



Joint Procurement of Green Electricity

FAELLESUDBUD SJAELLAND (FUS)



Standard product / conventional tender

- 115 mi. kWh/year
- 41.400 tonnes
CO₂/year

GPP (PRIMES) tender

- Up to 10% green
electricity

Results

- Potential of 2.070 tonnes
CO₂/year
- 494 toe/year energy savings
- Cost increase is 0,4 € pr. kg
CO₂

Introduction to case

1.1 PITCH-TALK

The Joint Procurement organization FUS, representing 17 municipalities, has executed a framework procurement of electricity covering a four year period. Due to the methodological rules for “climate municipalities” (a Danish voluntary arrangement) municipalities are allowed to procure up to 10% green electricity.

1.2 CASE CONTENT

FUS (Faelles Udbud Sjælland) is a joint procurement entity for Region Zealand's 17 municipalities. FUS organize joint procurement between the municipalities through various work groups. The workgroups consist mainly of the municipalities interested in participating in the joint procurement. On behalf of FUS, Holbaek municipality was leading the joint procurement of electricity.¹ The objective was to achieve a best possible fixed unit price per kWh for a four year period with the option for prolonging for two more years.

As a consequence of the municipalities' climate efforts and participation in the Covenant of Mayors, a flexible solution for procuring green CO₂ neutral electricity was requested. Procurement of green electricity are often a cheap mechanism for CO₂ reduction and in this case, the extra price for green electricity is approx. 0,4 € per kg reduced CO₂. By offering the municipalities a flexible, cheap and guaranteed option for CO₂ reduction, the municipalities have improved their possibilities for achieving their individual climate reduction targets.

The market for green electricity products is complex and procurement officers can have difficulties with assessing the benefits (in terms of real CO₂ reduction) related to a particular green electricity product. The joint procurement therefor defined the preferred green electricity product that refers to a classification system for green electricity. Further, a maximum level of 10% green electricity was stated as the maximum corresponding CO₂ that can be credited in municipalities' climate action plans.

1.3 SOLUTIONS APPLIED

There are various green electricity products available at the Danish energy market, and they are quite different from each other in relation to what impact the procurement has on long term development of renewable energy. By assessing the green products impact on development of renewable energy sources, green electricity products can be classified as class A, B, C and D, depending on impacts on CO₂ and development of renewable energy. In the joint procurement only green electricity with an A classification are recommended as sufficient. The reason is that class A assures the extra cost per kWh are spend on investment in new renewable energy sources.

¹ <http://holbaek.dk/erhverv/udbud/indkoeb-og-udbud/faellesudbud-sjaelland/>

According to the principle in the “Climate Municipalities” agreement developed by The Danish Society for Nature Conservation (DN) the municipalities are only allowed to include CO₂ neutralization of up to 10% of the total electricity consumption.

Tender features

The contract period of the tender is from 01.01.2017 – 31.12.2020 with an opportunity to extend to 2x12 months.

Tender criteria is lowest price.

The annual procurement is a level of 115 million kWh.

FUS have chosen a purchase method with an electricity company and an energybroker. The energy company buys the electricity on the electricity market on behalf of the included municipalities. FUS will pay the spotprice on the electricity delivered.

Regarding green electricity, the municipalities can decide and request individually the amount of green electricity and the green product should be labelled with “A rating” as the best green electricity product (see description below) .

An A-rated solutions comprises following green electricity products:

Global Energy: You pay 0.12 DKK extra per kWh. The 12 cents are passed on uncutted to the independent “The Climate Foundation”, who invest the funds in new renewable energy. “The Climate Foundation” makes sure that at least the same amount (100%) of renewable energy is produced, as the the amount that you pay for. Because “The Climate Foundation” is approved as a charitable trust fund, a tax refund is available. This means that you can save 4 cents per 12 cents in tax.

Pure Energy Plus. You pay 0,14 DKK extra per kWh. The 14 cents go to a seperate account at the energy company that invest the funds in renewable energy. This ensures a production of renewable energy equivalent to at least the same amount of electricity you pay for.

Procurement objectives



The objective of the procurement was to achieve fixed low price pr. kWh for a four year period with an option for prolonging the contract. Furthermore, each municipality should have the option for supplementing the procurement with green electricity class A up to 10% of total upon an extra cost for this service.

Procurement approach

The inclusion of green electricity is a voluntary option that is negotiated individually between the municipality and the electricity company.

A technical specification is that the green electricity is rated as class A. This way, the municipalities are sure to choose an electricity product that contributes to the establishment of new renewable energy that produce at least the same amount of electricity of which is being consumed.

Criteria development

Development in classification and available green products are monitored by a national environmental organization (oekologisk råd). This ensures the classification and criteria are updated on regular basis.

Results

The procurement of green electricity is individual and flexible and depends on the particular municipalities' priorities. The results are therefore not known yet but can be estimated based on an assumption of an average of 5% green electricity of the total consumption. It corresponds to a procurement of green electricity of 5.75 million kWh/year and 23 million kWh in four years.

	CO ₂ emissions	Energy
Potential with average procurement of 5% green electricity	2.070 tonnes/year	494 toe/year

Lessons learned

- It is important that communication between procurement officers and climate responsible officers within the municipalities are sufficient so people working with other green activities, are aware of the green electricity procurement option as a solution for climate reduction.
- The market for green electricity are complex and many products does not necessarily lead to more renewable energy. It is therefor important that procurement bodies clarify what type of green electricity product there are considered and eventually use a classification system with rankings.

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About PRIMES

Across six countries in Europe; Denmark, Sweden, Latvia, Croatia, France and Italy, PRIMES project seeks to help municipalities overcome barriers in GPP processes, many of which lack capacity and knowledge.

PRIMES aims to develop basic skills and provide hands-on support for public purchasing organisations in order to overcome barriers and implement Green Public Purchasing. This will consequently result in energy savings and CO₂ reductions.– www.primes-eu.net

About GPP 2020



GPP 2020 aims to mainstream low-carbon procurement across Europe in support of the EU's goals to achieve a 20% reduction in greenhouse gas emissions, a 20% increase in the share of renewable energy and a 20% increase in energy efficiency by 2020.

To this end, GPP 2020 will implement more than 100 low-carbon tenders, which will directly result in substantial CO₂ savings. Moreover, GPP 2020 is running a capacity building programme that includes trainings and exchange. – www.gpp2020.eu



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