

Green Contract Law

The Law Concerning the Promotion of Contracts Considering
Reduction of Emissions of Greenhouse Gases and Others by
the State and Other Entities

(Law No.56 of 2007, Published : May 23, 2007, Enacted: November 22, 2007)



February 2014

Ministry of the Environment,
Government of Japan

Background

The preliminary version of the Working Group I Report (*The Physical Science Basis*) of the IPCC's Fifth Assessment Report¹ states that the "warming of the atmosphere and ocean system is unequivocal", and also presents the new view that "future surface temperatures will be largely determined by cumulative CO₂".

Moreover, the Japanese government, which as of January 2014 is currently drawing up a new Government Action Plan that will "promote initiatives to an equal or greater extent than the current Government Action Plan"², is itself promoting the reduction of greenhouse gases emissions.

The Green Contract Law is one such initiative to counter global warming; and with the aim of reducing greenhouse gases emissions, it prescribes concrete methods for achieving green contracts that the government and independent administrative agencies are obliged to follow, and local governments are obliged to "make efforts to" follow, in areas that constitute a large proportion of the government's total emissions.

1 "On the release of the Working Group I Report (*The Physical Science Base*) of the Intergovernmental Panel on Climate Change (IPCC)" (Sept. 27, 2013, Ministry of Education, Culture, Sports, Science and Technology; Ministry of Economy, Trade, and Industry; Meteorological Agency; Ministry of the Environment) http://www.jma.go.jp/jma/press/1309/27a/ipcc_ar5_wg1.pdf

2 "Immediate-Term Policy on the Countermeasures against Global Warming" (Global Warming Prevention Headquarters decision, March 15, 2013)

Objective

To enable public authorities, such as the State and local governments, when making a contract, to:

- Maintain a fixed level of competition
- Evaluate bids in terms of environmental performance as well as cost
- Make contracts with suppliers of products and/or services that offer the best environmental performance

The above mechanisms will be established and implemented systematically.

◎ Reduction of environmental load (emission of GHGs, etc.) by the State, etc.

◎ Establishment of sustainable society

Target Institutions

Obligations of Government and Independent Administrative Agencies

(Article 3, Article 5, Article 6, Article 8)

- ▶ To make practical use of energy (Article 3)
- ▶ To promote green contracts (Article 3)
- ▶ To develop a basic policy on the promotion of green contracts (Article 5)
- ▶ To have the heads of the ministries and agencies take measures to promote green contracts in accordance with the above Contract Policy (Article 6)
- ▶ To compile and publish a summary of concluded green contracts, and inform the Minister for the Environment (Article 8)

Effort obligations of Local Governments

(Article 4, Article 11)

- ▶ To make practical use of energy (Article 4)
- ▶ To promote green contracts (Article 4)
- ▶ Make effort to create the policy on the promotion of green contracts (Article 11.1)
- ▶ To define the types of green contracts in the Contract Policy (Article 11.2)
- ▶ To take measures to promote green contracts in accordance with the Contract Policy (Article 11.3)
- ▶ To compile and publish a summary of concluded green contracts (Article 11.4)



Areas Covered by the Contracts

- Contracts related to the supply of electricity
Implementation of the Bottom-Cut Method
- Contracts related to the Procurement and lease of automobiles
Implementation of the Comprehensive Evaluation Bidding Method
- Contracts related to the Procurement of ships
For the design of ships :
Implementation of Green Proposal Procedure for ships
For the procurement of small crafts :
Implementation of the Bottom-Cut Method
- Contracts related to ESCO
- Contracts related to buildings
Implementation of the green proposal Method
- Contracts Related to the Industrial Waste Management
Bottom-Cut Method

Contracting Methods Defined by the Green Contract Law

• Bottom-Cut Method

In this method, the requirements to participate in the bidding process are established from the perspective of reducing greenhouse gases emissions. Then, **from among those bidders that meet these requirements, the winner is selected based on price.**

• Comprehensive Evaluation Bidding Method

In this method, in addition to evaluating bidders based on price, **elements other than price enter the scope of evaluation. A comprehensive assessment of quality is carried out** and the successful bidder is the one determined to be the best after being considering in terms of both technology and price.

• Proposal Method

In this method, **the technological proposal document (the proposal) is evaluated based on elements such as the creativity, technological capabilities, and experience of the designers and the design organization.** The designer chosen will be the one best suited to the nature of the particular design task.

Enhanced Environmental Consideration by working in accordance with the Green Purchasing Law

| Item | Green Purchasing Law | The Green Contract Law |
|---------------------------------|---|---|
| Features | ○Regulate environmental performance of products and services | ○ Define recommended contracting methods (comprehensive evaluation method, proposal method, and others) by types of contracts |
| Purpose | ○Procurement of products and services which satisfy a certain level of environmental performance | ○Procurement of products and services with the best overall environmental performance considering their prices, etc. |
| Target items / Contracts | ○267 items in 19 fields, including Paper, Stationery, Office Automation Machines, Home Electronic Appliances, Vehicles, Uniforms and Work Clothes, Facilities, Stockpiles for Disaster, Public-works Projects, Services, etc. (Basic Policy, Cabinet Decision in Feb. 2014) | ○6 types of contracts: Purchasing of Electricity, Procurement and Leasing of Automobiles, Procurement of Ships, ESCO Projects, Architectural Design and Industrial Waste Management (Basic Policy, Cabinet Decision in Feb. 2014) |
| Target Institutions | ○Required for the State, independent administrative institutions, national universities and others ○Effort requested from local governments and others | ○The same as to the left |
| Others | ○Evaluation Criteria for Eco-Friendly Goods and others approved by the Cabinet ○Environmentally friendly procurement in accordance with the Basic Policy ○To publicize the result of the procurement | ○Methods of the green contracts and others approved by the Cabinet ○Green contracts in accordance with the Basic Policy ○To publicize the result of the contract |

Contracts related to the supply of electricity [Bottom-Cut Method]

Basic Concept

- Adopts the “**Bottom-Cut Method**”, which evaluates electric power companies based on their **CO₂ emission factor and measures taken to reduce their environmental load**
- The bottom cut criteria shall in principle allow participation of multiple companies in bidding
 - In some situations, there may be only one bidder
- The bottom cut criteria shall be set for each specific region
- Ensure fair competition among companies
- Reconsider the bottom cut criteria annually

Bottom-Cut Method

Electric power companies are given a score based on their performance in the preceding fiscal year in the following matters, and are allowed to participate in the bidding if they achieve the predetermined score.

I . CO₂ emission factor

II . Use of unutilized energy

III . Introduction of renewable energy



IV . Green Power Certificate to be transferred

V . Provision of information on saving energy/electricity

| Parameters | Example of Classification | Example of Score |
|---|---------------------------------|------------------|
| I . CO ₂ emission factor per kilowatt-hour in the preceding fiscal year (Emission factor after adjustment) (unit: kg-CO ₂ /kWh) | over 0.000 less than 0.350 | 70 |
| | over 0.350 less than 0.375 | 65 |
| | over 0.375 less than 0.400 | 60 |
| | over 0.400 less than 0.425 | 55 |
| | over 0.425 less than 0.450 | 50 |
| | over 0.450 less than 0.475 | 45 |
| | over 0.475 less than 0.500 | 40 |
| | over 0.500 less than 0.525 | 35 |
| | over 0.525 less than 0.550 | 30 |
| | over 0.550 less than 0.575 | 25 |
| | over 0.575 | 20 |
| II . The use of unutilized energy in the preceding fiscal year | over 1.350% | 15 |
| | over 0.675% less than 1.350% | 10 |
| | 0% and over less than 0.675% | 5 |
| | Not used | 0 |
| III . The use of renewable energy in the preceding fiscal year | over 1.50% | 15 |
| | over 0.75% less than 1.50% | 10 |
| | 0% and over and less than 0.75% | 5 |
| | Not used | 0 |
| IV . Green Power Certificate to be transferred (the percentage of the electricity supply scheduled for use) | 5.00% | 10 |
| | 2.50% | 5 |
| | Not used | 0 |
| V . Efforts to provision of information on saving energy/ electricity to customers | Yes | 5 |
| | No | 0 |

Evaluation points (when the bottom cut criteria 70 point or higher)

I .30points + II .15points + III .15points + IV .10points = **70points**

Clears the bottom-cut criteria

Examples of original evaluation criteria used by local governments:

- Introduction of environmental management systems
- Contribution to local environmental education
- Publication of environmental reports
- Efforts to provide information to customers
- Participation in activities to enhance the functionality of forests
- Participation in tree-planting promotion projects



Case Study **Kawasaki City**

“Implementation Guidelines for Environmentally Considerate Electricity Supply Bidding in Kawasaki City” (Enacted in October, 2008)

Policy formulation

- In FY2008, a committee to formulate the Green Contract Policy was formed within the cross-departmental Kawasaki City local government body on global warming. Following discussions with the relevant departments, the guidelines was formulated, and the policy was finely settled in FY2009.
- While referring to the national government's basic policy and the point allocation system used by other local government, Kawasaki City determined its items for evaluation, created a proposal for point allocation, and obtained the approval from all departments within its own local government.
- In addition to employing the bottom-cut method using emission factor, which has been implemented since FY2007, Kawasaki City added the environmentally friendly measures being implemented by the electricity suppliers into the items for evaluation.

Implementation and management

- The Environment Bureau Global Environment and Sustainability Office carries out comprehensive, integrated management, evaluation of electricity suppliers, and information dissemination within the government to help reduce the workload for each of the departments responsible for procurement. Also, it works to ensure these policies are understood by all, such as via training for those responsible for accountancy.

Measures for the future

- Revisions to the points allocation system are being currently considered.

Results for FY2011 → **39 matters, 132,778,603 kWh**

| Items | Classification | Score | |
|--|--|---|---|
| (1) The average carbon dioxide emission factor per 1kWh in the preceding fiscal year of all sources of power | Less than 0.250 | 60 | |
| | Over 0.250 less than 0.300 | 50 | |
| | Over 0.300 less than 0.400 | 40 | |
| | Over 0.400 less than 0.500 | 30 | |
| | Over 0.500 less than 0.600 | 20 | |
| | Over 0.600 less than 0.700 | 10 | |
| (2) The use of unutilized energy | Used | 10 | |
| | Not used | 0 | |
| (3) The use of new energy | 1.00 and over | 20 | |
| | Over 0.8 less than 1.00 | 10 | |
| (4) Other | Less than 0.8 | 0 | |
| | Introduction of environmental management systems | Has introduced environmental management systems | 5 |
| | Publication of environmental reports | Has published environmental reports | 5 |
| Total | | 100 | |

Score Evaluation

| Score | Rank | Treatment |
|----------------------------|------|---|
| 70 and over | A | Acquires the qualification to participate in all bidding for electricity supply in the city in question |
| Less than 70 50 or more | B | |
| Less than 50 | C | Does not acquire the qualification to bid |

Case Study **Osaka City**

“Osaka City Environmental Consideration Policy for the Procurement of Electricity Supply” (Formulated November, 2008)

Policy formulation

- The Environmental Consideration Policy was formulated by the Environmental Strategies Division, Environment Bureau, which serves as the contact point for green purchases, with the cooperation and coordination of the department promoting the electricity bidding process, and the department which is responsible for the contract system. After setting the evaluation items, a study of the electricity suppliers was carried out within the jurisdiction of the Kansai Electric Power and the score was calculated for each supplier's environmental consideration.

Implementation and management

- The Environment Strategies Division, Environment Bureau comprehensively carries out the series of tasks within the process, including setting the bottom-cut criteria and determining and disseminating the environmental consideration evaluation values for each electricity supplier.

Results for FY2011 → **62 matters, 181,920,935 kWh**

| Items | Classification | Score |
|---|------------------------------|-------|
| (1) The average carbon dioxide emission factor per 1kWh of all sources of power (Unit: kg-CO ₂ /kWh) | Less than 0.300 | 70 |
| | Over 0.300 less than 0.350 | 65 |
| | Over 0.350 less than 0.400 | 60 |
| | Over 0.400 less than 0.450 | 55 |
| | Over 0.450 less than 0.500 | 50 |
| | Over 0.500 less than 0.550 | 45 |
| | Over 0.550 less than 0.600 | 40 |
| | Over 0.600 less than 0.650 | 35 |
| | Over 0.650 less than 0.700 | 30 |
| | 0.700 and over | 0 |
| (2) The use of unutilized energy | Used | 10 |
| | Not used | 0 |
| (3) The use of new energy | 1.0 times and over | 10 |
| | Over 0.8 less than 1.0 times | 5 |
| (4) Acquisition of environmental management systems certification | Acquired by all companies | 10 |
| | Acquired by some | 5 |
| | Not acquired | 0 |
| Total of (1) through (4) | | 100 |

Additional points

| | | |
|--|------|----|
| (5) Green Power Certificate to be transferred (the percentage of the electricity supply scheduled for use) | 1.0% | 10 |
| | 0.5% | 5 |

The score must be 70 and over, based on the total points calculated using the formula described in Osaka City Environmentally Considerate Evaluation Criteria for the Electricity Procurement.

Case Study **Kasukabe City**

“Environment-Conscious Policy for the Electricity Supply of Kasukabe City” (Formulated in April, 2013)

Policy formulation

- After the establishment of an investigative commission, a policy was enacted in FY2013. The policy was formulated by the Supply Division. Paperwork is handled by the Environmental Policy Promotion Division.

Implementation

- Bidding for the electricity supply of 37 public elementary and junior high schools in Kasukabe City.

Electricity contract : 3,704 kW
 Expected power consumption : 5,173,182 kWh
 Contract period : July 2013 - March 2015
 Number of bidders : 3

| Item | Classification | Score |
|---|------------------------------------|-------|
| Carbon dioxide emission factor per 1kWh in the preceding fiscal year (adjusted emission factor) (Unit: kg-CO ₂ /kWh) | Less than 0.350 | 70 |
| | Over 0.350 less than 0.375 | 65 |
| | Over 0.375 less than 0.400 | 60 |
| | Over 0.400 less than 0.425 | 55 |
| | Over 0.425 less than 0.450 | 50 |
| | Over 0.450 less than 0.475 | 45 |
| | Over 0.475 less than 0.500 | 40 |
| | Over 0.500 less than 0.525 | 35 |
| | Over 0.525 less than 0.550 | 30 |
| | 0.550 or more | 25 |
| Use of unutilized energy in the preceding fiscal year | 1.35% or more | 15 |
| | Over 0.675% less than 1.35% | 10 |
| Introduction of new energy in the preceding fiscal year | 0% and over and less than 0.675% | 5 |
| | Not used | 0 |
| Green Power Certificate amount to be transferred to the city (the percentage of the electricity supply scheduled for use) | 1.0 times or more | 15 |
| | Over 0.8 times less than 1.0 times | 5 |
| Green Power Certificate amount to be transferred to the city (the percentage of the electricity supply scheduled for use) | 5.0% | 10 |
| | 2.5% | 5 |
| | Not used | 0 |

Contracts related to the procurement and lease of automobiles

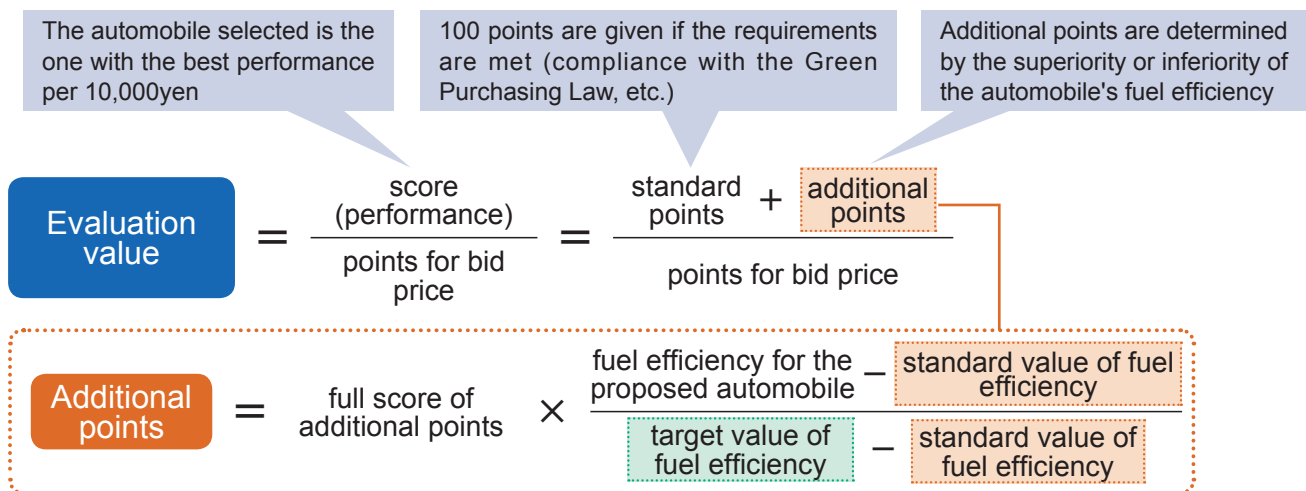
[Comprehensive Evaluation Bidding Method]

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 **environmental performance (fuel efficiency)** and **price**: the adoption of the **comprehensive evaluation bidding method**
- Requirements set by each institution, considering its usage (total mileage performance, etc.)

Calculations using the comprehensive evaluation bidding method

Fuel efficiency and bidding price are evaluated comprehensively and the bidder with the highest evaluation value is given the contract.



Example of how evaluation value is calculated (example: 2,000cc-class sedan gasoline car)

① Establishment of fuel efficiency standard and fuel efficiency target values

Fuel efficiency standard value: 17.2 (km/L)
Fuel efficiency target value: 32.6 (km/L)

② Calculation of maximum additional points

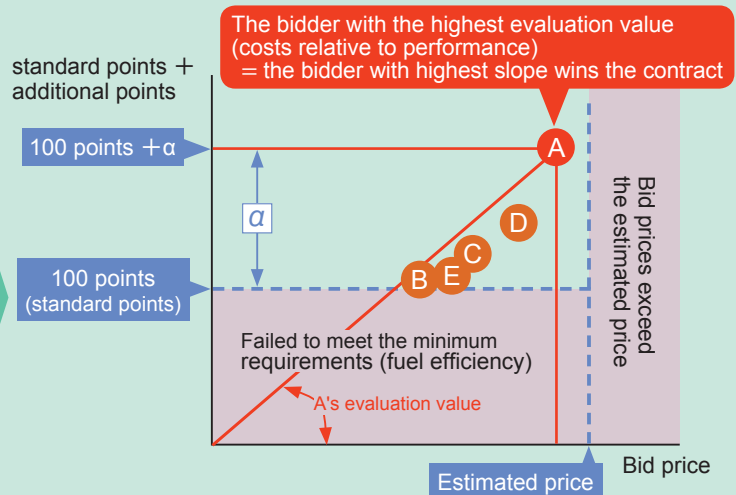
Maximum additional points: $= (32.6 / 17.2 - 1) \times 50$
 $= 45$ points

③ Calculation of evaluation value for each car

(Example: Car A, which has a fuel efficiency of 32.6 km/L)

③-1 Calculation of additional points
 $45 \text{ points} \times (32.6 \text{ (km/L)} - 17.2 \text{ (km/L)} / 32.6 \text{ (km/L)} - 17.2 \text{ (km/L)}) = 45 \text{ points (additional points)}$

③-2 Calculation of evaluation value
 $(100 \text{ points (standard points)} + 45 \text{ points (additional points)}) / 207 \text{ points (price points)} = 0.700 \text{ (evaluation value)}$



| Automobile name | Fuel efficiency | Price points (1 point per 10,000 yen) | Points given | Evaluation value |
|-----------------|-----------------|---------------------------------------|--------------|------------------|
| A | 32.6 | 207 | 145.0 | 0.700 |
| B | 17.2 | 177 | 100.0 | 0.565 |
| C | 18.7 | 182 | 104.4 | 0.574 |
| D | 23.2 | 198 | 117.5 | 0.593 |
| E | 17.8 | 181 | 101.8 | 0.562 |

Evaluation ranking

A > D > C > B > E The contract is given to **A**.



Case Study Aichi Prefectural Government

Point 1 Formulation of Contracting Policy

Contracting policy is formulated by each department of electricity supply, automobiles, ESCO, and architecture. In the Aichi Prefectural Government Eco-Products Procurement Policy based on the Green Purchasing Law, automobiles are required not only to satisfy the standard level of fuel efficiency but also have the best relative efficiency, and all the departments have been notified of this.

Point 2 Comprehensive Evaluation Bidding Method

- ◎ The calculation system for full score of additional points was established based on information from the Ministry of the Environment.
Determined by first calculating the expenses due to fuel of the official vehicle to be purchased, including its fuel efficiency, fuel price, and total mileage, and then taking the ratio of this to the expected cost of purchasing the vehicle.
- ◎ Opinions of two university professors majoring in air quality and transportation were used to determine the bidder selecting criteria.
 - According to the Order for Enforcement of the Local Autonomy Act, opinions of academic experts must be incorporated when the local government introduces the Comprehensive Evaluation Bidding Method.

Example

Minimum price was proposed by Automobile B.
However, through the comprehensive evaluation of price and fuel efficiency, **Automobile C with higher fuel efficiency succeeded in the bid.**

| Item / Automobile | A | B | C | D |
|--|---------|---------|---------|---------|
| Engine displacement (cc) | 657 | 658 | 658 | 658 |
| Vehicle weight (kg) | 810 | 810 | 860 | 740 |
| Fuel efficiency (km/L) | 18.0 | 19.2 | 21.0 | 21.8 |
| Standard value of fuel efficiency (km/L) | 16.9 | | | |
| Target value of fuel efficiency (km/L) | 21.8 | | | |
| Fuel score of additional points (*1) | 50 | | | |
| Additional points (*2) | 11.2 | 23.5 | 41.8 | 50 |
| Basic points | 100 | | | |
| Total points | 111.2 | 123.5 | 141.8 | 150 |
| Bid price (10,000 yen) | 73.1222 | 70.7522 | 73.9912 | 79.2717 |
| Evaluation value | 1.5207 | 1.7455 | 1.9164 | 1.8922 |

Lowest price successful bid

*1 Method of calculating the full score of additional points

For total mileage of 120,000 km, standard value of fuel efficiency is 16.9 km/L

Total amount of gasoline used: $120,000 / 16.9 = 7,101$ L
 $7,101 \text{ L} \times 145 \text{ yen/L}$ (average price of gasoline in Aichi Prefecture during FY2008) = 1,029,645 yen

As the ratio of expected cost of purchasing the vehicle to 1,029,645 yen is about 10:11, full score of additional points is set as 50 points, which is the maximum.

*2 Fuel efficiency and standard value of fuel efficiency: adopts the JC08 fuel cost mode

A : $50 \times (18.0 - 16.9) / (21.8 - 16.9)$

B : $50 \times (19.2 - 16.9) / (21.8 - 16.9)$

C : $50 \times (21.0 - 16.9) / (21.8 - 16.9)$

D : $50 \times (21.8 - 16.9) / (21.8 - 16.9)$

Point 3 Implementation and Operation

In adopting the Comprehensive Evaluation Bidding Method, it is important to gain understanding of staff within the agency toward the system and to familiarize the bidders with the system. Consequently, explanatory briefings are held to inform of the method.

Staff: explanatory briefings are held regularly every year (intended for each relevant department)

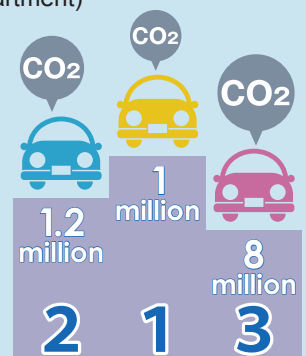
Bidders: the method is explained to them through bidder briefings

Achievement

FY2012
 The number of automobiles procured.....41
 Within them, the number procured by a green contract.....32

Future Challenges

- 1. From "matters to be considered" to "criterion"**
Discussion is held to upgrade the basic policy for purchasing automobiles from "matters to be considered to criterion" in Aichi Prefecture Eco-Products Procurement Policy.
- 2. Expand the categories of vehicles**
Heavy weight vehicles which are not listed as the designated procurement items of Aichi Prefecture Government Eco-Products Procurement Policy are also included, in principle, for consideration.



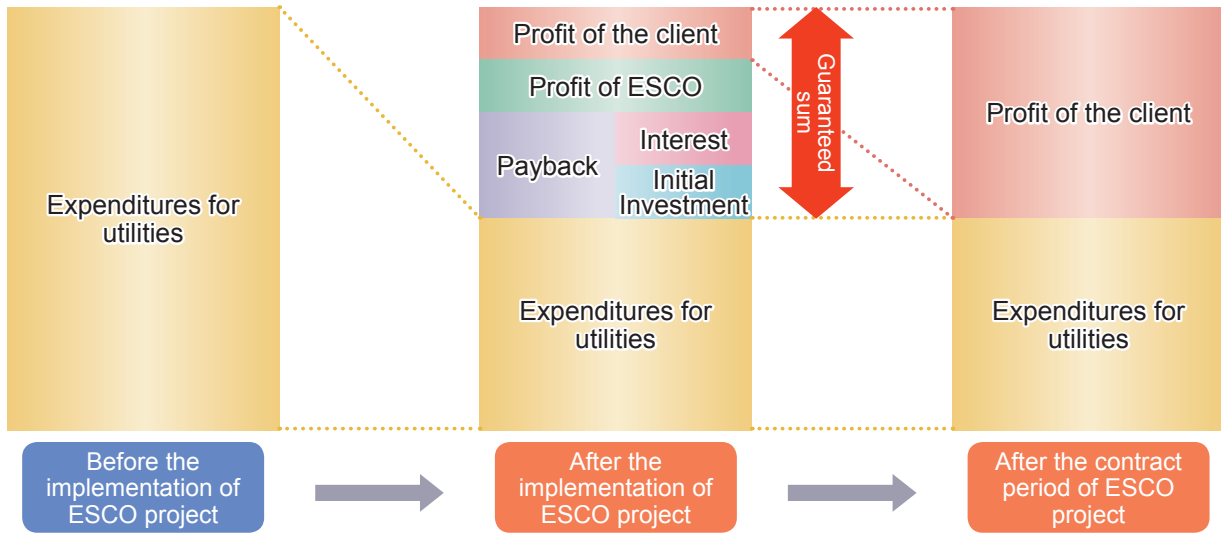
A comprehensive evaluation based on fuel efficiency and price

Contracts related to ESCO

[Proposal Method / Comprehensive Evaluation Bidding Method]

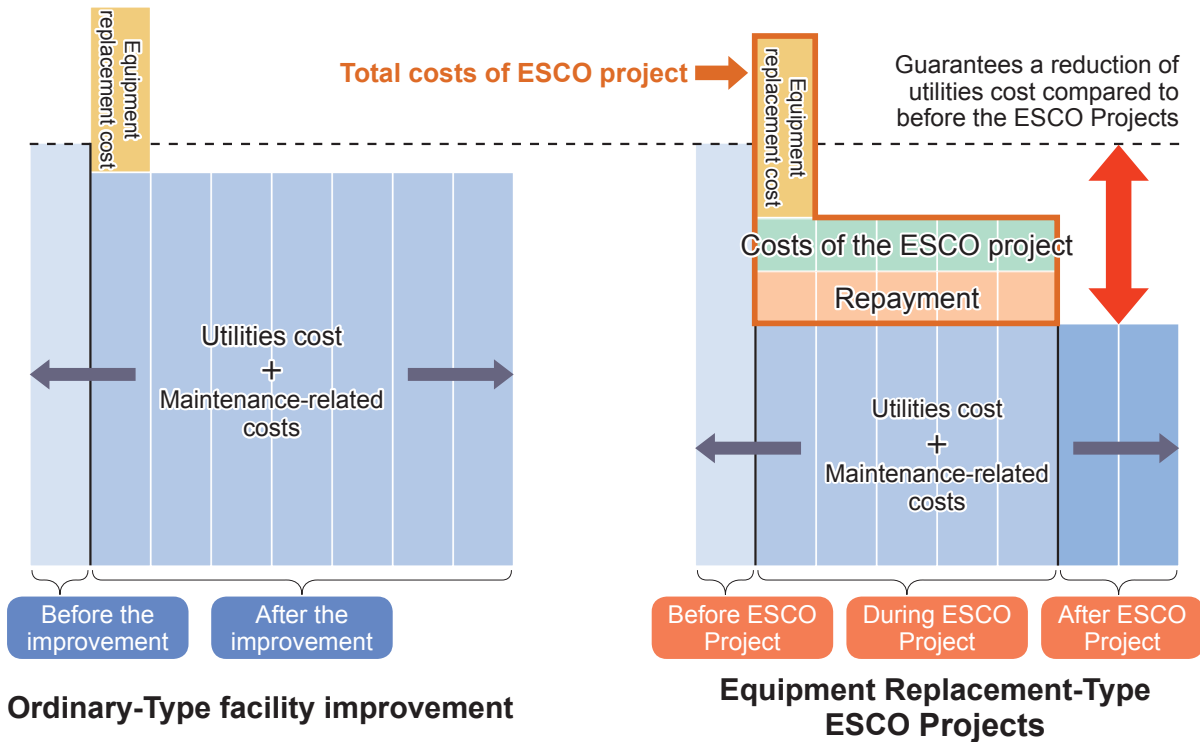
ESCO Projects (Energy Conservation Improvement Projects)

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



Equipment Replacement-Type ESCO Projects

If there is aging equipment that needs to be replaced, an “Equipment Replacement-type ESCO Project”, in which the equipment replacement costs are incorporated into the project, can be undertaken.



Bulk-Type ESCO Projects

When only a single facility is involved, the facility size, amount of energy used, and heating/lighting costs are limited, making it difficult to realize an ESCO project. Therefore, some local governments have recently implemented “Bulk-Type ESCO projects” in which multiple facilities in a single area are implemented as a single ESCO project.

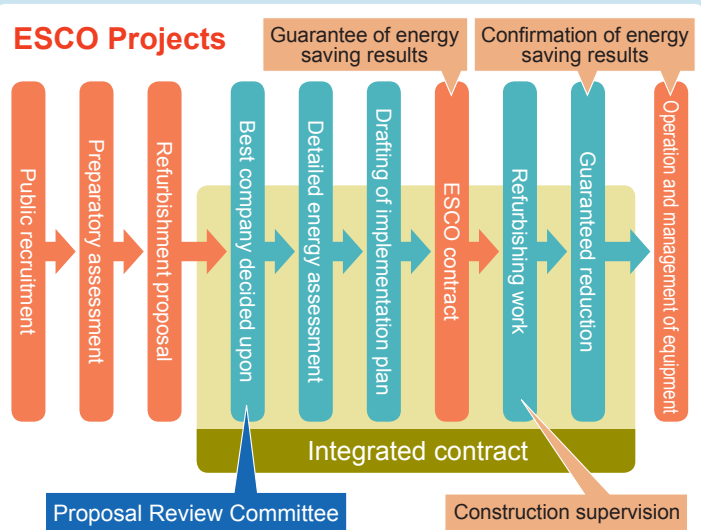


Case Study **Yokohama City**

“A Plan to Introduce ESCO Projects to Yokohama City Public Buildings”

Point 1 Plan Formulation

- In order to lower the energy use of public buildings, reduce the burden on the environment, and cut maintenance and management costs, in December 2003 feasibility studies were conducted and facilities were selected. In accordance with the plan formulated in December 2004, 20 facilities were selected, and by FY2011 all of the projects had been commercialized. Then, in accordance with the new plan formulated in March 2012, 13 facilities were selected, and one by one are being commercialized.
- As for the order of implementation, the decision was made, based on equipment renewal and decreased efficiency considerations, to begin with the oldest buildings, and start implementation after consultation with the facility managers. As of February 2014, 14 ESCO projects are in service at 21 facilities.



Schedule from the formulation of the installation plan

| | |
|-----------------------|--|
| December 2003 | Policy decision made to introduce ESCO projects into public buildings and public recruitment of model service begins |
| February 2004 | Work on the installation plan begins |
| March 2004 | Best model service proposal is chosen |
| July to November 2004 | Installation Plan Formulation Committee is convened (3 times) |
| December 2004 | Installation plan formulated |
| August 2011 | Commercialization of selected facilities is completed |
| March 2012 | Formulation of new installation plan |
| April 2012 | Public recruitment of facilities for new installation plan (No. 15 Project) |

Point 2 Case Study

“ESCO Projects at 3 Facilities in Shin-Yokohama District, Yokohama City”

Contract method: Shared savings contract (service period: 9 years from April 2006)

Annual cost reductions (during service period):

Primary energy reduction rate: 14.1% CO₂ emissions reduction rate: 27%

Reduction in light, heating, and water costs: 71,385,000 yen/year

Yokohama City ESCO website: <http://www.city.yokohama.lg.jp/kenchiku/archi/esco/>

Case Study **Nagareyama City**

“A Design-Build Small-Scale Bulk ESCO Project for the Nagareyama City Office and other Buildings”

(Public recruitment on Dec, 2011)

Point 1 Plan Formulation

A bulk ESCO project with the Nagareyama City Hall, Library, and Museum as the core, covering 5 facilities-the Akagi Welfare Center, Omoi Welfare Center, Edogawadai Welfare Center, Komakidai Welfare Center, and Mukai-kogane Welfare Center

*ESCO service period: April 2013 - March 2027

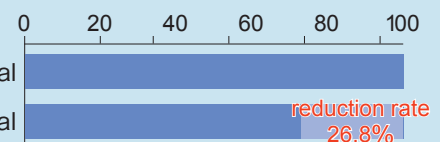
Point 2 Reduction Effectiveness

| | |
|---|---------------------|
| Primary energy reduction rate | 25.8% |
| CO ₂ emissions reduction rate | 26.8% |
| Expected reduction in light, heating, and water costs | 23,012,000 yen/year |
| Guaranteed reduction in light, heating, and water costs | 20,541,000 yen/year |

the amount of CO₂ emissions

before the renewal

after the renewal



Contracts related to buildings [Green Proposal Procedure]

Basic Concept

- Implementation of “Green proposal procedure”
- Establishing Requirement of Environmental Performance

When ordering designs for buildings, the requirements for environmental performance will be described in the contract document to ensure that the building exhibits at least the minimum required level of environmental performance.

Green proposal procedure for buildings

In this proposal method, when design work is to be ordered for the construction of a building or for major renewal work, the bidder will be required to submit a technological proposal document describing how the building will be environmentally friendly, such as how it will reduce greenhouse gases (including the active use of natural energy). Following a comprehensive evaluation of these proposals, the designer with the best bid will be selected.

An example of a technological proposal document that includes items regarding environmental friendliness

| Evaluation item | Points of concern in evaluation | | | Evaluation weight | |
|---|--|---|---|-------------------------|----|
| | Decision criteria | | | | |
| Technological capabilities | Have experience of doing the same or similar type of work from (year, month) (Whether the supplier has experience or not; if yes, how many projects and what was involved) | Items are evaluated in the following order. 1. Experience of doing the same type of work 2. Experience of doing a similar type of work In addition to the above, the aspects of this experience are evaluated in the following order | | Managing engineer | 6 |
| | | | | Lead engineer | 6 |
| | In charge of | | | Lead engineer in charge | 6 |
| | Years of experience | | | Lead engineer | 6 |
| Proposed policy and procedure (determination made by comprehensively evaluating the content of technical solutions and results of interviews) | Decision criteria | | Measures to be taken regarding operational policy for conducting business, characteristics of the design team, and items that are particularly important from a design perspective (but excluding content relating to specific topics) is comprehensively evaluated for its adequacy, originality, and feasibility. | | 19 |
| | Technical proposal on specific topics | 1. | The reduction of the emission of greenhouse gases is comprehensively evaluated in consideration of the following elements: adequacy, (whether the proposal meets the given conditions, etc.), originality (whether the proposal is based on technologically accepted findings), and viability (whether the contents of the proposal are theoretically proven, persuasive, etc.). | | 17 |
| | | 2. | Topic 2 (omitted) | | 17 |
| | | 3. | Topic 3 (omitted) | | 17 |
| | | Total | | | |

Approximately half of the points are allocated according to qualifications, technological capabilities, years of experience, etc.
Items on environmental consideration are established and evaluated for one or more technological proposals with regards to a specific topic

Case Study Tokyo Metropolitan Government

Point 1 Basic Policy of Tokyo Metropolitan Government (TMG)

Based on the national government's basic policy, Tokyo Metropolitan Government (TMG) requires companies to propose technologies that contribute to reducing the emission of Greenhouse Gases.

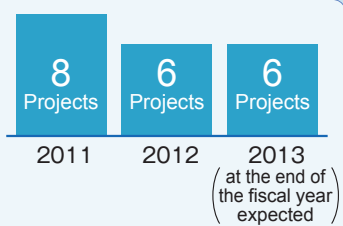
Point 2 Implementation and Operation

- Since FY2008, project competitions for the design of some buildings have been administered on a trial-basis using the green proposal procedure.
- TMG presents several “themes” based on the given design conditions. One of the “themes” is to reduce the emission of Greenhouse Gases based on “Energy-saving and Re-energy standard in Tokyo”.
- The proposal of technology is not intended to put excessive burden on companies by making them propose concrete specific design plan.

Achievements

From 2008 FY to 2013 FY (at the end of the fiscal year expected)

44 projects



Contracts Related to the Industrial Waste Management

[Bottom-Cut Method]

(Added when the Green Contract Basic Policy was revised in February, 2013)

Basic Concept

- Adopt Bottom-Cut Method through evaluation of efforts to reduce greenhouse gases and others emissions, and assessment of compliance with “Excellent Contractors Certification” (Government-certified System for Excellent Industrial Waste Management System Contractors) standards.
- Consider efforts made to conserve the quality of the environment (air, water, soil, noise, vibration, etc.) through reduction of greenhouse gases and others emissions at each stage in the disposal process—collection, intermediate treatment and final treatment.
- Consider industrial waste management businesses conform to “Excellent Contractors Certification” Standards.
- Have procurers set concrete standards that take into account characteristics such as the types of industrial waste and types of recyclable resources.

Evaluation Criteria for Bottom-Cut Method

Companies will be evaluated in terms of the two points below, and only those who achieve a predetermined score can participate in the bidding.

1) Environment-conscious efforts

2) Compliance with excellent contractors standards

| Evaluation Item | Evaluation content and Criteria |
|--|---|
| Environment-conscious efforts | |
| Environment/CSR Report | Have created and released an environmental/CSR report. Have created and released a report providing information on environmentally-conscious business plans, initiative, and current efforts. |
| Greenhouse gases emission reduction plan/objectives | Have drawn up plans and established/announced objectives for reducing greenhouse gases emissions. Have made plans and set numerical targets for reducing the greenhouse gasses that are emitted during business operations; and have released these targets, and the degree to which these targets have been achieved, on the Internet or other media. |
| Worker training/education | Train/educate employees about environment-conscious efforts, proper management of industrial waste, etc. Have formulated an annual plan for providing the above training/education, and implement various kinds of training/education regularly (at least once a year) in accordance with this plan. |
| Compliance with excellent contractors standards | |
| Compliance (obedience to the law) | Have not been placed under any specific adverse disposition in the five years prior to the bidding for the contract. |
| Business transparency | Have released information via the Internet about the company’s industrial waste management facility capacities, the industrial waste management permits that the company has acquired, and other basic information about the company. |
| Environment-conscious efforts | Have received such as ISO14001 or Eco-Action 21 (Environmental Activity Evaluation Program) certification. |
| Electronic information processing systems | Have registered with “electronic information processing systems”. |
| Financial soundness | The financial strength of the company as indicated by capital ratio, average ordinary profit, etc. 1) The capital ratio for any business year in the last 3 business years was 10% or more. 2) Average operating profit for the last 3 business years is more than zero. 3) There are no unpaid industrial waste management implementation-related taxes or social insurance/labor insurance premiums. |

Contracts related to the procurement of ships

[green proposal procedure (design)]

(newly added following the revision of the Green Contract Law Basic Policy in February, 2010)

Basic Concept

● Implementing a proposal process for the design of ships

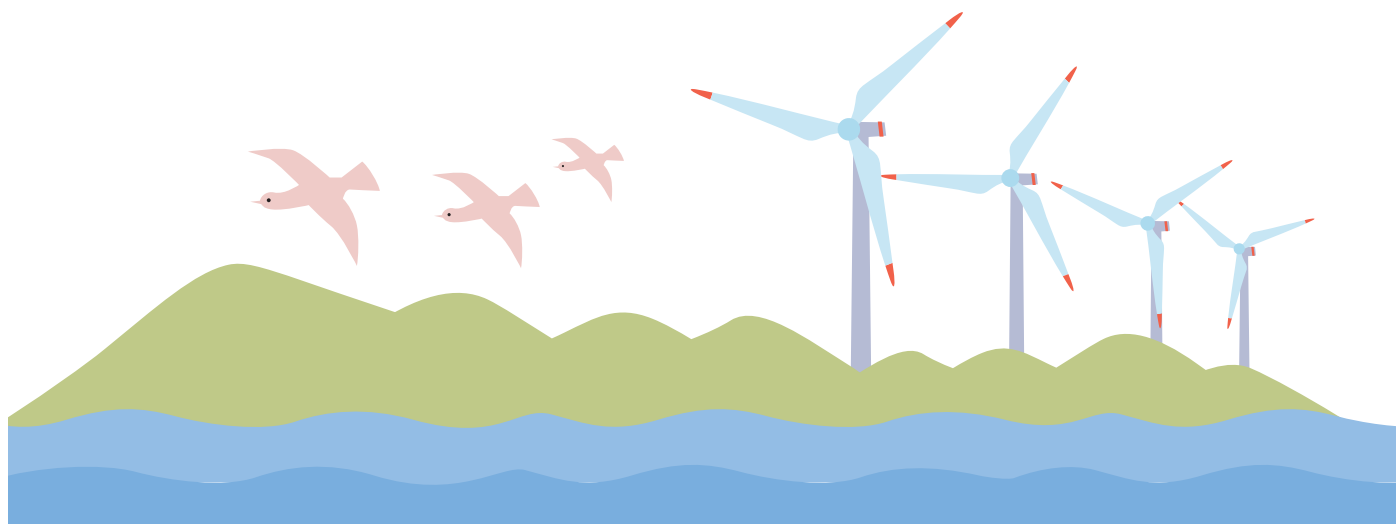
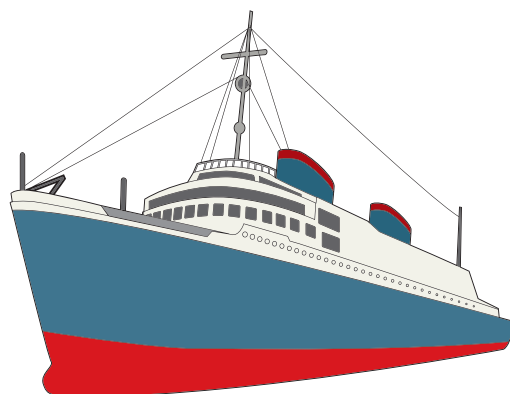
When ordering an outline design or a basic design during the procurement of a ship, a **green proposal procedure for ships** will, in principle, be adopted.

- Depending on the use of the relevant ship, this method will not be adopted for those ships to which considerations other than the reduction of greenhouse gases or other emissions are given particular priority, nor will it be adopted for those ships for which, from a design perspective, there are virtually no means by which greenhouse gases emissions can be reduced.

● Environmental friendliness in the procurement of small ships

Specification documents in the procurement of small ships must include the **fuel consumption rate** and the **emissions of nitrogen oxide by the propulsion machinery(power engine)**.

- Small craft: defined by the Ship Safety Law as a ship with a gross tonnage of less than 20 tons.



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· In accordance with the criteria for printing set out in our basic policy, criteria created based on the Promotion of Green Purchasing Law, this booklet was made using only "A rank" materials and so is suitable to be used for print recycling paper.