

The Law on Promoting Green Purchasing and the Green Contract Law



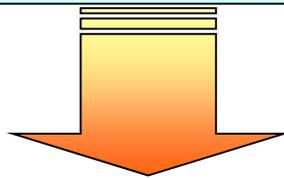
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1 . Outline of the Law on Promoting Green Purchasing

(1) Purpose of the law

For materials and services with low environmental impact (eco-friendly goods)

- Procurement of eco-friendly goods in the states and other Entities
- Provisions of information about eco-friendly goods



Constructing a society with sustainable development and lower environmental impact

(2) The structure of the Green Purchasing Law

Promotion of Green Procurement by the National Government

Establish Basic Policy for the Procurement of Eco-Friendly Goods, etc (under Article 6)

- Environmental requirements on designated procurement of goods, etc.
- The way for setting procurement targets



Ministries and agencies (under Article 7)

Make and publicize Procurement Policy

Procurement based on Procurement Policy

Report on the results

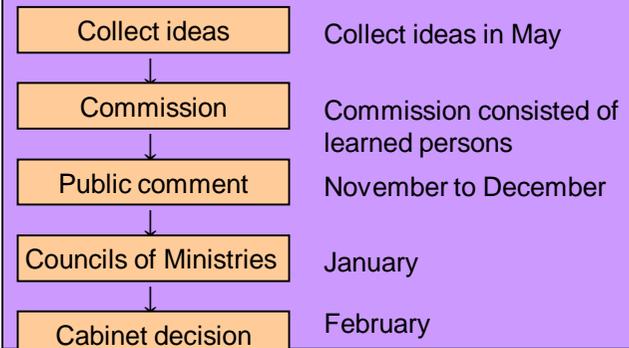
Requests to take more positive actions if needed by the Minister of the Environment
(under Article 9)



環境物品等の調達に関する基本方針

平成23年2月

The draft of basic policy is made by the Ministry of the Environment with competent authority, and decided by the Cabinet each year.



The Ministries and agencies → The diet, the court, each ministries and independent administrative institutions. Definition of the independent administrative institution is set by the Cabinet Order.

The structure of the Green Purchasing

Local governments
Local independent administrative institution (under Article 10)

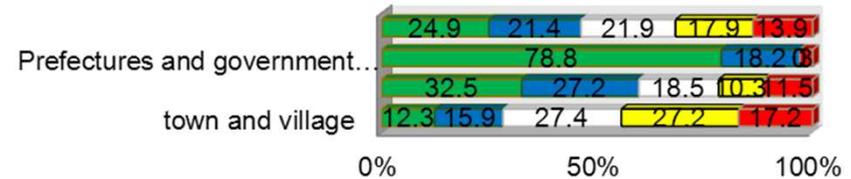
Endeavor to make a green procurement policy every fiscal year and procure goods, etc. based on the policy.

Companies and Citizens
(under Article 5)

Selecting eco-friendly goods as much as possible when purchasing goods

2010 Survey Results

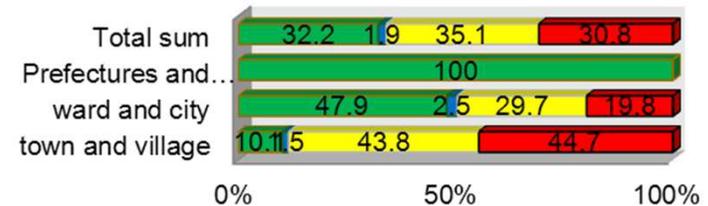
Understanding of the meaning of green purchasing



- Most of the population (more than 75%) understand
- More than half of the population (74%~50%) understand
- Not many of the population (49%~25%) understand
- Very few of the population (less than 25%) understand
- Don't know/No answer

Many understand the meaning, but few actually take action.

Situation of setting procurement target



- Already set
- Not yet, but intend to set soon.
- No concrete plan yet, but want to set in future.
- No plan/No answer

The structure of the Green Purchasing Law

Manufacturers, importers, etc. (under Article 12)

should provide environmental information on their products.

Eco-labeling bodies, etc. (Under Article 13)

should promote eco-labeling programs on scientific basis and in compliance with international standards.

The Government (under Article 14)

considers appropriate information providing systems on eco-friendly goods, etc.

Environmental Label Database

It collects and provides information about environmental label used in Japan. It also has information of labels from overseas if they meet the ISO14024 standard.



Eco-label guideline
(revised in 2007 and 2009)

(3) About the Basic Policy

Basic Approach

- In addition to price and quality, environmental conservation must be considered.
 - The viewpoint for the maximum reduction of environmental impact must incorporate a wide range of environmental factors
 - Goods and services must be selected by their ability of reducing environmental impact throughout product lifecycle
 - Procured goods must be used with consideration of their long-term, proper use, separate disposal.
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About the Basic Policy

Designated procurement Items and its evaluation criteria

- Evaluation criteria of designated procurement items must be established with quantitative measure.
 - If there are factors that are important for reducing environmental impact but are not appropriate to apply as uniform evaluation criteria yet, those factors shall be specified as “factors for consideration”.
 - Revisions and additions to the designated procurement items and evaluation criteria shall be made in accordance with the appropriate procedures as stipulated by the Green Purchasing Law.
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(4) Example of Designated procurement Items and its evaluation criteria

Number of items : 101(2001)→261(2011)

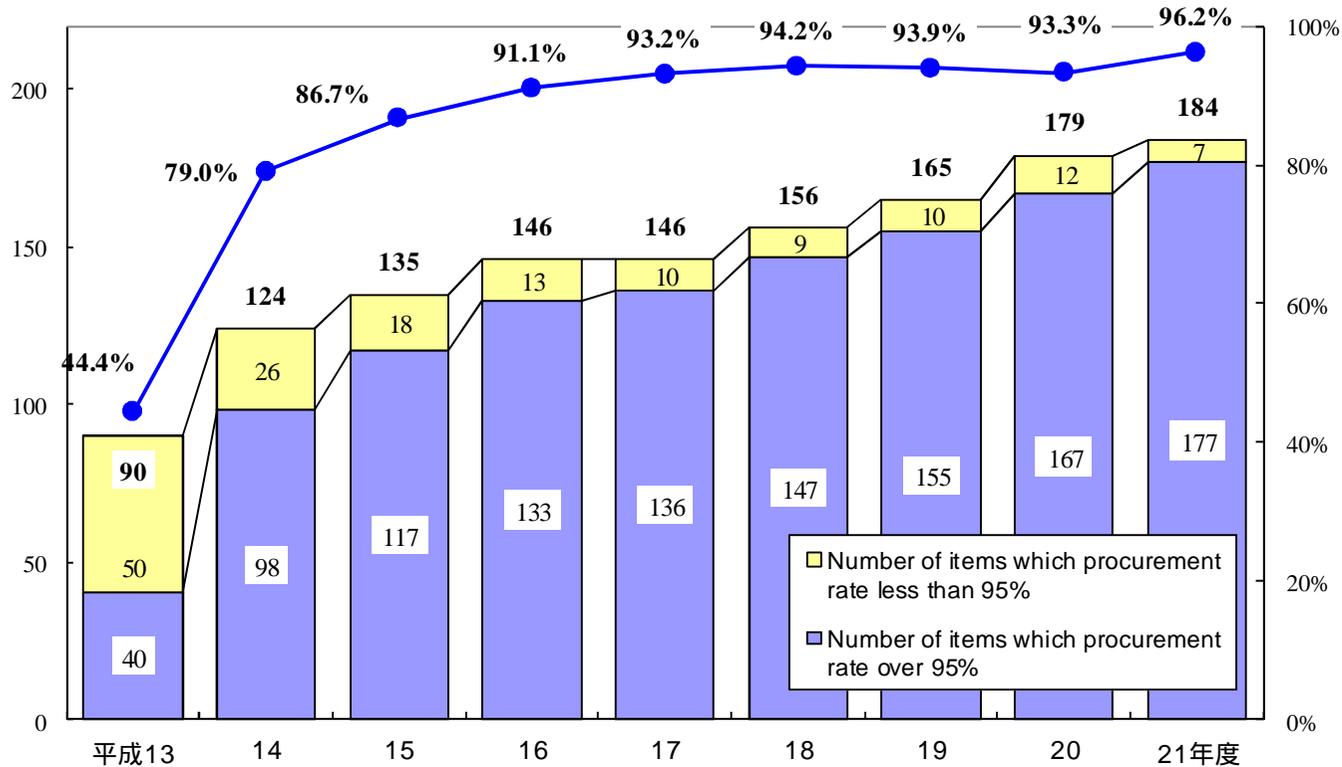
Category	Targeted procurement items (decided by cabinet on February 4, 2011)	Evaluation criteria
Papers	7 items: Information papers (copier papers, business form papers), printing papers, sanitary papers (toilet papers, tissue papers), etc.	Composite rating must be over 80(in the case of copier papers and printing paper). Material must be in compliance with the regulation.
OA equipment	19 items: copy machines, computers, printers, fax machines, displays, projectors, etc.	Energy efficiency, etc.
Vehicles	Vehicles (natural gas vehicles, hybrid vehicles and others), ETC adaptable car accessories, car navigation systems, tires for passenger cars, 2 cycle engine oil	Exhaust gas, fuel efficiency, etc.
Facilities	Solar power generation systems, fuel cells, solar thermal application systems, garbage disposals, water saving type equipment, sunlight adjustment film.	Use of solar energy, etc.

(5) Achievement of Green Purchasing

The rate of well-achieved* designated procurement items

* Amount of eco-friendly goods in designated procurement items divided by total amount of targeted procurement items.

(品目数)



In 2009, Number of targeted procurement items* which procurement rate went over 95%, was 96.2% of total.
*exclude items of public works

If a result of procurement is revealed as low by survey, investigation for cause will be conducted and if there are problems in evaluation criteria, a revision might be conducted.

Green purchasing by the government and other entities is steadily increasing.

(6) CO2 emission reduction results of Green Purchasing of the State and other entities

Categories and names of items	Assessment of the carbon dioxide emission reduction results	Greenhouse gas reduction (t-CO ₂ conversion)		
		Reduction per year	Usable yeas	Sum of reduction
Plastic stationary	Emissions from incineration	605	-	605
Dust Blowers	Conversion of HFC134a to non-CFC	17,426	-	17,426
Copy machines, etc.	Reduction of emissions from electricity use	266	5	1,329
Fax machines, etc.	Reduction of emissions from electricity use	374	5	1,870
Home electronic appliances	Reduction of emissions from electricity use	1,685	10	16,849
Air conditioners	Reduction of emissions from electricity use	1,212	10	12,124
High frequency lighting lamps	Reduction of emissions from electricity use	2,193	10	21,931
Light bulb-shaped lamps other than LEDs	Reduction of emissions from electricity use	2,187	5	10,935
Vehicles	Reduction of emissions from electricity use	1,431	7	10,014
Tires for passenger cars	Increase fuel efficiency by reducing tire friction	63	3	188
Uniforms and work clothes	Use of recycled PET resin	35	-	35
Interior fixtures and bedding	Use of recycled PET resin	537	-	537
Work gloves	Use of recycled PET resin	43	-	43
Solar power generation systems	Reduction of emissions due to introduction	1,204	15	18,063
Portland blast-furnace cement	Emissions during the industrial process	5,368	-	5,368
Transformers	Reduction of emissions due to usage	1,673	20	33,465
Greening of roof tops	Reduction of emissions due to plants	662	15	9,929
Total sum	-	36,970	-	160,800

Results of 2009 compared to 2000 (before the Green Purchasing Law was enforced.)

(7) The target set by the government

Set 2015 as the target year



Administrations : All local governments

**Companies : 50% of listed companies
30% of unlisted companies**

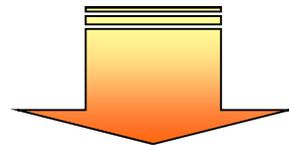


The target is to make those organizations do systematic green purchasing.

(The basic plan for establishing a recycling-based society)

2 . About The Law Concerning the Promotion of Contracts Considering Reduction of Emissions of Greenhouse Gases and Others by the State and Other Entities (the Green Contract Law)

To lower environmental impact (emission of greenhouse gases, etc.) caused by the state and other entities, this law's aim is to make a system that when the state and other entities make a contract, while encouraging fair competition, they must choose items and services which has the best environmental efficiency, by referring to multiple aspects including cost.



constructing a society with sustainable development
and lower environmental impacts.

Comparison of the Green Purchasing Law and the Green Contract Law.

Item	The Green Purchasing Law	The Green Contract Law
Character	<p>Govern environmental efficiency of goods and services.</p> <p>Environmental consideration within open competitive bidding</p>	<p>Govern a contracting practice and other systems.</p> <p>Set a recommended contracting practice such as a comprehensive evaluation bidding method or proposal method for each contract type.</p>
Purpose	<p>To promote the procurement of goods and services that meet a certain level of environmental equality.</p>	<p>When the State and other entities make a contract, by evaluating from multiple aspects including cost, they must choose goods and services which has the best environmental efficiency.</p>
Contents and others	<p>Cabinet decides an evaluation criteria for eco-friendly goods and services.</p> <p>Consider the environment by following a basic policy.</p> <p>Ministries and independent administrative institutions announce the results of procurement.</p>	<p>Cabinet decides a method of Green Contract.</p> <p>Consider environment by following a basic policy.</p> <p>Ministries and independent administrative institutions announce result of contract.</p>

Contract related to the supply of electricity

【 Basic Concept 】

■ **Adopt a “Bottom-Cut Method”, which evaluates electric power companies based on their CO2 emission coefficient and measures taken to reduce their environment load**

■ **The bottom cut criteria shall be set for each specific region**

■ **Ensure fair competition among companies**

■ **Reconsider the bottom cut criteria annually**

Contract related to the procurement and lease of automobiles [Basic Concept]

- The standard of the Green Purchasing Law must be met as a prerequisite (when the item is one of the green procurement items specified by this Law)**
 - Evaluated by incorporating both aspects of environmental performance (fuel efficiency) and price (the adaption of the comprehensive evaluation bidding method)**
 - Required performance must be set properly in order to achieve administrative purposes.**
 - For the time being, the bidding condition should be set for each type of fuel.**
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Contract for purchasing or leasing of automobile [Outline]

2 step environmental consideration based on 2 Green Laws.

“Exemption” by the Green Purchasing Law.

In the case of 2,000cc class car, only those meet the fuel efficiency of 11.7 km/l can participate in the bidding.

Comprehensive evaluation bidding method based on the Green Contract Law.

Evaluate the price and the environmental efficiency (fuel efficiency) comprehensively and choose the best vehicles.

The calculations using the comprehensive evaluation bidding method

Buy the vehicles which scored highest

If it goes over the exemption line, 100 points are added.

Evaluate fuel efficiency

$$\text{Evaluation Value} = \frac{\text{Evaluation Point}}{\text{Price Point}} = \frac{\text{Standard Point} + \text{Additional Point}}{\text{Price Point}}$$

Example: if two cars A & B are put on the bidding

Car A: fuel efficiency 29.6 km/l bidding price 2.63 million yen (hybrid car)

Car B: fuel efficiency 12.8 km/l bidding price 1.93 million yen
→ Car A scores higher and thus will be chosen.

Make bidding price as the score. Ex: 10,000 yen for 1 point.

Contract related to the procurement of ships [A basic way of thinking]

■ When ordering a design of vessels, it is necessary to choose a contractor which is expected to be able to satisfy not only requirements demanded for said vessel, but also requirements of environmental efficiency.

■ The fuel consumption rate of the propulsion system is a requirement for procurement of small vessels (including a procurement of propulsion system only).

■ Required performance must be set properly in order to achieve administrative purposes.

Even if it is difficult to apply the law, it is necessary to make the best effort to make a consideration based upon a basic way of thinking of the basic principle of the Green Contract law, in order to realize it.

Contract related to ESCO (improvement for energy saving) [Outline]

ESCO refers to projects in which enterprises provide comprehensive energy-saving designs for public buildings, which ensure a reduction in expenditures for utilities that is greater than the cost needed for designing, installing and maintaining the structure and equipment in the building.

Because of the Green Contract Law, an obligatory assurance of national subsidization for multiyear construction project is prolonged (5→10 years).

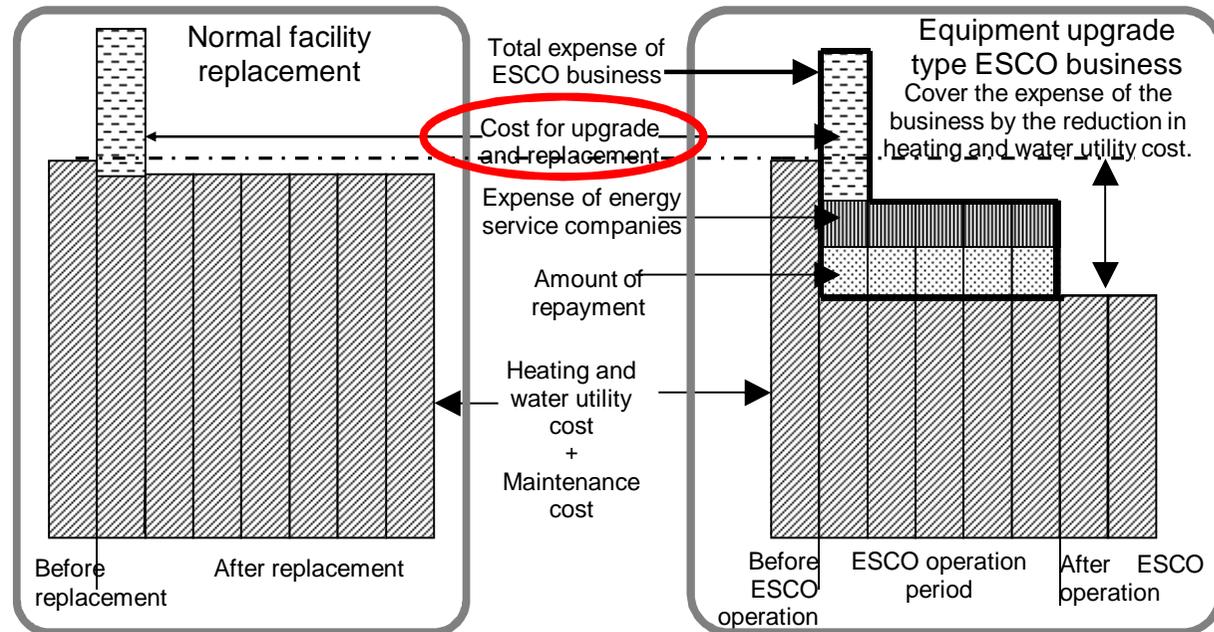
(Draw up the plan clearly for the long term use, so to avoid a risk)

Introduction of equipment upgrade type ESCO business (enforce it when to replace equipment)

Equipment Renewal Associated ESCO projects

Must consider when to renewal equipment on a large scale.

Improvement of business feasibility by expanding the size of business.



In local governments it is usually enforced with proposal method.

Contract related to buildings [Outline]

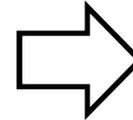
- Consider environmental impact when to make a design contract is very effective at a small cost.

- Add environmental consideration technology to evaluation items.

- Demand designers to make an evaluation based on LCCO₂.

3 . Database for Green Purchasing.

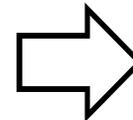
■ Database of environmental labels



· There is a gap of reliability among listed labels.

· The task is shifted to strong assessment of information and its opening to public.

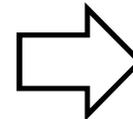
■ Information provision system for the designated procurement items



· Number of information providers are decreasing.

· Currently it cannot stand as a system.

■ Database of international environmental regulation information



· It is not yet put to operation.

· The task is to operate continuously for a long term period.