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Accelerating Clean Growth
Newfoundland & Labrador

Recommendations for the Development of an Environmental Procurement Policy in Newfoundland and Labrador

October 18, 2021

Introduction

econext applauds the provincial government for the steps that it is taking to develop an 'environmental procurement policy', and for following through on its commitment to doing so in its climate change action plan released in 2019.

It is important to view procurement as a tool in fostering sustainable economic growth and development. The Government of Newfoundland and Labrador is a significant purchaser, among the largest – if not *the* largest – in the province. Through the increased valuation of environmental sustainability, and by integrating environmental considerations in its procurement process, the provincial government can improve its own environmental performance and influence the demand for environmentally preferable goods and services in the process.

econext is appreciative of the opportunity to contribute to the development of new environmental procurement processes, a policy which it has been advocating for since 2016. The inclusion of environmental sustainability criteria within government procurement will lead to better environmental outcomes for the province and open the door for clean growth innovation.

On behalf of its members, ***econext*** provides the following recommendations to the provincial government for consideration in the development of its environmental procurement policy.

1. Incorporate National and International Best Practices

The Canadian '*Policy on Green Procurement*' came into effect on April 1, 2006. The objective of the policy was to 'advance the protection of the environment and to support sustainable development by integrating environmental performance considerations into the procurement decision-making process'. This policy was updated in 2018 as part of Canada's *Greening Government Strategy* to reflect the increased awareness and understanding of the threat that climate change presented to the environment and built infrastructure.

The Organisation for Economic Co-operation and Development (OECD), of which Canada is a founding member, is a credible source on an international scale for guidance on economic development growth and development. The OECD has published a great deal of material on subjects related to 'green procurement', including lessons learned that have been identified through the evaluation of the evidence stemming from the experiences of jurisdictions such as Canada that have had longstanding green procurement policies.

All of this is to say that there are best practices for green procurement that have been established, and that there is no need for Newfoundland and Labrador to 'reinvent the wheel'.

2. Include a Series of Environmental Indicators

Environmental factors to consider through the procurement would include the greenhouse gas emissions (GHGs), use of natural resources, lifespan and expected degradation, end of life costs, and waste produced associated with goods or services. GHG considers should factor in not just emissions associated with ongoing use or operations, but also those associated with production and transportation.

Incorporating the chosen environmental indicators will effect change. A common misconception with decision-making that includes environmental sustainability is that more 'environmentally friendly' solutions are costlier. This is not always the case. For example, when considering the full lifecycle of products and services, though higher up-front costs are common, environmentally sound decisions often are more economical in the long run. Procurement practices that do not include lifecycle costing would not arrive at the same conclusions to the detriment of the buyer.

3. Set Environmental Performance Targets

The provincial government should track progress associated with the environmental indicators selected. For example, if GHG reduction is a desired outcome of green procurement policies, the amount of GHGs reduced through government procurement should be tracked and reported on.

Targets should be set by the provincial government for each environmental indicator (e.g. 'the Government of Newfoundland and Labrador aims to reduce the waste sent to landfill through procurement by 5% by the year 2025'). Incentives should be implemented internally that are connected to outcomes that are more environmentally and economically sustainable. It is understood that there are many unknowns associated with such a large organization's ability to achieve environmental performance through procurement, thus these targets can be understood to be aspirational in nature until evidence is obtained through practice and more accurate targets can be defined over time. Without the quantification of outcomes and performance targets established and incentivized, an environmental procurement policy will not be effective.

4. Apply Broadly to Government Procurement

The stakeholder engagement questionnaire for the development of environmental procurement policy included the following discussion statement: "*Government departments should use a list of specific products and services which are required to be purchased in an environmentally sustainable manner*". The case should not have to be made for why certain products and services should be evaluated for their environmental performance. Environmental performance should be a consideration in all forms of procurement, and indicators of success in this regard should be applied to the evaluation of all product and service purchases. Thus the provincial government should focus on exclusion lists as opposed to inclusion lists; the case should have to be made for why certain products and services would *not* be subject to evaluation according to environmental criteria.

5. Align Green Procurement with Strategic Directions

Environmental procurement policies should be designed as to support key government priorities and strategies. For example, in 2020 the Government of Newfoundland and Labrador committed to achieving net zero by 2050. Thus, GHG reduction should be a key measure of success for the environmental procurement policy and be an important focus in the development of the associated processes and procedures. Another example is the focus on electricity rate mitigation and the

related importance of the electrification of processes and equipment. In this case, designing green procurement policies that enable fuel-switching will have the dual benefit of improving environmental outcomes and contributing to the mitigation of electricity rates. Yet another example is related to food security, where the provincial government has committed to doubling food self-sufficiency by the year 2022. Food sourced locally is likely to have far less GHGs associated with their production due to decreased transportation requirements, plus other environmental benefits which should be valued deliberately by design of the environmental procurement policy.

To achieve alignment between green procurement and strategic directions, a whole-of-government approach must be undertaken. The Public Procurement Agency should engage directly with government departments including (but not limited to): Environment and Climate Change; Transportation and Infrastructure; Industry, Energy, and Technology; Municipal and Provincial Affairs; and Fisheries, Forestry, and Agriculture.

The fiscal challenges being faced by the provincial government cannot be ignored in any discussion related to procurement. Thus, the design of environmental procurement policy should place a premium on solutions that are not just environmentally sustainable – but also provide better economic value. This will require new approaches to public procurement that avoids being overly prescriptive and avoids lock-in.

6. Avoid Prescriptive Procurement

When a tender of a request for proposals (RFP) delineates a project or product in exact terms, e.g. defining not just the final deliverable but also how that deliverable should be achieved, this eliminates new ideas or alternative solutions from the outset, and discourages innovative thinking. For example, a tender for the installation of a drainage culvert on a roadway will attract only proposals for culvert installations. But an RFP which asks instead for effective stormwater retention on the roadway could potentially attract more resilient and economical solutions. This is an important distinction; clean technologies and environmental services are often 'new' ways of doing things. Though the outcomes of their application could yield important environmental and

economic benefits, if the RFP is designed in a prescriptive manner, 'new' approaches will be screened out from the procurement process.

7. Avoid Lock-In

Procurement activities can specify products that are compatible with outdated systems, thereby excluding the applicability of newer and more efficient components. 'Lock-in' results from a failure to plan beyond the short term in procurement, leading to piecemeal purchases. For example, consider a broken component of a ferry's aging engine. A tender to replace that particular component is issued. One year later, the engine fails. A tender is then issued to replace the engine – one that works with the newly acquired component. The government thus locks itself into a cycle of procurement which is supporting the continued use of outdated equipment. Contributing to the lock-in phenomenon is the human nature to stick with what has been historically done. Though avoiding change can be the path of least resistance, it may also lead to inefficiencies and approaches that are not environmentally sustainable. Those involved in government procurement must be open to new ideas and new ways of doing things in order to improve environmental performance.

8. Provide Appropriate Training for Procurement Officers

The inclusion of environmental performance indicators in procurement processes represents a substantial change in the way government does business. Maximizing the economic opportunities associated with these changes will require new approaches to purchasing, longer-term planning, avoiding prescriptive procurement, and avoiding lock-in. Procurement officers need to be supported through these changes. The provincial government may consider drawing lessons learned from the federal government's efforts to provide professional development and training opportunities associated with the introduction of its green procurement initiatives.

9. Use Certifications - Where Appropriate

There has been a rise in the use of environmental certifications or 'eco labels' in an attempt by companies and organizations to qualify or quantify the sustainability and performance of their products and services. In some cases these eco labels are well known and have become standardized nationally or even internationally. Purchasers can be confident that the product or service in question meets stringent environmental criteria. In cases where eco labels have become national or international standards, the provincial government should prefer (or even demand) products and services that have achieved these designations. Where possible, Newfoundland and Labrador should align with the Government of Canada and its provincial counterparts on the list of certifications and labels that are considered or demanded. There are, however, situations where (a) either no clear certification or label exists, (b) where the criteria of certifications or labels are not aligned with provincial circumstances or interests, or (c) it is unclear how credible the certification or label is. Procurement processes should not rely on certifications or labels which have not become standardized or are not aligned with provincial interests.

10. Support Innovation

Procurement can be used to help in the refinement and commercialization of new products and services. This is particularly true in the clean technology and environmental services sector, where costs and risks associated with commercialization tend to be quite high. Governments can play an active role in facilitating innovation by using its substantial procurement power to help businesses overcome these challenges. *Innovation Solutions Canada* programming at the Federal level is an excellent example of how government procurement can be used to support innovation. Newfoundland and Labrador should implement similar programming at the provincial level, with a focus on deploying innovation-focused procurement activities in areas of strategic interest for the economy. These tools can be used to support research and development locally, and also to attract new investment from outside of the province.

Conclusion

econext is appreciative of the opportunity to contribute to the development of new environmental procurement processes for Newfoundland and Labrador. If the *Public Procurement Agency* is interested, *econext* is willing to explore the concepts presented in this document in further detail in order to provide more specific recommendations.

About econext

econext is an association of businesses that accelerates clean growth in Newfoundland and Labrador.

econext works on behalf of over 200 members to foster environmentally sustainable economic development. To achieve this, *econext* focuses its activities and initiatives in six (6) areas by providing:

- a support framework for entrepreneurs and startups;
- networks to help increase productivity and competitiveness;
- tools to encourage and foster innovation;
- export and international business development programming;
- training and professional development opportunities to build capacity; and
- leadership on policy and advocacy issues

econext was known as the Newfoundland and Labrador Environmental Industry Association (NEIA) from its inception in 1992 until its rebranding in 2021.