

## Analysis report of procurement standards and procurement praxis in ITALY

### Introduction

Countries belonging to the European Union are worldwide leaders for Sustainable Development (SD), as it was firstly defined by the European Commission<sup>1</sup> in 1987. Italy is strongly focused on the implementation of a SD strategy among Public bodies and private sector. Recently, crisis has caused major cut for investments, especially for communication and dissemination activities such as those related to Green Procurement.

Since 2000, actions on green (public) procurement were put in place, all the EU countries, including Italy, were committed to reach a 50% target of GPP in all public works by 2010 (as requested by the European Commission with the Communication n. 400 of 16 July 2008). Although this target was not reached, there is a growing interest by EU Commission towards GPP policies and further interventions on this field are expected.

### Current national procurement legislation

Despite the above mentioned problems, Italy has adopted European regulations in the area of sustainability through the enactment of:

- NAP GPP - National Action Plan on Green Public Procurement;
- NEEAP - National energy efficiency Action plan.

Starting from the legislative framework, Italy turned legal principles into real actions by including Green Public Procurement (GPP) in the governmental financial plan and introducing green criteria into public contracts. “Green criteria” or “minimum environmental criteria” for public contracts are those belonging to the categories identified in Article 1 (comma 1127) of Law 296/2006 establishing the requirements that, if they are included in the purchasing procedures of the public authorities, will enable the relevant contracts to be classified as “sustainable”. For Italy, Green Criteria are adopted with an *ad hoc* decree by the Ministry of the Environment.

Green criteria can be included into public tenders as technical requirements, if the contract is awarded to the most economic advantageous offer. In the case a “score” system is used, with specific “points” assigned to the environmental quality, only products fulfilling the specific green characteristics (i.e.: energy consumption, end of life collection, recycle and disposal) are awarded. Other ways to introduce green criteria into public tenders are through contract performance clauses and qualification/selection criteria.

### Current national / regional practice

The participation of ENEA to the previous Buy Smart project resulted in three main impacts: the support to GPP through the participation to NEEAP and NAPGPP, and the support to the Ministry of Environment and the signature of a specific Annex on GPP within the agreement between ENEA, CONSIP and Ministry of Economics. In detail:

**NEEAP - National energy efficiency Action plan:** on July 27, 2011 the second Italian Action Plan for Energy Efficiency (as required by Directive 2006/32) was approved. It retains the target of 9% (126,540 GWh/year) reduction in energy consumption by 2016, the general approach and the methodology for calculating the target as described in the first NEEAP of 2007. With the extension to 2020 the NEEAP 2011 aims to link policies on RES with energy efficiency policies. In fact, energy efficiency is a key objective of the Climate-Energy Package, and the National Action Plan for Renewable includes assumptions regarding the efficiency. The NEEAP 2011 is expected to achieve a saving of 184,672 GWh/year for 2020. The plan for energy efficiency

<sup>1</sup> “...sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs...” Report of the World Commission on Environment and Development: Our Common Future (1987) - Annex to General Assembly document A/42/427.

aims at:

- Energy savings in buildings;
- Developing of the mechanism of white certificates;
- Organizational and technological interventions in the transport sector;
- Energy efficiency in industry and services.

Within the NEEAP a specific chapter is devoted to green procurement, where the targets of the AP on GPP are mentioned.

**NAP-GPP** - CONSIP and ENEA (with the Ministry of Environment, the Ministry of Economic Development and the Ministry of Economy and Finance) are participants to the GPP National Action Plan Management Committee.

In these respects, Consip already introduced green criteria into: 93 % of its Framework Contract, 60% of its Framework Agreement and 50% of purchases performed through the Italian electronic marketplace for Public Administration (short for MePA), summing up to roughly EUR 1,1 Bln.

**ENEA-Ministry for Environment cooperation:** ENEA is part of the “Steering Committee” of the GP Action Plan (including also experts from APAT, CONSIP and the Regions) and is responsible for setting minimum criteria on building components.

**ENEA-CONSIP-MEF cooperation:** on 1st April 2009, the “Framework Cooperation Agreement” between ENEA, Ministry for Economy and Finance and CONSIP was signed, aimed at the development of measures related to energy efficiency of end-uses and energy services in the sector of public procurement of goods and services. The Agreement foresees a Technical Annex including GPP. The Action Plan (Technical Annex) of the Agreement titled “New efficient technologies and methodologies in public structures” was signed on 27th April 2010. It foresees 4 actions to be developed:

1. Collection of the consumption data on the Agreements about real estate-energy and definitions of clusters
2. New technologies and best practices for schools and public buildings and adoptions of innovative proposals and contracts
3. Technologies for efficient public lighting to be integrated with electric energy production
4. Analysis of the use of Green Procurement and support to further implementation.

## Recognised barriers and remedies

Some obstacles still exist to the national spreading of green (public) procurement:

- Reduction of budget dedicated to dissemination and communication activities;
- Scarce diffusion of some green (labelled) products;
- Scarce diffusion of a specific and co-ordinated GPP policy among Public bodies and private purchasers, although some examples do exist;
- Because of legal constraints, public procurers are rather cautious and are used to set strict technical specifications, which can lead to lack of products and therefore lack of competition on the market;
- The provision of technological goods, prototypes or services cannot be conceived with the current practices (this is more related to the so called “*technological procurement*”);
- Difficulties in the creation of a local green market, although some examples for major products do exist;
- Lack of expertise on green criteria selection and implementation into purchasing procedures
- Cultural resistance to change;
- Fearing price increase and reduction of competition;
- Cost/benefit evaluation tools scarcely available and lack of knowledge on their proper use;

Possible ways to overcome some of the above mentioned barriers are:

- the creation of calculation tools (excel sheets) evaluating the Life Cycle Cost of green products;
- development of a large number of dissemination, formation and information actions, through presentations, training courses, participation to events, meetings, consultations with stakeholders;
- printing and distribution of specific leaflets for public and private purchasers;
- keeping a lot of meetings with potential stakeholders for developing pilot projects.

## Opportunities and lesson learnt

It is well known that G(P)P could contribute to:

- the improvement of the energy/environmental performance of the goods/services in the purchasing phase
- the re-organisation and rationalisation of the public (and private) purchase
- environmental friendly behaviour for consumers (energy savings, resources consumption reduction, etc.)
- production of environmental friendly/technologically improved goods by following the market rules, thus being an important driving force for (technological) innovation
- the spread of the energy and environmental labels/ environmental communication/ certification tools.

In order to achieve all these goals, communication and dissemination campaigns play a crucial role. During the previous Buy Smart project we have noticed a major request for information coming from consumers, local Public Administration (municipalities) and (to a lower extent) private sector.

**Continuous need for information, training and dissemination:** lack of technical information availability and people training is still one of the existing barriers to the purchasing of eco-efficient products. This appears to be a paradox in the current situation of free and abundant availability of information.

The abundance of information does not necessarily mean that they are objective, transparent and technically correct. The creation of “call centres” should be supported only if high quality information can be deployed, if not this task will only increase confusion among end-users and procurers. Training courses are also needed, for the people working in the procurement departments, again precise, transparent and technically correct information should be provided during the training along with good practice examples.

**Incentives (tax, fiscal, economic):** incentives, in the form of tax reduction for energy efficient/ environmental friendly goods and services, have been successfully introduced in Italy and have led to market transformation, especially concerning energy efficiency. They are successful instruments as long as they are constantly provided during the time as to support the market transformation. Short-time incentives are not effective and they may paradoxically result in a weakening of the market due to the shifting of the available resources towards incentivised products; in addition, if incentives are too short-timed also the covered products have scarce benefits because there is no motivation for suppliers to set up a long-term strategy of mass production for such products.

Environmental taxes/ecological taxes in the form of a fine for “less green” products are counterproductive since their main effect is to increase their purchasing price, without decreasing the ones of green products. The overall effect can therefore be to depress the market without increasing the purchase of green products. Moreover, if a smaller amount of new (and more efficient) products are purchased, old (less efficient) ones remain in use for a longer period thus perpetuating the energy waste.

**Better use of Life Cycle Costs as a GPP support tool:** Instead of focusing on the sole purchasing price, more weight should be given to other evaluation criteria, better addressing the long-term benefit of a product/service to promote innovation. In this respect, the LCC (life cycle cost) approach, i.e. the cost of the product during the entire life cycle, should be promoted. Some experiences show that if green criteria are properly selected, green procurement can result in a 15-20% life cost reduction. The creation of LCC electronic tools should be followed by analysis and description of the input data (such as discount rate, life duration, allocation of different costs, energy prices, etc.) and their influence on the achieved output.

## Relevant sources of information

1. Report of the World Commission on Environment and Development: Our Common Future (1987) - Annex to General Assembly document A/42/427
2. EU Commission “Monitoring the uptake of GPP in the EU” (2012), downloadable at [http://ec.europa.eu/environment/gpp/studies\\_en.htm](http://ec.europa.eu/environment/gpp/studies_en.htm)