requirement on the number of green vehicles proportional to the size of the vehicle fleet: For a fleet of 6–10 vehicles, one green truck is required; for 11–20 vehicles, three green trucks are required; and for 21–30 vehicles, five green trucks are required; etc.

Evaluation

The City of Stockholm has designed the environmental requirements for transport to minimise negative impacts of city logistics on the environment, while trying to avoid price rises or limiting competition.

- No clear effect on price

There are no indications that the City of Stockholm has been required to pay higher prices due to the introduction of green public procurement requirements for transport. This is based on a comparison of bids received by the City of Stockholm in the three areas considered.

- Few bidders are excluded due to green procurement requirements
 - For passenger transport, all satisfied the environmental requirements
 - For furniture and office removal, no supplier was excluded due to the environmental requirements
 - Within grocery procurement, two bidders were excluded, as they were not used to responding to this type of requirements.

Recommendations

The City of Stockholm's experience with green procurement shows that the city can actively work in driving change, not only by setting requirements, but also through cooperation with the industry.

Recommendations from the City of Stockholm:

- Dare to find innovative solutions and try something new
- Set gradual requirements that allow suppliers to make the necessary changes
- Set proportional requirements to avoid limiting bids from smaller suppliers
- Set specific contract conditions, instead of qualification requirements
- Evaluate methods and effects on the market over time.



Further information:



Report: Experience and impacts of environmental requirements for transport in public procurement
<http://bit.ly/2hLDucR>

FREVUE Coordinator: Tanja Dalle-Muenchmeyer
tdmuenchmeyer@westminster.co.uk

FREVUE website: www.frevue.eu



The FREVUE project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 32162

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