Interreg North-West Europe

Co-funded by the European Union

DeCarb-Pro

Interreg Project id. NWE0100092

DeCarb-Pro
Decarbonise public procurement in NWE – account for the future

Deliverable 1.1.3

Conclusions on administrative and legislative barriers

June 2024

DeCarb-Pro partnership

Climate Alliance Netherlands (Lead Partner) | Climate Alliance | South East Energy Agency (SEEA) | Municipality of Amsterdam | City of Essen | City of Paris | Arnhem-Nijmegen Green Metropolitan Region | Foundation HIER Klimaatbureau | Strasbourg Eurometropolis | Climate Agency Wiesbaden | Flux50 | Climate Agency Strasbourg

Table of content

Executive Summary

This deliverable contains the first conclusions on administrative and legislative barriers anticipated and/or encountered when implementing carbon pricing into procurement. The insights into these barriers were gathered by conducting a survey and follow-up interviews within the partnership. The main barriers and challenges that emerged from this process were 1) the lack of resources in local governments; 2) collaboration, internally as well as with external parties; 3) the possible tension between carbon pricing and other (policy) priorities; 4) lack of (in-house) technical knowledge and skills on the subject of carbon pricing; 5) risk of overcomplicating the procurement process by adding carbon pricing; 6) the lack of supporting legislation to implement carbon pricing; and 7) the fact that transitional processes simply take (a lot of) time. Two initial policy measures are noted already. The first is to start monitoring LAs' GHG emissions, to start gathering first insights and develop expertise. The second is to start looking at the procurement process more broadly, looking for opportunities to incorporate carbon pricing / environmental indicators earlier in the process.

Introduction

The DeCarb-Pro programme consists of three main work packages, all with a slightly different focus. The first is about developing a carbon pricing strategy with action plans suited for local authorities within North-West Europe. The focus of the second work package is testing DeCarb-Pro approach and method on pilots, developing action plans, applying and testing them, as well as improving them in the process. The work within the third and final work package aims to enable local authorities to implement carbon pricing, by developing and providing trainings tailored to different needs.

One of the activities within the first work package concerns drawing conclusions on the administrative and legislative barriers for the integration of carbon pricing in the local procurement system, and what (policy) measures might be required to deal with these barriers. Mapping these barriers provides important context for the development of the strategy and action plans (the main goal within this work package).

To map out these barriers, Klimaatverbond and Climate Alliance, first compiled a survey, which was sent to all partners. The aim of the survey was to gather information on the current practices and experiences of all the governmental organisations in or linked to the DeCarb-Pro partnership. An additional aim was to gather insights on perceived barriers and opportunities for the implementation of carbon pricing in procurement to reduce one's greenhouse gas emissions. The survey consisted of four main sections: 1) baseline emissions inventory and monitoring; 2) carbon pricing; 3) procurement; and 4) organizational context. After filling out the survey, Klimaatverbond and Climate Alliance held interviews with most of the project partners, to go deeper into certain topics and answers.

In this deliverable, the focus is on the final part of the survey and related input from the interviews, as the other sections are addressed in different DeCarb-Pro deliverables and documents (deliverables D1.1.1 - Targeted inventory of experiences and opportunities of CO2 pricing in local procurement in PP regions; D1.1.2 - Analysis of the necessary CO2 monitoring standards and instruments for scope 1-3 emissions; D1.2.1 - Framework for determining the needs). Here, we asked the partners questions about the broader organisational context and about what administrative and legislative barriers they expected for implementing carbon pricing in procurement. Before going into the barriers, it is important to note that there is currently very little actual experience with carbon pricing in the partnership. This means that some of the barriers are not necessarily being encountered (already), but anticipated instead.

Barriers, challenges, and needed policy measures

Organisational, administrative, and legislative barriers and challenges

In the survey and during the interviews, several barriers were identified. We pooled all that was mentioned into several main barriers and challenges, discussed below. The first is a **lack of resources, both financial and human**. Financially, many local authorities have limited means to invest in more sustainable alternatives in projects, as these are often more expensive in the short term. Additionally, LAs often lack capacity to start working with new policy instruments such as carbon pricing. This barrier was mentioned by a lot of respondents and during the interviews, often as one of the first challenges.

The second challenge that was mentioned often was that of **collaboration, both internally and externally**. Inside local governmental organisations, collaboration about sustainability and carbon pricing within procurement often is not a given. Especially within the larger organisations, it can be hard to know or identify who is working on similar projects or processes. Additionally, the implementation of carbon pricing in procurement usually requires extensive collaboration between the sustainability, project development, engineering and procurement departments. Currently, this is not always the case. Different departments sometimes speak a 'different language' or they simply do not come into contact that easily. External collaboration was also referred to as a challenge. Properly involving and providing clarity towards potential contractors is key, as this helps them to anticipate and change the way the work as well.

The third challenge noted was that there can be **tension between carbon pricing – and environmental policy in general – and other (policy) priorities**. The environmental factor is just one of the factors that need to be considered when buying a product or acquiring a service. Pricing, locality, social norms, competitiveness of companies (SMEs in particular), and others also need to be considered. All this can make it difficult to properly compare different goods and services, and to decide which option is the 'best' option. Furthermore, environment or climate are often not at the top of the priority list, so when hard choices need to be made, chances are that the most sustainable option is not chosen (for instance because of budgetary constraints, the first barrier cited).

Another mentioned barrier was that many local authorities not only have to deal with understaffing (first barrier), but also with a possible **lack of (in-house) technical knowledge and skills** regarding carbon pricing and related matters (e.g. being able to compile or compare GHG emissions data sources during different stages of the procurement process, or legal questions). Developing internal awareness, knowledge, and expertise requires ongoing financial investment and takes time. Additionally, as mentioned earlier, currently there are not that many governmental organisations with experience on carbon pricing, making it harder to get the information needed to get started comfortably (inspiring examples).

The fifth barrier, which could also be classified as perceived risk, was the concern that adding **carbon pricing might make the procurement process too complicated and complex**. In turn, this might

invoke internal resistance to this change, also because it is "new" and requires a different way of working. If that is the case, the implementation could be actually turn out to be counterproductive. Related to this feeling of complexity is the lack of uniformity in terms of tools and methodologies regarding GHG emissions calculations and such. This makes it hard for LA employees to see the wood for the trees and be able to set standards or criteria in procurement and evaluate the reliability of sustainability claims made by companies for example. The fear of possibly complicating the procurement process too much also relates to potential bidders. What if the new requirements are too ambitious or difficult to meet, leading to no or too few companies bidding for the tender, or it excludes local SMEs in particular?

No specific legislative barriers were mentioned in the sense that there are legislative constraints that hinder the implementation of carbon pricing in procurement. However, there being a **lack of supporting legislation or legislation that compels local authorities to implement carbon pricing** was mentioned. Some partners noted that this legislation is crucial to get local authorities to start working on carbon pricing and that they would not start working on it unless obliged by (national) legislation.

The final barrier noted was that some **transitional organisational processes take a long time**. This can be because the organisation is structured hierarchically for example. In practice, this can mean that decisions need to be made at a high level and before matters get there, they might need to pass through various levels of management and administration. Similarly, it can take a lot of time for decisions to trickle down to the people who need to put them into practice. There is a big chance that this process also applies to carbon pricing, for various reasons: it is a quite technical subject, needing a lot of explaining and elaborating, and implementing it properly requires organisational change, also involving decision-making by the administration. The latter depends on political will and ambitions. In some cases, it can take a lot of effort to convince the administration to start working towards green procurement, as it can be hard to see the (immediate) benefits of doing so.

Needed policy measures

Having identified several barriers in the previous section and chapters, we can draw some conclusions on what policy measures might be needed to address or overcome them. This can be at the level of local authority, but also at the (inter)national level.

One of the needed policy measures is to start monitoring the LAs' GHG emissions, and/or to further improve and enhance the reliability and scope of the current inventory. Especially regarding scope 3 emissions[1], there is still a lot of ground to be covered and insights to be developed. Having a good understanding of how the organisational or territorial footprint is built up is a prerequisite for

[1] GHG emissions are classified by the GHG Protocol into three 'scopes'. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions.

applying and implementing policy instruments and measures such as carbon pricing in the proper manner. As part of the development of this understanding and insight, it would also be wise to either start using an already existing LCA database, invest in the development of a LCA database, or lobby at the national level to push the national government to do so. Having a reliable LCA database helps to manage the scope 3 emissions.

Another necessary policy measure is to start looking at the procurement process more broadly than the current standard practice. Oftentimes, sustainability and GHG emissions is mainly addressed quite late in the procurement process, meaning many choices and decisions have already been made. All these decisions influence the carbon reduction potential of the project or tender. Consequently, if the aim is to limit the GHG emissions of a project, it needs to become standard practice to integrate policy instruments such as carbon pricing in all stages of the procurement process. Enhancing and increasing the collaboration between various departments and people is a part of this process, for instance people from the sustainability and procurement departments.

These and other measures are listed and will be developed further in deliverable 1.4.1.

Appendix

Survey to gather information among DeCarb-Pro partners on administrative and legislative barriers is accessible here.