



NATIONAL ROUND TABLE ON THE ENVIRONMENT AND THE ECONOMY  
TABLE RONDE NATIONALE SUR L'ENVIRONNEMENT ET L'ÉCONOMIE

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NRT-1994008  
Delphi Group

**Greening Public Sector Procurement:**

**Role Options for The National Roundtable  
on the Environment and the Economy**

**October 1994**

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## About this Report

The environmental and economic movement towards sustainability is based upon change in the way goods and services are produced and consumed. Over the past decade, within public and private sector organizations, this change process has focused on the development of environmental management systems, adherence to regulation, and the 3 R's principle, among other issues.

While these changes have been gratifying the simple fact is that the economic benefits of environmentally responsible management cannot be achieved without drastic changes to the procurement policies and practices of public and private organizations. What is purchased cuts to the core of how organizations will be re-engineered to support the twin objectives of environmental preservation and economic growth.

The National Roundtable on the Environment and the Economy (NRTEE) has recognized that the greening of procurement is an integral aspect of organizational sustainability. As such, NRTEE has commissioned this report to study the issue and propose various roles NRTEE might consider to promote the greening of procurement within the federal government of Canada.

The work has been conducted by The Delphi Group a Canadian-based, international environmental firm which harnesses vision, knowledge and networks to advise organizations how to benefit from emerging environmental challenges and opportunities. The Delphi Group focuses on commercial means of profiting from environmental preservation, and places a particular emphasis on the sustainable production and consumption of resources.

The report is organized in the following fashion. The initial discussion looks at how and why procurement is a force for change towards sustainability. The next two sections describe the current state of procurement policies and practices in the Canadian federal government, key provinces, the private sector and other countries. The final two sections are analytical and prescriptive and set out how NRTEE could play a role in greening procurement, notably within the federal government, and the resource implications of various options.

Thus, this report is a strategy piece which puts NRTEE in a position to assist with the crafting of a Green Procurement Strategy and play a role in this important area of environmental innovation.

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## The Greening of Procurement

### 1.0 An Approach to Greening Procurement

It is useful to begin a discussion of green procurement by beginning with a definition of the term:

#### **Green Procurement: A Definition**

Greening procurement involves a comprehensive and all inclusive approach to determine how, why and what goods and services are purchased by an organization. A green procurement system involves both purchaser and supplier participation in the production, purchase, consumption recycling/reuse and disposal of goods and services which have minimal negative impact on the environment. A green procurement system should be cost competitive with alternatives over the medium to long term, and will have such outcomes as the reduction of waste, increased energy and production efficiency, and reduced air and water pollution.

*The Delphi Group*

The key words of green procurement are: system, comprehensive, minimal environmental impact, cost competitive and tangible positive environmental outcomes.

### 1.1 The Economic Benefits

Greening procurement is a business opportunity. As an organization becomes more environmentally sensitive in its purchasing practices, business opportunities arise for suppliers that respond to this demand. It is useful at the macro level, therefore, to view the greening of procurement as a driver of economic growth.

Initial efforts at being more sensitive to environmental factors in the procurement process have tended to be ad-hoc and without focus or guidance. They also have tended to focus primarily on recycling and reusing, and on standard office products. Switching to recycled paper and reusing toner cartridges are worthy steps, but without the benefit of comprehensive green procurement policies, most well-intentioned purchasers are destined to nibble away at the edges of what is in fact a huge problem and a huge opportunity.

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The first point to reinforce, therefore, is that green procurement involves virtually every good and service purchased by an organization, and herein lie the opportunities. The Canadian environmental industry, notably the member companies of the Canadian Environmental Industries Association (CEIA), represents only a small proportion of the enterprises which can benefit from green procurement. Potentially all suppliers of goods and services can be beneficiaries of green purchasing. In this sense, green procurement is a force towards sustainability.

It should also be noted that green procurement is closely connected with such desirable principles and objectives as full-cost accounting and pricing, and life-cycle product stewardship. It is generally acknowledged that if the consumer and producer of goods and services are to act intelligently and "sustainably" -- that is to provide or purchase goods/services that have a minimum environmental impact -- the price of those same goods/services will have to reflect the full, cradle-to-grave costs of production, use and disposal, including the environmental costs. Green procurement will not only encourage full-cost pricing -- by promoting those products which represent the best overall value -- it will be supported by a system where consumers have learned to evaluate the cost of goods and services according to their long-term environmental and economic costs, and where producers are encouraged to make all their decisions in the knowledge that full costs will be reflected in the good's/services' final price.

Product stewardship -- the idea that the producer should take responsibility for the cradle-to-grave impact of its goods/services -- will similarly encourage and be encouraged by green procurement. Companies seeking to sell to informed green purchasers will develop environmentally-preferred products and promote these products according to their "green" merits, thus raising the level at which the competitive process is taking place. Purchasers will let it be known that they are looking for suppliers who can provide a greener product which has done less harm in its production, delivery and packaging, and will continue to minimize environmental impact throughout its use and method of disposal.

The purpose of promoting both full-cost pricing and product stewardship is not to raise the costs of producers and the ultimate expenditures of consumers, but to provide a pathway to innovation by placing costs where they belong.

## **1.2 Green Procurement Policies & Practices**

The term 'green procurement' has a parental tone. Who can argue with the concept. The real issue is what does green procurement imply?

At the policy level green procurement represents an organization-wide commitment to purchasing more environmentally-sensitive goods and services. This commitment needs to be matched with a set of tailored green procurement

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policies, and the resources and management direction which will bring about a change to organizational purchasing.

Examples of green procurement policies include:

- Environmental assessment of products purchased;
- Maximizing reuse and recycling of purchased goods;
- Central standards for purchases based upon green criteria;
- Partnership with suppliers to promote purchased goods and service that are more environmentally preferred over time; and,
- Prohibiting the purchase of products which are exceedingly detrimental to the environment.

### **1.3 Green Procurement in the Federal Government**

Federal government action to deal with environmental procurement has the potential to fundamentally change the market for goods and services in Canada, by virtue of its size and influence. By calling for environmentally preferred products and actually purchasing them, the federal government will simultaneously exercise a profound influence over both supply and demand.

New products and services will reach the market, more choices will be made available and prices will drop over time relative to the current selection. Demand will be affected both by policy directives instructing purchasers to place a higher priority on green procurement and by the aforementioned increase in selection and decrease in prices. For the industry and markets at large, the influence of the federal government can be expected to be felt at the provincial and municipal level, as well as in the private sector, where these same price, selection and qualitative changes will generate new demand, helping to stimulate the Canadian environmental industry, as well as firms that green themselves in other sectors.

Can public sector green procurement be a success? Not only can it, it must. The combined forces of legislation, consumer demand and the costs of "not being green" will ensure that the markets for greener products and services will grow exponentially into the next century. The question is rather, when will these changes take place, how can they be accelerated, and will the Canadian government be in a position to capitalize on these shifts?

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## **The Current Status of Procurement in Federal/Provincial Governments**

### **2.0 Federal Government Central Agencies**

Since the launch of the Green Plan in 1990, a series of efforts have been made to promote the purchase of "greener" products by federal departments. Though several attempts have been made to coordinate these efforts and to share information and experiences, green procurement within the federal government continues to be largely ad-hoc and varies widely from department to department. The most significant interdepartmental campaigns and individual efforts are noted below.

Green procurement within the federal government can best be described as well-intentioned but patchy, with considerable room for improvement through increased coordination, sharing of the right kind of information and support for existing initiatives.

#### **Treasury Board**

Treasury Board has moved increasingly away from issuing directives, in favour of guidelines. Departments are now left to establish their own policies, including those in the area of purchasing and green procurement. Treasury Board's decentralization efforts have had the unfortunate effect of fragmenting even further any inter-departmental sharing of information and consolidation of procurement initiatives.

Though the federal government's commitment to Environmental Stewardship should have translated into Treasury Board policy directives, this has not been the case. The Treasury Board Manual, Section 6 "Materiel Management Environmental Guidelines" promotes the purchase of EcoLogo products, the purchase of products containing recycled materials and which are themselves recyclable, as well as taking the life-cycle approach. Materiel managers are encouraged to accommodate environmental actions, though, within existing budgets.

#### **Government Services Canada**

Government Services Canada (GSC - formerly Supply and Services, and Public Works) has taken steps to "green" its Stocked Item Supply cabinet (SIS), offering a list of environmentally-preferred products to all departments. The SIS selection has been described as somewhat limited and containing some products of marginal environmental value. In addition, it continues to contain some products for which alternatives exist. Increasingly, departments are going outside of the GSC catalogues to purchasing certain products or to obtain better prices.

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GSC has worked with the Office of Environmental Stewardship to create environmental procurement "tools" to assist GSC purchasers in finding environmentally preferred products, preparing tendering documents and advising clients. These tools are still relatively rudimentary and do not reflect the full requirement of a green procurement system.

## **2.1 Environmental Initiatives & Agencies**

### **Environment Canada**

Though Environment Canada has been at the forefront of promoting green procurement within the federal government, it does not appear to be any further ahead than several other departments in its internal practices. Environment Canada has, however, promoted certain highly visible initiatives such as the concept of the Green Office and the consistent use of recycled paper.

In addition, two key offices/programmes which are promoting green procurement fall within Environmental Canada's area of departmental responsibility.

### **Office of Environmental Stewardship**

The Office of Environmental Stewardship (OES) exists to offer information and services, including some coordination functions, to federal departments and agencies in support of the Green Plan's goal of Environmental Stewardship within the federal government. Green procurement is one of many areas to which the OES has devoted its attention.

Initiatives have included support for Transport Canada's Choose Green guide, for the development of a Green Procurement course (over 200 procurement officers have now taken the course), the production of a series of checklists and guides (which contain procurement suggestions) and an "Enviro-Net" electronic network for sharing information, as well as the development of a set of environment procurement "tools" for Government Services Canada's Stocked Item Supply.

The OES has no mandate or power to enforce or oversee Environmental Stewardship initiatives, only to assist and encourage. In addition to various green guides on office practices, transportation, conference organization, etc., OES has recently produced guides for building and renovation, which emphasize green procurement.

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## Environmental Choice Program

The mission of the Environmental Choice Program (ECP) is "to reduce stress on the environment by encouraging the demand for and supply of environmentally responsible products and services". Though the scope of ECP goes well beyond the federal government, its success in identifying green products and services, encouraging their development and promoting demand for them is strongly felt within the public sector. Clearly, ECP is having some positive impact. As a result of aggressive marketing of ECP paper to government and institutional procurers, EcoLogo paper now holds a 10% share of the market.

ECP is a market-based tool which complements other policy tools including regulation, information/education programs and various economic instruments. As of the Fall of 1993, the ECP was relocated into the Environmental Citizenship Directorate of the Environmental Protection Service.

The ECP has recently adopted a new business plan which includes a two-part strategy:

- A. To increase awareness of the ECP among consumers and major procurement organizations in government and the private sector; and,
- B. To create guidelines which ensure there are enough products bearing the "EcoLogo" in clusters of related products to create critical mass and, hence, to stimulate demand for such products.

The plan aims to mobilize market forces, thus fueling industry interest/participation and at the same time creating an adequate supply of products to meet this emerging demand, resulting in an improved environmental performance by Canadian industry. To implement this strategy, the drafting of guidelines will be streamlined by developing stronger linkages with others. ECP will encourage:

1. Cooperation with other federal departments (i.e. Agriculture, Transport);
2. An "industry challenge" process where industry provides ECP with technical data to support its claims;
3. Collaboration with other countries (e.g. Green Seal in USA) or Canadianization of their existing guidelines; and,
4. A "generic" process which will allow one-off products/services to qualify for the EcoLogo.

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The idea of licensing institutions as "green procurers" is also being explored for its market potential (including becoming a new revenue source for ECP through marketing to hospitals, schools, printers, etc.).

ECP has set a three-year target of:

- Developing 40 new guidelines for consumer products/services;
- Developing 20 new guidelines for institutional products that could be the subject of government procurement specifications; and,
- Expanding the licensee base by 96%.

ECP believes there are increasing opportunities to support government and corporate procurement policies. This would grow with the volume of certified products on the Canadian market, thus increasing consumer recognition and demand. Some provinces and municipalities (e.g. Ontario, Alberta, Metro Toronto, Greater Vancouver Regional District) already include ECP guideline criteria in their procurement specifications. The federal government does not.

In readiness for a positive decision by government and major industry sectors, ECP is now preparing guidelines for the institutional market.

### **Environmental Accountability Partnership**

The Environmental Accountability Partnership is part of the overall attempt by federal government to improve its internal environmental performance. A steering committee includes ADMs from key departments. There are eight issue committees, including one on Green Procurement. Co-chaired by Environment Canada and Transport Canada, the Green Procurement committee will look at existing barriers and prepare an action plan. This is all part of the broader "Red Book" effort to direct government spending toward greener procurement.

The potential activities of the Green Procurement Committee have yet to be finalized, though the magnitude of the overall initiative and the tie-in to the "Red Book", makes it an innovations to watch.

### **Environmental Industries Initiative**

The Environmental Industries Initiative is also a direct spin-off of the Red Book and the Liberal Throne Speech. The Departments of Industry, Environment and Foreign Affairs & International Trade, have worked jointly with the Canadian

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Environmental Industries Association to consult nationwide and prepare a Memo to Cabinet. On September 22, the government announced its "Strategy for the Canadian Environmental Industry," which contained details of a "Federal Government Commitment to Green Procurement" initiative. These include:

- Reporting publicly on the results of green procurement, based on annual departmental reports;
- Reviewing and revising government procurement systems, catalogues and directories to ensure that adequate environmental information is provided to help procurement officers select environmentally sound products;
- Providing training to procurement staff;
- Scheduling workshops/trade shows at various regional centres to expose procurement officers to the environmental industries products and services;
- Focusing the effort of the Environmental Choice Program on product categories most frequently purchased by federal agencies; and,
- Providing existing product directories on-line to assist procurement officers to identify sources for environmentally responsible products

Other initiatives contained in the Strategy of relevance to environmental procurement include a "Government Practices Review" and a commitment to "Enhancing the 'Going Green' Building Program."

## **2.2 Individual Departmental Actions**

The work of individual departments within the federal government is where 'hands on' green procurement action is taking place. A few departments have made significant strides in altering procurement practices and systems to reflect a more environmentally enlightened ethic. In most instances, however, efforts taken have been preliminary and modest.

The status of key major departments with respect to green procurement are highlighted.

### **Transport Canada**

Transport Canada published in 1993 its "Choose Green Procurement Guide", explaining both the theory behind environmentally preferred procurement, the criteria used for determining what qualifies for the designation and offering a

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"Source List" of Choose Green products. Transport Canada also issued a challenge to its suppliers to provide environmentally preferred products in even more categories. Transport Canada joined with the Office of Environmental Stewardship to fund the development of a Green Procurement course.

### **Departmental of National Defence**

The Departmental of National Defence (DND) is the largest single purchaser of goods in the federal government. Much of this is for defence equipment. Indeed, the range and amount of goods purchased by DND is enormous, and the inventory of the department fills the hard drives of several computers.

DND has an environmental policy which promotes environmental procurement. Some purchasing managers have participated in an environmental purchasing 'short course'. However, environmental criteria in purchasing are subject to directions from Director-level and up managers, and there is limited evidence that such guidance is being offered.

### **Health Canada**

Management direction by Health Canada is done through the procurement policies contained in the departmental manual. The department is now developing green procurement policies which will add this factor to purchasing decisions.

Health Canada is also promoting the purchase of environmentally friendly products throughout the department, and has assigned personnel to make various departmental units aware of environmentally responsible opportunities.

### **Foreign Affairs and International Trade Canada**

Recently, Foreign Affairs and International Trade Canada has undertaken an interesting initiative which has seen a large sample of missions abroad assessed for their environmental practices. The recommendations that have come out from this study include the development of policies and practices which promote green procurement.

The challenge for Foreign Affairs and International Trade Canada is how to practically implement a green procurement policy on a global basis. Within its Canadian operations, the department has begun implementing a basic green procurement policy.

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## **Agriculture Canada**

Agriculture Canada has tied its green procurement initiatives to a new organizational structure which is being implemented involving responsibility centres. Green purchasing criteria are planned for introduction on a department-wide basis once the new structure is in place.

Of particular interest to Agriculture Canada is exploring green purchasing in areas that affect the department's core area of operations. For example, the department is interested in fertilizers and pesticides that reduce environmental impact, and alternative (e.g. ethanol) fuels. The department's approach has the potential to offer some interesting dividends.

## **Natural Resources Canada**

Natural Resources Canada makes its purchasing decisions in a decentralized manner. As such, green procurement efforts are fragmented, and currently no department-wide policy exists on the issue. In its environmental plan, Natural Resources Canada noted a number of areas of action on green procurement, though there have been no major advances on this front.

A department-wide policy is in the process of being drafted and it is expected that 1995 will see some activities to promote green procurement in Natural Resources Canada.

## **Justice Canada**

In a departmental Environmental Strategy developed in 1993, Justice Canada identified green procurement as a major area of potential attention. The actions the department would like to take include: an assessment of all products purchased and associated suppliers; purchase of Environmental Choice products; identification of cost savings in waste streams due to green procurement; and, promotion of product stewardship with suppliers.

Justice Canada notes that the initial cost of taking these actions make it a lower priority in the immediate term, but intends to make progress through 1995.

## **Summary of Departmental Initiatives**

Individual departments within the federal government have a long way to go to introduce basic green procurement systems with the exception of leaders such as Transport Canada. There have been some educational activities (e.g. the purchasing

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managers introductory course), and certain 'tools' to assist green procurement do exist. It appears, however, that progress can still be rated as marginal.

While groups such as the Procurement Special Interest Group (including procurement officers from major federal departments) are making advances, much more needs to be done to jump-start a true green procurement process in the federal government.

### **2.3 Provincial Governments' Initiatives**

Provincial governments' efforts at green procurement are quite varied. Most governments have made modest attempts at incorporating environmental criteria into purchasing decisions, though, only a couple have made this a major feature at the policy level.

There exists an Environmentally Responsible Procurement Working Group which was established by the Council of Ministers of Procurement including representation from all ten provinces. The Working Group has served as a forum for the sharing of information, product standards and innovative green procurement practices.

At the provincial level, the efforts of two provinces deserve highlighting for the introduction of 'cutting edge' green procurement policies and practices.

#### **Alberta**

The Alberta government is universally considered the most advanced of provincial government in green procurement. Steps have included:

- A 1990 announcement of the intent to increase procurement of recycled and other environmentally preferred products;
- A directive that Alberta Public Works, Supply and Services exclusively use green products in certain categories (e.g. paper, oil, toner cartridges); and
- A May 1991 update and announcement of the Alberta Government's Procurement Policy on Environmentally Responsible Products. Its objectives are:
  - to minimize waste and conserve resources
  - to encourage the development of recycling industries and programs
  - to demonstrate environmental responsibility through government leadership

An increased usage of environmentally preferred products has been recorded throughout the province. The Alberta Government is also encouraging

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municipalities, businesses, industries and consumers to increase their use of environmentally preferred products.

As of April 1993, over 480 product items were available through Purchasing Branch standing offers or from Warehousing and Distribution Branch. Green products are also being purchased via individual requisitions from government departments, as they become available to suppliers.

All changes have been made at no extra financial or personnel costs. Existing procurement specialists already involved in researching product cost, quality and availability are being used.

Simply put, the Alberta example of national public sector leadership in environmental procurement deserves applause and emulation.

### **Ontario**

The Ontario government's Green Workplace initiative has been in place for several years, and initially chose to focus on office products. This is currently being revised and amended to become a much broader initiative.

Concrete steps so far include:

- Ontario has mandated the use of EcoLogo products. Approval from the Deputy Minister is required for an exemption;
- All government tenders of >\$10,000 must include environmental criteria; and,
- The concept of supplier-based procurement is being promoted: procurers want to know all about the suppliers' office/corporate practices and ethics, which will become part of the standards by which a supplier is judged (not just the product).

Ontario has created environmental design guidelines governing its \$1 billion in planned building construction. These include criteria on air quality, energy, water, recycled content, landscaping and more. Ontario efforts are commendable due to the mandatory nature of several policies. Rather than making green products an option, they become the norm and departures from standard are only considered in exceptional situations. The net outcome of Ontario's approach is that green office products and services are wide-spread throughout the bureaucracy. The plan is to extend this approach to the purchase of all goods and services, and this may well vault Ontario to the forefront of Canadian governments practicing environmentally preferred procurement.

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## Procurement Innovations in the Private Sector & Other Jurisdictions

### 3.0 The GIPPER Committee

Arguably the most innovative group addressing green procurement in Canada is the GIPPER (Governments Incorporating Procurement Policies to Eliminate Refuse) Committee. Consisting of municipalities, utilities, regional offices of the federal government, provincial departmental offices and quasi-public agencies, GIPPER has made great strides in proposing strategies and practices to green procurement. As the organization's name indicates, a major focus has been on procurement practices which reduce waste. However, the activities of the committee have broadened over the term of its existence to address a range of green procurement issues.

The goal of GIPPER is:

To investigate, develop and promote effective government purchasing policies and practices which will contribute to an overall national goal of fifty percent (50%) reduction in waste generation by the year 2000.

*GIPPER Committee*

The focus of the procurement policies developed by GIPPER have been to:

1. Reduce the quantity of waste produced by government bodies and associated agencies, boards, commissions and their suppliers;
2. Provide markets necessary to promote and sustain waste reduction, reuse, recycling and recovery of materials initiatives; and,
3. Develop a process to facilitate cooperative or joint purchasing among different levels of government so as to substantially influence and enhance the above two items.

GIPPER's work is an excellent example of cooperation among different levels of government albeit primarily in one segment (i.e. waste reduction) of green procurement.

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### 3.1 Canadian Council for Ministers of the Environment

The Canadian Council for Ministers of the Environment (CCME) is a federal/provincial organization dedicated to intergovernmental cooperation on environmental issues. CCME plays particular attention to waste management issues.

CCME has done a substantial amount of work on packaging issues as they relate to environmentally preferred procurement. The organization is only beginning to explore green procurement in a comprehensive fashion. It has recently commissioned a confidential report which has taken a limited look at green procurement in governmental departments and agencies, and crown corporations.

CCME is interested in playing a role at the policy end of environmentally preferred procurement. The organization stated that it is important for green procurement efforts to include *both* goods and services issues.

### 3.2 Canadian Private Companies

In most respects, the private sector has been more aggressive in introducing green procurement systems than public enterprise. This is attributable to several factors:

1. A greater ability than government to calculate internal costs. That is, the costs of waste disposal and other factors are more easily netted into purchasing decisions because private sector organizations are generally smaller, and more centrally managed;
2. A closer, direct relationship with suppliers and, consequently, a more pronounced ability to influence how suppliers make goods and services available for purchase;
3. The application of environmental regulations by government. Compliance with some regulations is best done through the introduction of green procurement practices; and,
4. Liability concerns which prompt some companies to pursue efforts which minimize the environmental accountability they carry. This, once again, leads to green procurement innovations.

The green procurement practices of a few notable Canadian private companies are worthy of examination.

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### **Northern Telecom**

The innovative approach taken by Northern Telecom to eliminate the use of CFCs (in ozone depleting solvents) in its production processes has been well documented. It stands out as a first rate approach to corporate environmental responsibility. What is not as well known is how Northern Telecom has built upon this success in two ways. Firstly, it has shared its CFC-elimination program with its suppliers to help them follow the company's lead in reducing damage to the ozone layer. Secondly, it has expanded the program by ensuring that the company's purchasing procedures reflect Northern Telecom's environmental policies. The interesting feature of Northern Telecom's strategy is how the goods and services it buys today are more environmentally preferred due to collaboration (rather than conflict) with suppliers.

### **Canadian Pacific Hotels & Resorts**

Even though it is a major international hotel chain with properties throughout North America, Canadian Pacific Hotels & Resorts has been able to implement a wide range of green procurement innovations. CPH&R's approach was to use both a top-down and a bottom-up strategy at the same time. From the top, senior management made it clear that greater environmental responsibility was an ethic all properties of the company had to practice, and this included the purchase of products. Suppliers were approached through purchasing departments to provide goods that were more environmentally friendly at a competitive price. While some initial opposition was felt from suppliers most soon responded to CPH&R's challenge. From the bottom of the company, all employees were recruited as environmental ambassadors and were asked how best the products they bought and used could be more environmentally preferred. The response was overwhelming and very positive for the environment. CPH&R's double-barreled strategy has been very effective in greening its procurement process.

These examples from the private sector are but a small sample of the green procurement innovations which have been introduced, and are becoming part of the daily operations of leading Canadian corporations. In contrast to governments,

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private companies have demonstrated much more commitment to environmentally preferred procurement. They have also tended to introduce systems that are more comprehensive, if not always all-inclusive.

One should not conclude that most or all private companies have greened their procurement processes. In fact, the vast majority have not. Where leadership has been exercised, it has been by companies who have a sound environmental management approach to business, and strong executive and/or board commitment.

### **3.3 The International Scene**

A few other countries have made efforts to address the greening of procurement, with mixed results. In most jurisdictions, however, the idea of environmentally preferred procurement policies and practices is simply not in the lexicon of private and public sector managers.

Three countries merit particular coverage - the United States, Germany and Holland.

#### **The United States**

Since 1976, legislation in the United States had required that preference be given to purchasing products which contain recycled content using guidelines issued by the Environmental Protection Agency (EPA). This early development has led to further innovations in environmentally preferred procurement.

The EPA has developed guidelines for a range of products, primarily those used in office situations. These environmentally preferred criteria generally give added value to reused or recycled materials. There also appears to be some force behind the guidelines as they are increasingly becoming mandatory, especially in situations involving purchases of an individual product in excess of \$10,000.

President Clinton has effected several Executive Orders that reflect green procurement principles such as a requirement that all paper bought by the federal government and its agencies have a minimum 20% post-consumer recycled fibre content of by the end of 1994.

While the federal government of the Union, and every U.S. state has legislation encouraging state agencies and contractors to purchase products with recycled content, green procurement efforts below the 49th parallel seem to be marginal beyond this point. Some of the key factors in environmentally preferred procurement such as internal and external costs or environmental assessments are not on the agenda at this time.

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## Germany

Germany continues to be the leader in the area of eco-labeling through its pioneer "Blue Angel" program. No country has as broad an eco-labelling initiative as Germany, or one with as much teeth. Today, most German public institutions are required to give a preference to "Blue Angel" labeled products. Cracks are, however, developing with the program due to its complexity and criticisms of the criteria used to evaluate "Blue Angel" products.

A related program to promote the recycling of packaging has been recently implemented. Called the "Green Dot", the program is financed by packagers who pay a premium for the privilege of designating their products as "Green Dot" approved.

Similar to Canada in some respects, Germany's private sector has demonstrated leadership in greening procurement. The Tengelmann Group (the world's largest producer of packaged food goods) has had green procurement and packaging policies in place for over a decade. And, automobile manufacturers such as BMW have promoted environmentally preferred procurement policies for several years.

## Holland

The Netherlands has taken a radically different approach to greening procurement. Rather than introducing standards for environmentally preferred procurement in government, or through an eco-labelling program (the country's program only began about two years ago), Holland has used "environmental covenants" to enhance green procurement.

These covenants entail partnership contracts between suppliers and buyers to effect certain positive changes which are the outcome of green procurement. For example, the reduction of packaging waste. Suppliers and buyers are encouraged and supported by the government to achieve legislated targets within a given time period. If the targets are not met by the deadline, the government will impose environmental criteria through legislation on a mandatory basis.

The Netherlands has not taken a purely public sector approach to the greening of procurement. It has instead preferred to integrate public sector changes into the framework of broader initiatives.

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## Procurement Gaps, Needs and Opportunities

### 4.0 The Information & Policy Gaps

There appear to be a number of information and policy 'gaps' in green procurement initiatives taken by the federal government of Canada to date.

These include:

- A lack of central leadership and policy directives (i.e. from Treasury Board);
- Inadequate sharing of information among purchasers;
- Failure to achieve the price benefits of group co-purchasing;
- Unwillingness to use price preference techniques for environmentally preferred products that are more expensive in the short term but fall within a specified range of preference;
- Training which is limited in scope and applicability and is under-utilized, considering the huge number of decentralized purchasing officers;
- The lack of a defined, comprehensive systems model for greening procurement;
- A paucity of incentives to take environmentally preferred procurement actions (e.g. if packaging waste is cut, the reduced disposal costs are realized in the budgets of central agencies, but are not an economic benefit to the department which took the initiative); and
- A failure to assess the positive economic benefits to the economy as a whole which might be achieved through green procurement.

### 4.1 The Need for Leadership & Action

There is little doubt that more concentrated and direct leadership is required within the federal government if significant progress is to be made on environmentally preferred procurement by the next millennium. The result of current efforts will likely be marginal improvements from year to year, but no drastic enhancement to public sector procurement policies and practices.

Thus, the next frontier of environmental management will remain un-visited - one which offers great potential to advance economic and environmental sustainability.

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A number of areas of potential federal government leadership have been identified:

- More complete and better coordinated information-sharing mechanisms - that are on-line, up-to-date, and universally accessible - which provide information on product characteristics, availability and performance;
- Centralized policy directives, including mandatory guidelines;
- Improved training efforts and programs;
- Mechanisms to evaluate the environmental impact of services.
- Closer involvement of industry to improve communication between buyers and suppliers to promote environmentally preferred products;
- Removal of disincentives to greening government procurement; and,
- Development of systems which link product stewardship and internal costing with green procurement.

Agencies which promote environmental action in the federal government appear to be open to collaboration.

## **4.2 The Opportunity for Innovation**

There is plenty of opportunity to advance environmentally preferred procurement practices in the federal government. Indeed, there is a great need for innovation and creativity to green procurement practices in an economically viable manner, especially in times of fiscal restraint.

Some ideas seem to have immediate potential:

- Co-purchasing arrangements between departments;
- Central inventory that is developed and shared in partnership with other sectors (provincial, municipal, private);
- Price preference techniques;
- Support for Environmental Choice, through the expansion of guidelines and product lists and the development of a "generic" qualification process;
- Two-way buyer-supplier communication mechanisms, including newsletters, electronic bulletin boards, trade shows; and,
- A demonstration project showing departments the costs (human resources, financial) and benefits (price, waste reduction, workers' compensation) .

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## Role Options for NRTEE

### 5.0 NRTEE's Comparative Advantage

To determine a potential role for NRTEE in the greening of procurement within the federal government it is useful to highlight the organization's strengths which represent, in effect, a comparative advantage that it might bring to the task.

The NRTEE has earned its reputation in a number of key areas:

- High quality research in the reconciliation of environmental preservation and economic growth;
- Offering a forum to various groups of stakeholders to promote the development of a shared vision of sustainability and associated action plans;
- Commissioning and production of publications on 'cutting edge' issues in the intersection between national environment and economic interests;
- Nation-wide communication and promotion efforts to bring attention to a pressing issue of sustainability;
- Acting as a bridge between public and private interests; and,
- Promotion of the development of 'roundtables' at the provincial and local level.

NRTEE can draw upon its comparative advantage, reflected in the accomplishments of its track record, to determine a role in the greening of procurement.

### 5.1 Defining a Role for NRTEE

Is there a role for the NRTEE in promoting environmentally preferred procurement policies and practices in the federal government? The answer is an unqualified yes.

The potential benefits of green procurement, and the relatively modest progress to date, suggests that NRTEE can play a constructive and value-added role to help take the federal government forward.

To pinpoint a potential focus for the NRTEE three areas of action have been identified: 1) Information Compilation and Distribution; 2) Brokering the Change

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Process, and; 3) Researching Green Procurement. Several specific programs or initiatives have been developed in each of these areas.

**Action Area #1: Information Compilation and Distribution**

Many individuals surveyed through this project commented that while general information on green procurement was readily available, detailed tools and "how to" guides were scarce. Indeed, there was a general lack of knowledge within the federal government about what green procurement meant, and what departments were doing on the issue.

The following Information Compilation and Distribution initiatives are proposed.

- A. The publication of a "Green Procurement Guide" providing background information on the subject, and detailed material about how an environmentally preferred procurement system could be designed, implemented and maintained.
- B. The development of a comprehensive "how to" course on green procurement. The course should be a 'hands on' working seminar taking participants through the installation of an environmentally preferred procurement system over a period of several months.
- C. Establishment of an Electronic Bulletin Board which identifies suppliers which provide environmentally preferred goods and services to the federal government. In effect, a source of who to go to when seeking environmentally sensitive products.

**Action Area #2: Brokering the Change Process**

Bringing together various players to address green procurement issues would be a major impetus to accelerate the process of change in the federal government. Several such gatherings have significant potential.

- A. Convening a Deputy Ministers Forum on Green Procurement. The issue to be addressed is how collaboration between and among departments can be enhanced towards environmentally preferred procurement.
- B. A Suppliers and Buyers Group to explore how both parties can work together to bring about more environmentally preferred products. This type of mechanism has proven highly effective to private sector organizations.
- C. A Central Agencies and Departmental Green Procurement initiative directed at creating incentives and removing the barriers to environmentally preferred procurement policies and practices.

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### **Action Area #3: Researching Green Procurement**

As this report has illustrated, much about green procurement remains to be investigated. The rate of change has been slow because the opportunities, costs and benefits have not been quantified or fully researched. The NRTEE might consider several alternative actions.

- A. A study of the macro level benefits to the Canadian economy of greening procurement in the federal government, and the economy as a whole. No investigation has been done in this area.
- B. Compilation of a Best Practices Casebook of green procurement. A comprehensive model of environmentally preferred procurement could be designed based upon a collection of best practices in the Canadian public and private sectors.
- C. A study of how green procurement reduces internal costs and thus represents a micro level economic benefit to the organization. In essence, a mechanism for quantifying and evaluating how green procurement can offer a tangible economic dividend.

## **5.2 Choosing an Option for NRTEE**

In choosing a preferred option for action in green procurement, NRTEE could take one of two approaches. Firstly, one Action Area could be pursued exclusively. This will entail a concentrated effort which will yield a limited result, though high recognition for NRTEE's contributions. Secondly, NRTEE could chose to have a profile in all areas - information, brokerage and research - by undertaking one or two initiatives in each Action Area.

Either approach is equally viable and depends upon NRTEE's overall strategic interests.

Whatever initiatives might be taken should reflect the following principles:

- Complementary and non-competitive with the work of other agencies such as the Office of Environmental Stewardship, the Environmental Choice Program, and the Canadian Council of Ministers of the Environment;
- Partnership oriented involving collaborative activities which leverage and extend NRTEE resources;
- An overall significant impact on greening procurement in the federal government, and not simply a one-off effort; and,

- 
- Attracting the direct participation of the private sector, through supplier groups and leading Canadian corporations, to green federal government procurement.

### **Closing Summary**

On the basis of an overview of green procurement efforts in the Canadian public and private sector, this report has presented how NRTEE can play a major role in assisting the federal government in making progress on this important environmental issue.

The development of environmentally preferred procurement systems and practices is still quite rudimentary in the public sector. There appear to be several areas of action open to NRTEE which are relatively modest in cost, and significant in impact.

Playing a role in the greening of procurement is a new avenue for NRTEE to promote environmental preservation and economic growth in Canada.

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## List of Consultations

The following departments, agencies, offices and companies were consulted in the preparation of this report:

Alberta Department of Public Works, Supply and Services

Canadian Council for Ministers of the Environment (CCME)

Canadian Pacific Hotels & Resorts

City of Toronto

Environment Canada

- Office of Environmental Stewardship

- Environmental Choice Programme

Foreign Affairs and International Trade Canada

Government Services Canada

Health Canada

IMD Nederland

Justice Canada

Northern Telecom

Ontario Ministry of the Environment and Energy (MOEE)

Town of Richmond Hill

Transport Canada

United States Presidential Environmental Council

October 27-28, 1994 NRTEE Plenary

**ATTACHMENT - Proposal received regarding a brokerage  
role for the NRTEE**

# Woodbridge & Associates

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Business and Policy Development

October 12, 1994

Gene Nyberg  
Corporate Secretary  
National Roundtable on the Environment and the Economy  
1 Nicholas Street, Suite 1500  
Ottawa, Ontario  
K1N 7B7

Dear Mr. Nyberg,

Ref. "The Greening of Government" - a proposal related to green procurement

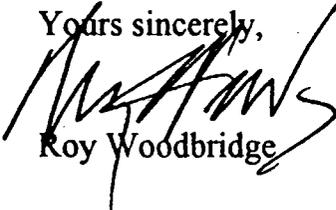
I am pleased to enclose brief descriptive materials on the proposed "Greening of Government" initiative to assist the Roundtable in reaching a decision on supporting the development phase of the project.

These materials are a distillation of our earlier discussions and those we have held jointly with the Canadian Environment Industry Association and the federal government's Working Group on Green Procurement.

The agreement of CEIA and the Working Group to help coordinate the dialogue with industry and government stakeholders is testimony to the relevance and soundness of the concept. It is also indicative of the strategic role to be played by the Roundtable in getting all interested parties to work in common cause.

The Greening of Government event is an important national project. I look forward to working with the Roundtable to make it happen.

Yours sincerely,

  
Roy Woodbridge

# The Greening Of Government - a project proposal\*

## The Need

The government "green" procurement market is huge, but ill defined. It is changing, but the directions and implications of change are unclear. In the circumstances, there is a need to effectively communicate

- the new roles created by the going green initiative for government managers and Canadian industry, and
- the potential for government and the private sector to collaborate in seeking practical solutions.

## The Idea

Implement a national Conference and Technology Fair entitled "The Greening Of Government".

This would be a focussed, problem-solving, cooperative initiative between industry and government to scope the challenge, identify solutions and strategies, form partnerships, and motivate change.

It would consist of the following three elements:

### The "Going Green" Technology Fair

A showcase of environmental technologies and services available to meet government procurement requirements.

### The Forum On Green Procurement

A conference to stimulate dialogue between industry and government featuring

- presentations on environmental procurement trends and requirements
- case studies of public and private sector "going green" projects
- technology and management issues and solutions, and
- legislative initiatives

### The "Going Green" Awards For Government

An evening to recognize individuals from the public and private sector who have made a significant contribution to the Greening of Government

\* This proposal has been prepared by Woodbridge & Associates. It is based on a highly successful model developed over a number of years to address information technology procurement in government.

### **Potential Scope of the Event - options**

- Should the focus be Canadian, North American or global?
- Should it cover only federal government procurement or include provincial and municipal?

### **How to Proceed**

A feasibility/concept development phase followed by full commitment to gear up the event. The feasibility stage would define target issues, encourage "buy-in" from relevant groups in government and the private sector and develop a fully costed implementation plan that includes

- a draft agenda for the Conference
- the proposed structure of the Technology Fair
- suggested criteria and an outline of the selection process for the awards, and
- partnership arrangements and the management structure for implementing the overall event.

### **Time Frames**

#### **a) Feasibility report**

- completion by January 31, 1995

#### **b) Implementation of the "Greening of Government" event**

There are two options, as follows

- i. - late May/early June, 1995 with promotion of the event in the February - April period
- ii. - Fall, 1995 (September -November) with promotion beginning in the Spring (March-June)

# The Partnership - Project Development Phase

