

What is Green Procurement?

We may not associate many of our choices, like buying a cup of coffee or choosing a hotel, with pollution or environmental problems, but there are environmental impacts connected to the things we buy and use each day. “Green” purchasing is a way of using our power as consumers to benefit the environment—buying products that have lesser environmental impacts. And just like individuals, governments, companies, universities, hospitals and other institutions make purchasing decisions daily. Large organizations like these can make a major contribution to improved human health and environment when they put in place a Green Procurement policy, mandating the purchasing of more “eco-friendly” products and services.

Why Green Procurement? The Business Case

The North American Green Purchasing Initiative of the Commission for Environmental Cooperation (CEC NAGPI) recently researched Green Procurement in North America and found that both public and private institutions are identifying and measuring the benefits of their Green Procurement programs. Governments and companies are buying green because it results in a number of benefits—not just because they think it’s the right thing to do. Government organizations find that Green Procurement policies reduce overall costs, offer significant opportunity to use materials, resources and energy more effectively, improve employee health and stimulate markets for innovative new products and services. Private businesses—in the face of continued competition, regulations and market pressures—measure a financial payback from purchasing products and services with lower environmental impacts and from selecting suppliers that are committed to improving their own environmental, health and safety performance.

Both public and private sector organizations in North America are implementing and promoting Green Procurement (purchasing of products and services that are less harmful to local and global environments) to improve their environmental and economic performance.

For governments, Green Procurement can help to:

- **Reduce any negative and unintended impacts** on the environment (like pollution of the Great Lakes or deterioration of local air quality);
- **Support companies** that provide products and services that have fewer environmental impacts and stimulate “green,” innovative product development and business development;
- **Save the amount of money** spent on cleaning up pollution, by preventing it in the first place;
- **Send a message** to manufacturers and service providers that consumers will recognize their environmental efforts;
- **Create a scale effect**, thus reducing production costs by the sheer scale of demand for green products; and
- **Fulfill OECD agreements** to take greater account of environmental considerations in public procurement of products and services (OECD member countries are to demonstrate their progress by 2005).

For private companies, Green Procurement can help to:

- **Avoid costs** by eliminating or lowering fees for waste management or hazardous material management (like special training, handling and storage), reducing time and costs for reporting and receiving fewer fines;
- **Save money** by conserving energy, water, fuel and other resources;
- **Simplify compliance** with environmental regulations;
- **Demonstrate due diligence**;
- **Reduce risk** of accidents, reduce liability and lower health and safety costs;
- **Improve image**, brand and goodwill;
- **Improve health** of employees and communities, through cleaner air and water, less hazardous wastes to handle and dispose; and
- **Increase shareholder value**.

What Impact Can Green Procurement Have?

Governments, other large institutions, such as hospitals and universities, and companies can have a major influence on “greening” products and services in North America. Twenty-seven percent of every dollar spent in the North American economy in 2002 (that’s \$3 trillion of the total US\$11 trillion North American economy) was spent by governments. In the United States alone, government spending on goods and services (excluding military expenditures) accounts for almost US\$1 trillion. The Canadian federal government is the largest single buyer in Canada, spending C\$11.6 billion on products and services each year. Because of their significant influence in the market place, governments have established procurement practices that support small and medium-size enterprises, minority group-owned companies and other local priorities. Today government agencies, cities and municipalities across North America incorporate Green Procurement practices into their purchasing and supply chain activities... though still more can be done!

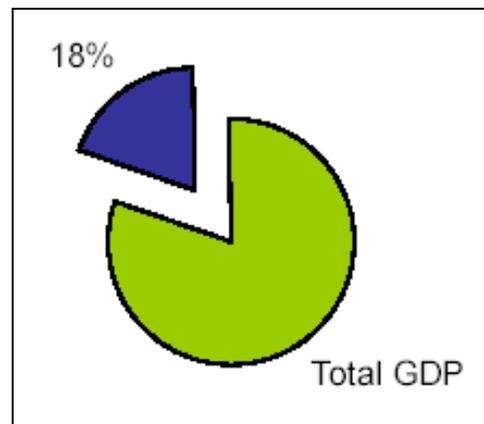
The Supply Chain Effect of Buying Green

Private firms are also working to improve the environmental performance of their operations, products and services. Similar to public organizations, private companies have adopted Green Procurement practices for specific products (e.g., recycled-content office paper, energy from renewable sources, VOC-free paints, natural ingredient cleaners, etc.). But private firms are also looking at the materials and chemicals that they buy to make their products and services. This supply chain approach looks beyond the company’s “gates” and into the operations of their suppliers, in an ongoing effort to reduce costs and risk. Leading firms are using tools like life-cycle assessment and life-cycle costing tools to identify the materials in their products that may pose significant environmental, health and safety risks. With this information, firms can re-design their products to prevent or reduce such risks. Driven by bottom-line performance, leading private sector firms see Green

Procurement as a logical part of effective purchasing and supply chain management practices.

US Army – Purchasing Paint

The US Army’s Aberdeen Proving Ground (APG) has a policy to purchase paint with, among other things, low VOC emissions and fewer aromatics or other hazardous substances. APG now spends \$1.76 less per gallon (on average) for these environmentally preferable paints. APG also eliminates costs for reporting, handling, storing and disposing of left over paint (because the paint it buys is no longer considered “hazardous” material).



In 1997, government procurement markets in OECD member countries accounted for between 5 and 18% of the GDP within those countries.

Center for a New American Dream – Identifying “Green” Cleaning Products

Institutional cleaning products represent a US\$150 billion industry in the US, with significant environmental and human health impacts. The Center for a New American Dream helped develop a single set of criteria that describe what an “environmentally preferable” cleaning product is. Since many purchasers in the US now use these criteria, manufacturers also use them in developing products. If these more environmentally preferable cleaning products become the industry standard, it will stimulate markets for products that contain fewer (or no) carcinogens, reproductive toxins, smog precursors, ozone-depleting substances and indoor air quality pollutants, among other benefits.

How is Green Procurement Implemented? –

Despite differences, Green Procurement activities in both the public and private sectors take four main approaches:

- Purchasing eco-labeled products or services – looking for certified or labeled products / services which meet specific levels of environmental performance (such as percent recycled content);
- Evaluating products and services in-house – establishing “green” criteria that purchasing professionals use when purchasing key products and services (conference facilities, for example);
- Third-party product and service evaluations – working with external certifiers or other organizations to verify the product’s environmental performance; and
- Supply chain initiatives – talking with suppliers and helping them improve their own operations, products or services.

Trade Barriers: A Myth? – Some have commented that Green Procurement criteria and programs could be viewed as barriers to international trade and thus be challenged. However, a recent CEC report concluded that there are no serious barriers to “green” procurement in the WTO, the NAFTA or the Free Trade Area of the Americas (FTAA), which is in the process of negotiation (Link to this report from <www.cec.org>). The CEC report notes that standards disciplines could be used in some circumstances to challenge standards pertaining to particularly controversial products; however, standards equivalence will be a growing challenge as eco-labels proliferate and Green Procurement programs become more widely used.

Everyday governments and businesses are realizing the value of Green Procurement—they are finding that Green Procurement has both financial and environmental benefits.

Anheuser-Busch

Anheuser-Busch has a green procurement policy in place to evaluate the environmental attributes of competing products when deciding which to purchase (products such as packaging, operating equipment, energy, and equipment cleaners). To date, this approach contributed to a 72 percent reduction in the amount of hazardous waste produced by the company since 1991 (it also eliminated the costs associated with handling, transporting, disposing and reporting on that waste). Each year, Anheuser-Busch has also saved more than 250 million pounds of aluminum and 800 million pounds of glass and recycled more than 1,000 tons of plastic strapping by working with suppliers.

New York City Transit Green Procurement Practices

The Department of Capital Program Management of New York City Transit has a Design for Environment Initiative which has led it to integrate environmental considerations into procedures for engineering, building design, contracting, specification and procurement. As a major contractor of goods and services, the department is extending environmental requirements across its supply chain through contracts for building design, construction, demolition, waste management and commissioning. As a result of its initiatives, the department expects to surpass New York Governor’s Executive Order 111, “Green and Clean State Buildings and Vehicles,” which outlines targets for energy efficiency improvements, procurement of Energy Star products, and targets for renewable energy.

Supplying Interface with CFC-free Air-conditioning

When a ban on CFCs was first under development, Interface, Inc., went looking for a CFC-free air-conditioning system. This new technology was still under development, but one manufacturer agreed to accelerate production and Interface agreed to purchase it at 7.5 percent above the price of a traditional system. While the purchase cost was clearly higher, Interface actually realized a return on its investment because it received so much positive attention in the media. Interface might normally pay \$100,000 for 30 seconds of TV advertising. However, because of its environmental initiatives, the company was profiled by CNN in a 30-minute documentary, on CBC-TV, the Discovery Channel, and in newspapers and magazines across Canada and the United States, all at no direct cost to the company.

Overcoming the Challenges: The North American Green Purchasing Initiative – Among other challenges, governments and companies are looking for guidance to initiate and implement Green Procurement programs. Integrating considerations on the environmental, health and safety aspects of products and services into procurement decisions (and weighting them accordingly) alongside the traditional criteria of cost, quality, safety and technical performance continues to be the major challenge with both public and private sector organizations. The Green Procurement Success Stories, described in recent research from the CEC and NAGPI, indicate that a range of resources and organizations exist to assist both the public and private sector in adopting Green Procurement practices (Link to this report from <www.cec.org>).

The CEC's North American Green Purchasing Initiative and You

To further help both manufacturers and purchasers, the CEC's NAGPI is developing a Guide to Green Purchasing. The Guide will include a point system for green purchasing best practices and a scheme for

green purchaser certification. Also, the CEC's NAGPI will host a conference in the fall of 2003, inviting all organizations interested in green purchasing in North America to come together to define future priority actions. NAGPI is also developing a web site to provide a one-stop "information mall" for eco-purchasers and sellers, as well as a methodology and tools for conducting life-cycle costing and analysis. The site will be hosted at <www.cec.org>.

The CEC's NAGPI Group

The North American Green Purchasing Initiative (NAGPI) Steering Committee is made up of major groups and agencies working with green purchasing in North America. NAGPI is housed at the CEC and plays a coordinating role to:

- Compile and maintain a list of ongoing green purchasing activities to avoid unintended duplication of effort;
- Create a unified voice to engage manufacturers, purchasers, politicians, the media and the general public;
- Develop and maintain a database of supporting tools and procurement policies used across North America;
- Identify research needs (such as the need to better quantify environmental benefits of green purchasing);
- Seek funding to address those needs;
- Facilitate development of common marketing language beneficial to all; and
- Launch coordinated campaigns to improve the performance of specific commodity areas.

For More Information

Find out more about Green Procurement and the CEC's NAGPI at <www.cec.org> or contact the CEC's Environment, Economy and Trade Program at (514) 350-4328.