

# Trade Policy and Sustainable Procurement Nexus

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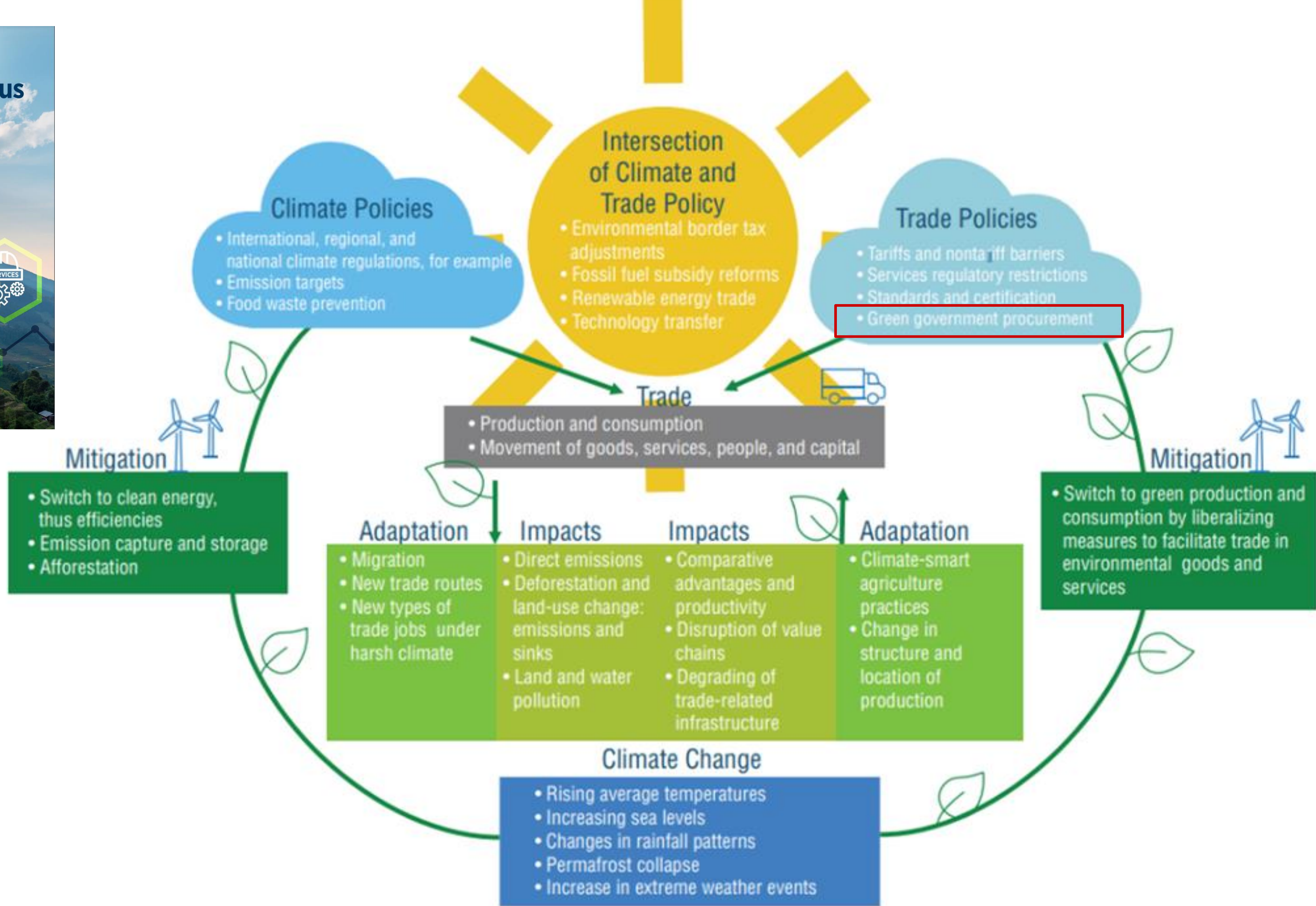




# The Trade and Climate Change Nexus

The Urgency and Opportunities  
for Developing Countries

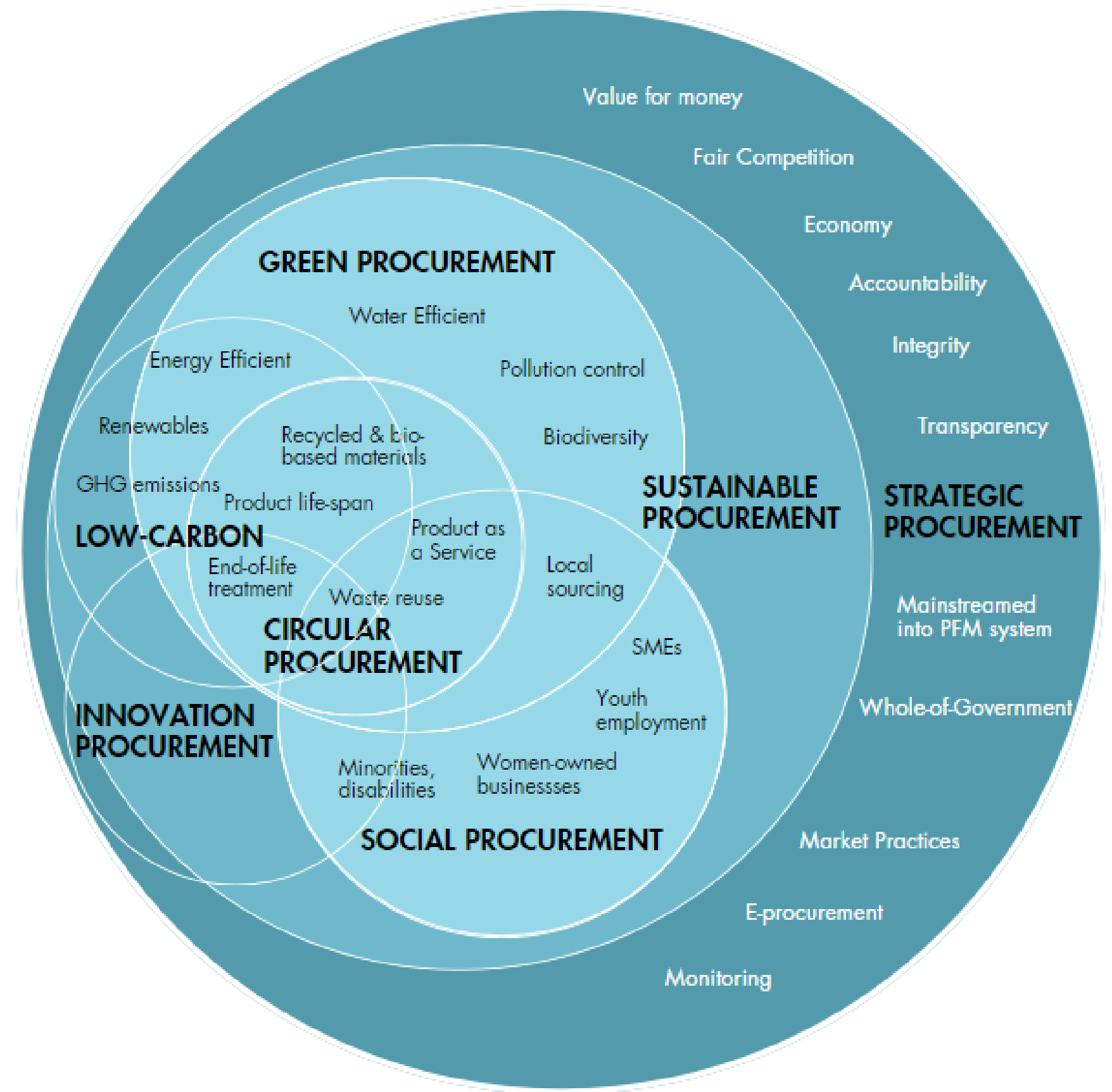
Paul Brenton and Vicky Chemutai





# What is Green Public Procurement?

- Core to a **modern public procurement system**
- **Smart, rational public spending** that reduces damage while contributing to national priorities (citizen health, energy security, job creation, innovative industries)
- Transformation of the procurement function from an **administrative to strategic role** (from “lowest cost” to delivering “value for money”)







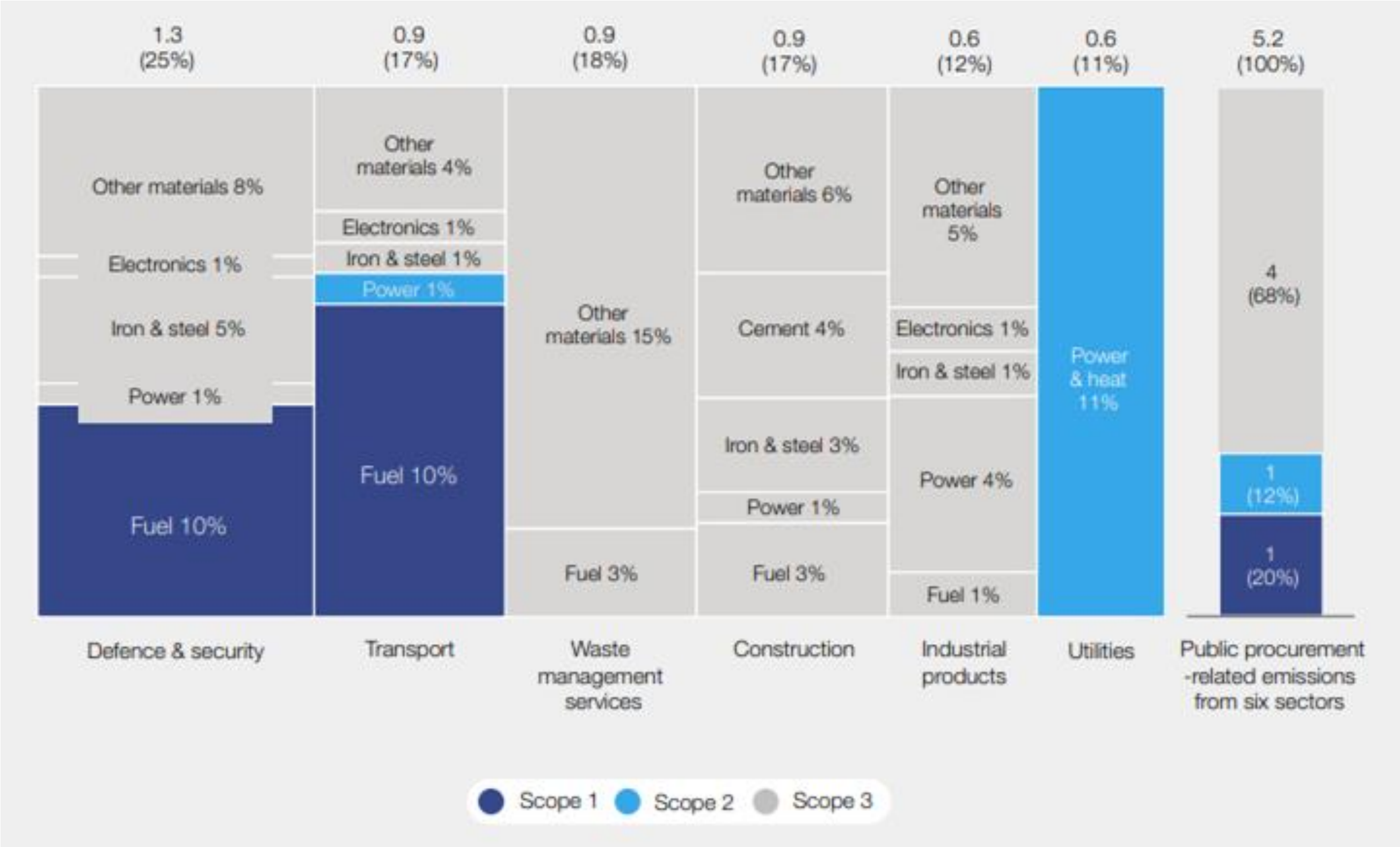
# The Role of GPP in Climate Action

- Public procurement **represents 15 to 22% of GDP**, a strategic tool to achieve net zero goals
- Public procurement spend, estimated at \$11 trillion globally, is directly or indirectly responsible for **15% of global greenhouse gas (GHG) emissions** - 7 times the amount of the entire aviation industry
- Major obstacle is **overcoming the “green premium”**, higher costs of environmentally-friendly goods and technologies

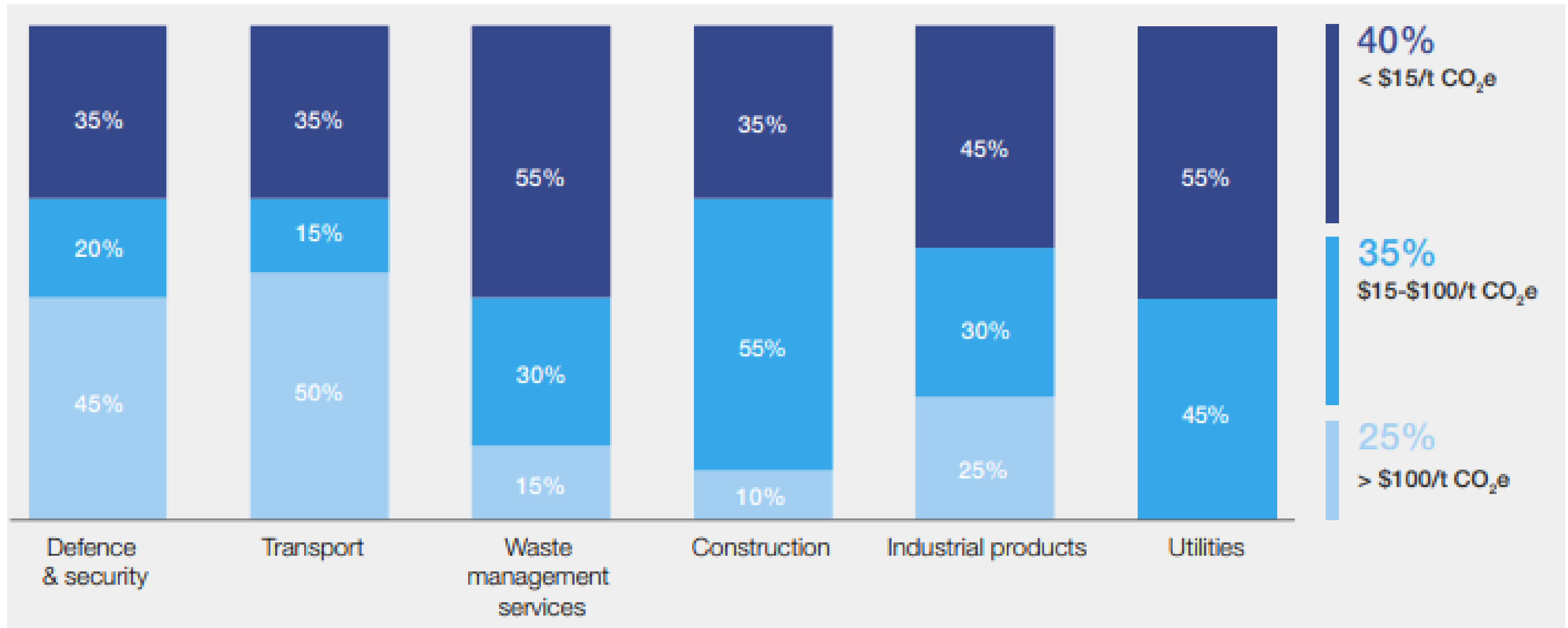




# Scope 3 emissions make up 2/3 of total procurement GHG



# 40% of emissions can be abated at a cost of less than \$15 per tonne of CO<sub>2</sub>e





## **Plurilateral Agreement on Government Procurement**

(GPA) aims to mutually open government procurement markets among its parties. GPA in 2015 amended to allow “technical specifications to promote the **conservation of natural resources or protection of the environment**”

Challenges:

- **LCRs (local content requirements):** Requirements for local inputs in renewable energy projects may raise prices, keep the most innovative products out of the market and slow down the scale-up of clean energy
- **No consistent definition of “sustainable”:** Requirements vary greatly national government tenders, requiring suppliers to invest time in compliance and tailoring bids.

# What spend categories have a high-potential for low-carbon solutions?

	Main category
1	<p>Alternative refrigerants (refrigerant recovering and reclaiming units). Replacing hydrofluorocarbon (HFC) refrigerants currently includes trade-offs, but is a priority since the 2016 global pledge to phase out HFCs.</p> <p>Practices to better manage fluorinated gases currently widely used as refrigerants would also lead to significant emissions savings.</p>
Renewable energy and energy efficiency	
2	Onshore wind power
3	Offshore wind power
4	Utility scale PV
5	Distributed solar PV
6	Concentrated solar power
7	Biomass
8	Geothermal

9	Small hydropower
10	Tidal systems
11	Biogas stoves
12	High-efficiency heat pumps
13	Waste-to-energy systems (transition solutions)
14	Solar water heaters
15	Efficient motors (rated international efficiency 3 or higher)
16	LED lighting
17	Solar cookstoves

Buildings	
18	High-performance glass
19	Insulation materials
20	Thermostats (smart)
21	Building automation systems
Fuels	
22	Hydrogen
Transport	
23	Electric trains
24	Electric cars <sup>16</sup>
25	Carbon capture and storage





# What solutions to leverage the trade & procurement nexus to drive climate action?

**Harmonize “sustainability requirements”** to minimize compliance burden on suppliers & make green business the new norm

Help suppliers with **improved access to regional & international market opportunities.**



# Voluntary sustainability standards (VSS)



**19 Free Trade Agreements mention VSSs** or similar terms such as “eco-labelling,” “sustainability standards,” or “certifications” as mechanisms to promote objectives concerning environmental and social provisions.

Mainly promoted by **developed countries**.

But VSS could be “**unnecessary obstacles to trade**” that crowd out SMEs especially in developing countries.



# Chile-Brazil

**Equivalence agreement signed between Chile and Brazil** recognizes both national organic standards and assurance systems to enable trade of organic-certified products between both countries.

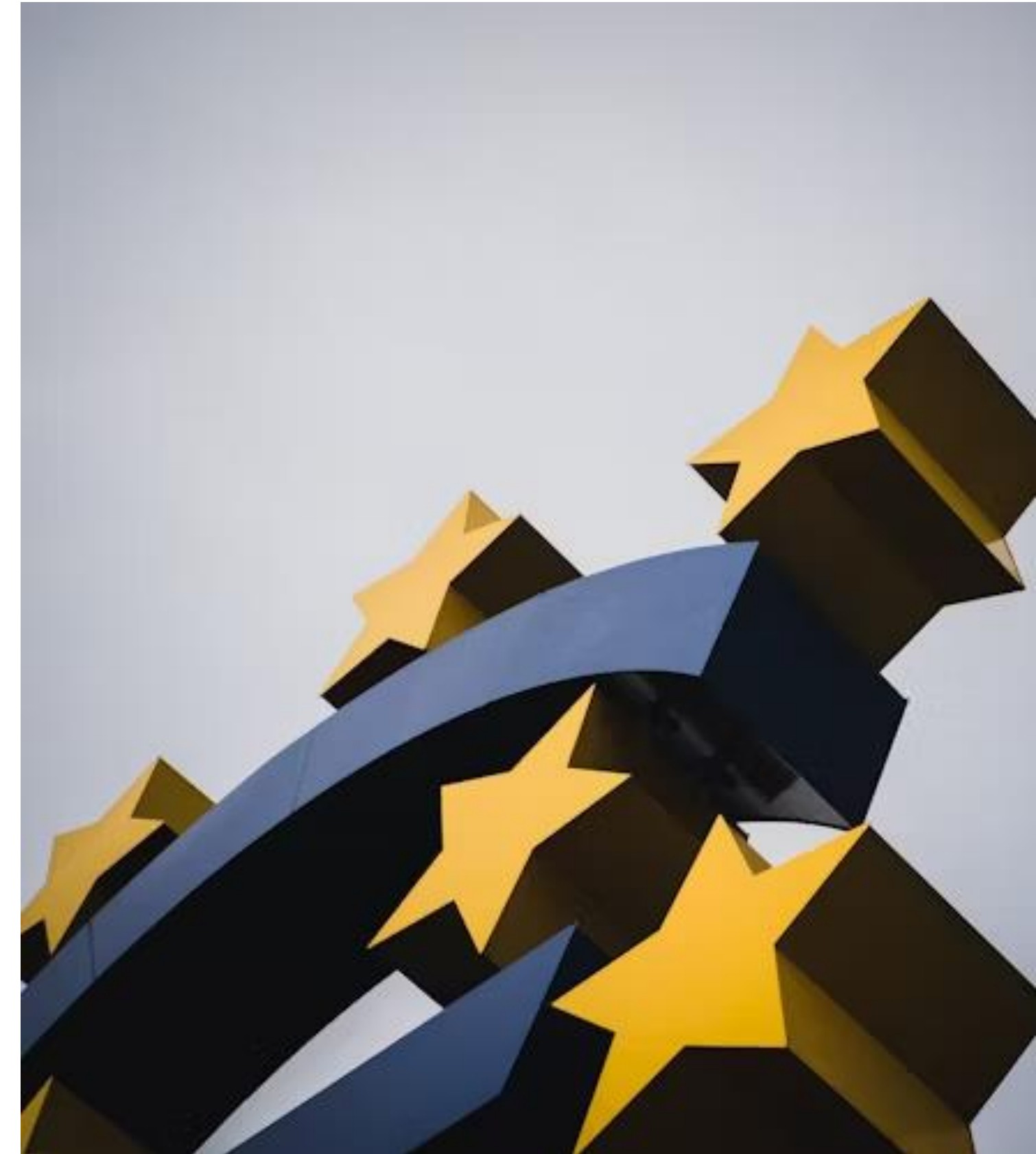
Agreement recognizes products that have been certified by **Participatory Guarantee Systems (PGS)**, an affordable means of verification conducted by producers and supporting agents.



# European Union

Drivers for green market development in the EU:

- **common Green Public Procurement (GPP) criteria** for major procurement spend categories
- **Mandatory GPP requirements** for vehicles, building energy efficiency, equipment energy efficiency with proposals on batteries, construction products, packaging
- Proposal for a Regulation on Ecodesign for Sustainable Products: **harmonized framework to make sustainable products the norm**
- Standards: Environmental Product Declarations (EPD), Product Environmental Footprint (PEF)

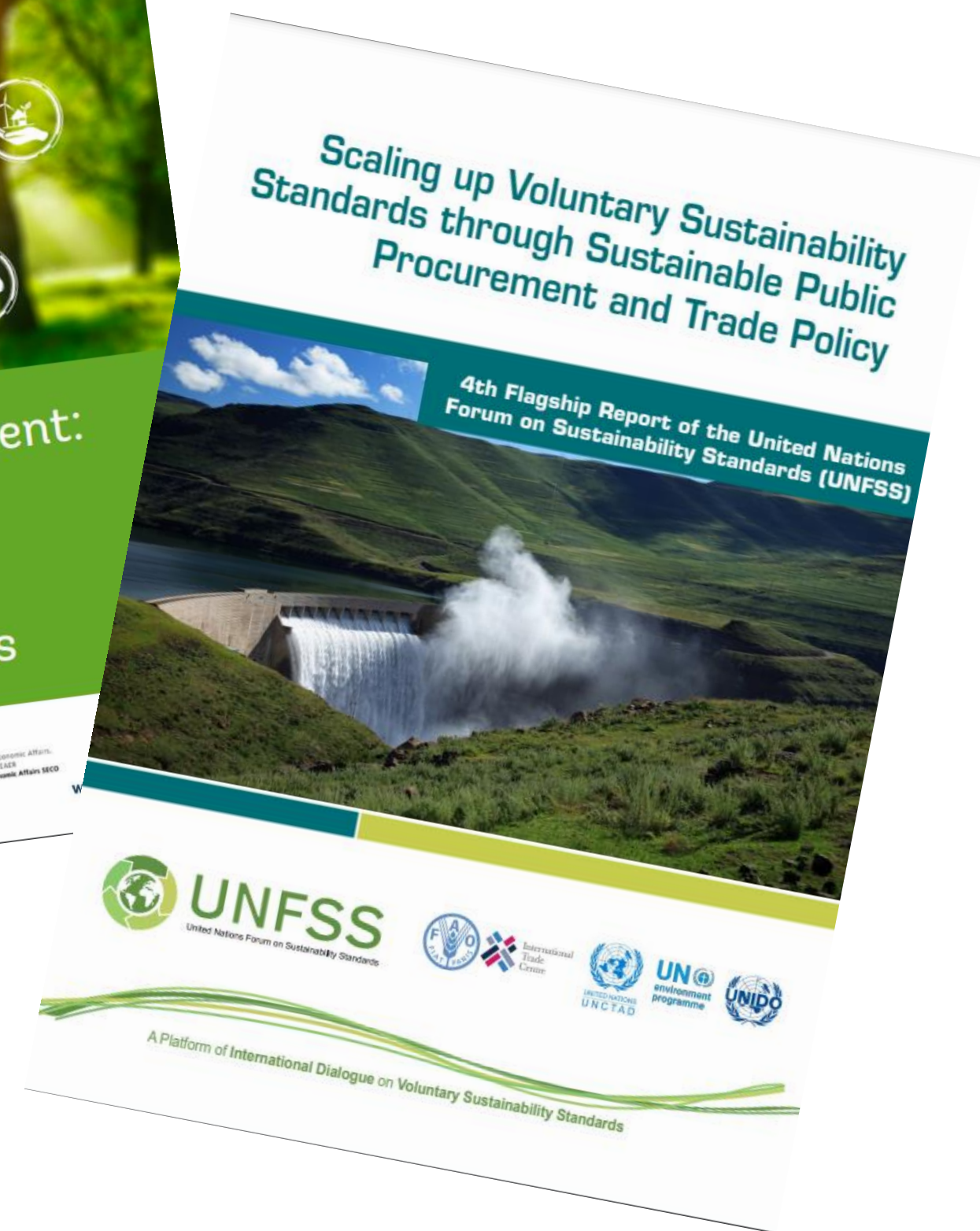
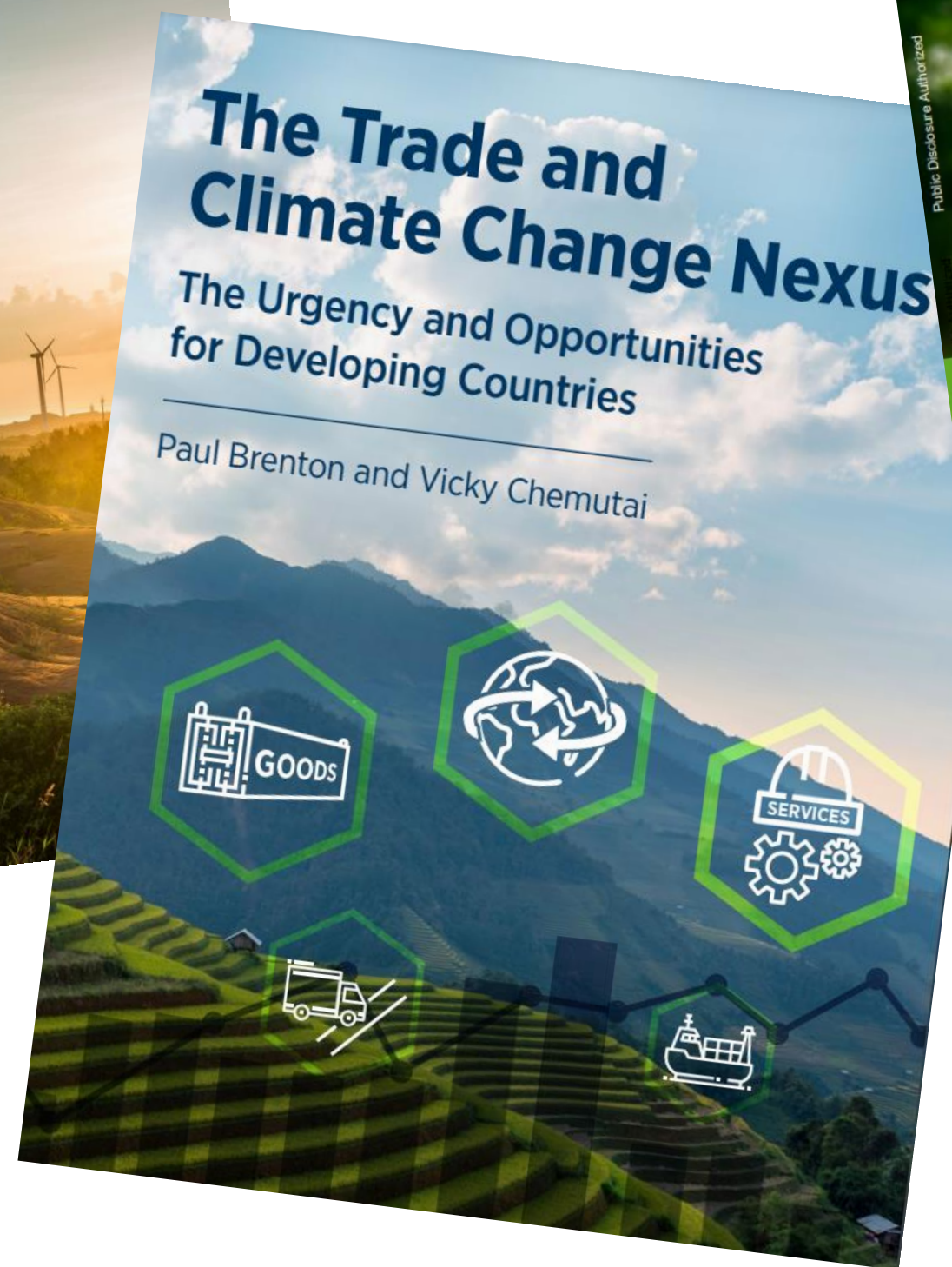
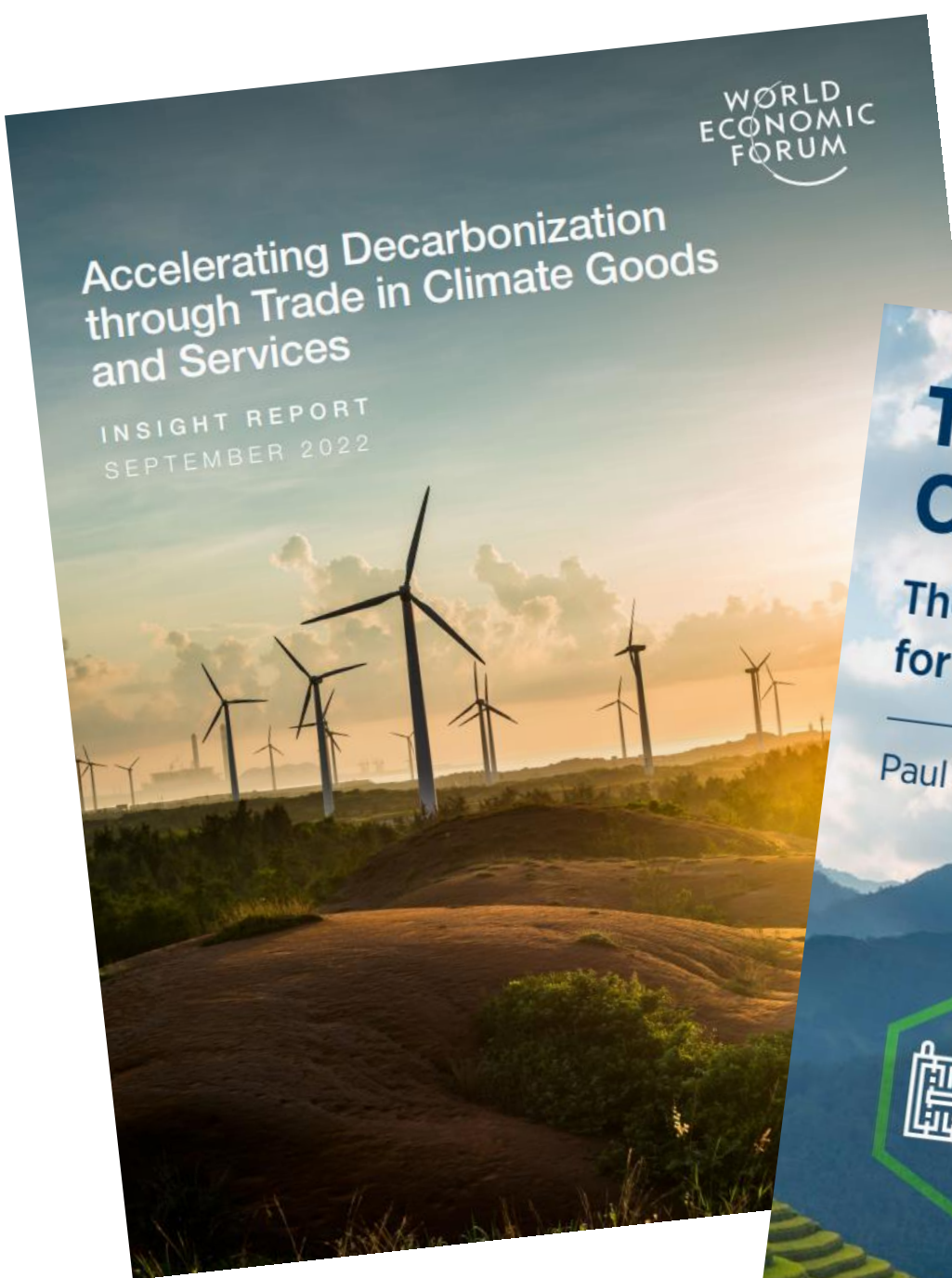




# Portal for Sustainable Suppliers











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