The Law on Promoting Green Purchasing and the Green Contract Law

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Environmental Policy Bureau
Ministry of the Environment, Japan
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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)

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

Collect ideas in May
Commission consisted of learned persons
November to December
Public comment
January
Councils of Ministries
February
Cabinet decision

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 Law

Local governments

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

<table>
<thead>
<tr>
<th></th>
<th>Most of the population (more than 75%) understand</th>
<th>More than half of the population (74%～50%) understand</th>
<th>Not many of the population (49%～25%) understand</th>
<th>Very few of the population (less than 25%) understand</th>
<th>Don’t know/No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prefectures and government</td>
<td>24.9%</td>
<td>21.4%</td>
<td>21.9%</td>
<td>17.9%</td>
<td>13.9%</td>
</tr>
<tr>
<td>town and village</td>
<td>32.5%</td>
<td>27.2%</td>
<td>18.5%</td>
<td>11.3%</td>
<td>17.2%</td>
</tr>
</tbody>
</table>

Many understand the meaning, but few actually take action.

Situation of setting procurement target

<table>
<thead>
<tr>
<th></th>
<th>Already set</th>
<th>Not yet, but intend to set soon.</th>
<th>No concrete plan yet, but want to set in future.</th>
<th>No plan/No answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prefectures and...</td>
<td>32.2%</td>
<td>19%</td>
<td>35.1%</td>
<td>30.8%</td>
</tr>
<tr>
<td>ward and city</td>
<td>47.9%</td>
<td>25%</td>
<td>29.7%</td>
<td>14.3%</td>
</tr>
<tr>
<td>town and village</td>
<td>30.8%</td>
<td>43.8%</td>
<td>41.7%</td>
<td>38.9%</td>
</tr>
</tbody>
</table>
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.
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.
### Example of Designated procurement Items and its evaluation criteria


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

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

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

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

<table>
<thead>
<tr>
<th>Categories and names of items</th>
<th>Assessment of the carbon dioxide emission reduction results</th>
<th>Greenhouse gas reduction (t-CO(_2) conversion)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reduction per year</td>
<td>Usable years</td>
</tr>
<tr>
<td>Plastic stationary</td>
<td>Emissions from incineration</td>
<td>605</td>
</tr>
<tr>
<td>Dust Blowers</td>
<td>Conversion of HFC134a to non-CFC</td>
<td>17,426</td>
</tr>
<tr>
<td>Copy machines, etc.</td>
<td>Reduction of emissions from electricity use</td>
<td>266</td>
</tr>
<tr>
<td>Fax machines, etc.</td>
<td>Reduction of emissions from electricity use</td>
<td>374</td>
</tr>
<tr>
<td>Home electronic appliances</td>
<td>Reduction of emissions from electricity use</td>
<td>1,685</td>
</tr>
<tr>
<td>Air conditioners</td>
<td>Reduction of emissions from electricity use</td>
<td>1,212</td>
</tr>
<tr>
<td>High frequency lighting lamps</td>
<td>Reduction of emissions from electricity use</td>
<td>2,193</td>
</tr>
<tr>
<td>Light bulb-shaped lamps other than LEDs</td>
<td>Reduction of emissions from electricity use</td>
<td>2,187</td>
</tr>
<tr>
<td>Vehicles</td>
<td>Reduction of emissions from electricity use</td>
<td>1,431</td>
</tr>
<tr>
<td>Tires for passenger cars</td>
<td>Increase fuel efficiency by reducing tire friction</td>
<td>63</td>
</tr>
<tr>
<td>Uniforms and work clothes</td>
<td>Use of recycled PET resin</td>
<td>35</td>
</tr>
<tr>
<td>Interior fixtures and bedding</td>
<td>Use of recycled PET resin</td>
<td>537</td>
</tr>
<tr>
<td>Work gloves</td>
<td>Use of recycled PET resin</td>
<td>43</td>
</tr>
<tr>
<td>Solar power generation systems</td>
<td>Reduction of emissions due to introduction</td>
<td>1,204</td>
</tr>
<tr>
<td>Portland blast-furnace cement</td>
<td>Emissions during the industrial process</td>
<td>5,368</td>
</tr>
<tr>
<td>Transformers</td>
<td>Reduction of emissions due to usage</td>
<td>1,673</td>
</tr>
<tr>
<td>Greening of roof tops</td>
<td>Reduction of emissions due to plants</td>
<td>662</td>
</tr>
<tr>
<td>Total sum</td>
<td></td>
<td>36,970</td>
</tr>
</tbody>
</table>

Note: All entries are based on data collected by the government and are accurate as of the date of publication.
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)
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.

<table>
<thead>
<tr>
<th>Item</th>
<th>Green Purchasing Law</th>
<th>Green Contract Law</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Character</strong></td>
<td>Govern environmental efficiency of goods and services. Environmental consideration within open competitive bidding</td>
<td>Govern a contracting practice and other systems. Set a recommended contracting practice such as a comprehensive evaluation bidding method or proposal method for each contract type.</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td>To promote the procurement of goods and services that meet a certain level of environmental equality.</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Contents and others</strong></td>
<td>Cabinet decides an evaluation criteria for eco-friendly goods and services. Consider the environment by following a basic policy. Ministries and independent administrative institutions announce the results of procurement.</td>
<td>Cabinet decides a method of Green Contract. Consider environment by following a basic policy. Ministries and independent administrative institutions announce result of contract.</td>
</tr>
</tbody>
</table>
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.
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.
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.

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

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

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.
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)

□ 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 making 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
- Information provision system for the designated procurement items
- Database of international environmental regulation information

- Number of information providers are decreasing.
- Currently it cannot stand as a system.
- There is a gap of reliability among listed labels.
- The task is shifted to strong assessment of information and its opening to public.
- It is not yet put to operation.
- The task is to operate continuously for a long term period.