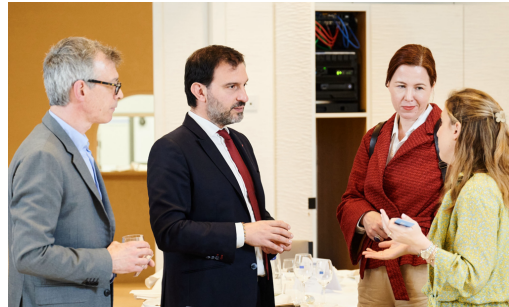


PUBLIC PROCUREMENT DIRECTIVE – UPCOMING REVISION

Tuesday 19 November 2024

12h30 – 14h30 Lunch Debate
Members' Salon, European Parliament

Organised in partnership with Volvo Group



INTRODUCTION BY PARLIAMENTARY HOST

Sara MATTHIEU MEP (European Greens, Belgium), Industry, Research & Energy Committee

Welcome to this European Forum for Manufacturing lunch-time debate on the upcoming revision of Public Procurement legislation.

As announced in the Political guidelines for the next term 2024-2029, the European Commission is set to launch a comprehensive evaluation of the Public Procurement Directive. This is in line with the requests of the European Court of Auditors and the Council to carry out an in-depth analysis of the public procurement legal framework.



Conducting the evaluation, the European Commission will look at several topics identified, such as the level of competition in the EU public procurement market, the simplification of the current mechanisms and the achievement of strategic objectives.

This will be a very important initiative and the consultation results are going to be studied closely. So, I would especially welcome colleagues from the Parliament, the Commission, European Manufacturers, the European Climate Foundation, Eurocities and the Volvo Group with whom this meeting has been initiated.

UPCOMING REVISION OF THE PUBLIC PROCUREMENT DIRECTIVE



Jugatx Ortiz Gonzalez, EUROPEAN COMMISSION, DG GROW, Deputy Head of Unit of Public Procurement

Thank you so much for inviting me at this event and I am very glad to be here today. I am pleased to see representatives from a variety of industry sectors, which is especially important for us at this time. As you know, the evaluation process has been launched, and your insights are absolutely critical in shaping our future priorities. What key areas need improvement? What aspects are working well and should remain unchanged? It is essential that we collaborate and reflect together on the path forward.

Public procurement holds immense potential to shape the economy. It accounts for a staggering 14% of GDP—approximately €2 trillion. The EU market, one of the largest globally, is a key player in this field, with over 250,000 public buyers, not to mention the countless economic operators who actively participate.

The core principles governing procurement procedures are outlined in the 2014 directives, complemented by the Remedies and Defence Directives. With the EU Green Deal, we have witnessed a paradigm shift: transitioning from focusing solely on how to buy to emphasizing what to buy. Around 50 sectoral Acts – some still in the legislative process – include specific provisions on public procurement.

Today, public procurement is no longer merely a process but is increasingly being recognized as a strategic tool. We believe that public procurement can play a key role in shaping the future of the European economy and advancing the EU's strategic goals. Currently, the legislative framework provides public buyers with the possibility to buy strategically. However, in practice, the strategic aspects are often overlooked.

The issues highlighted by the European Court of Auditors have brought some much-needed attention to this matter. Thanks to their input, the topic gained traction and was subsequently addressed in Council Conclusions. You are likely to be familiar with these conclusions, in which Member States request the Commission to undertake an in-depth analysis of the existing legislative framework and to achieve a better understanding of the root causes behind the decrease in competition in public procurement.

In the reports presented by Mr. Enrico Letta and Mr. Mario Draghi, valuable ideas and key focus points were highlighted. Mr Letta's report highlighted aspects regarding the creation of high-quality jobs and suggested measures to foster innovation and digitalisation. Mr. Draghi's report adopts a more sector-specific approach, emphasizing certain priorities per sector. We are ready to address the challenges outlined in these reports, as they provide clear guidance on important topics we should look at.

The Commission plans to adopt two important documents: the Clean Industrial Deal during the first 100 days and the Single Market Strategy in its first 200 days. They will provide with some official reactions from the Commission.

As you know, the President, in her political guidelines, emphasized that the revision of the Public Procurement Directives will be given high priority. This was addressed by the Commissioner designate Séjourné, who, during the Hearing at the European Parliament, explained his approach to public procurement and gave indications about the process.

He confirmed that the Commission would conduct a thorough evaluation that will run in 2025 and in 2026. While we have not yet launched the Open Public Consultation, we are already engaging with several stakeholders and gathering valuable input. More details about the timeline will be available in the 2025 Commission Work Programme.

The Commissioner designate put a lot of emphasis on the involvement of local authorities in the process. Other important categories are contracting authorities and social partners. We also welcome the own initiative report that the European Parliament will be preparing. This is excellent news, and we look forward to collaborating throughout the process and gathering valuable input on the task.

On the substance, I would also like to reiterate the priorities the President has already outlined along with the guidelines. The revision of the public procurement framework would aim at strengthening the strategic role of public procurement through qualitative requirements, notably on sustainability, social, resilience and cybersecurity. The EU added value of public procurement for our citizens through the security of supply for strategic technologies, products and services and the simplification of the mechanisms. One of the challenges, which I am sure you can provide valuable insights on, will be determining which sectors to prioritize and how to approach solutions. It is likely that there will be no one-size-fits-all solution.

During the Hearing, the connection between procurement and social progress, resilience, price only and, public procurement's role in shaping industrial policy were also underlined. We understand that these are key concerns for many stakeholders. Therefore, we will make sure to address all of these issues during the evaluation.

Other Commissioners designate talked about public procurement during the Hearings. The challenge lies in coordinating these actions. Due to the growing number of sector-specific initiatives within the Commission, we have established an excellent hub, where we coordinate and discuss at early stages public procurement related acts and initiatives.

Returning to the evaluation process, following the better regulation guidelines, the evaluation will begin with a call for evidence and an open public consultation. We plan to launch these by the end of the year. The evaluation will focus on the current directives and have a backwards looking approach. The objective is to assess to what extent the current Directives have been effective, efficient, relevant, coherence and have provided an EU added value.

We invite you to participate and to distribute the information through your networks. The questionnaire is designed to engage a broad range of stakeholders, including public authorities, Member States, NGOs, and social partners. Of course, we also plan to conduct targeted consultations, events like today, and bilateral meetings to continue gathering input. We plan to closely involve local and regional authorities, for whom professionalisation, innovation and sustainability are key issues. The questionnaire will be available for twelve weeks, which will take us roughly until March. After gathering all the input data, we will prepare a summary report, and it will feed the evaluation with the perception of market participants.

With this context in mind, I hope I have been able to clearly explain the process and I count on you to contribute to this complex task.

INDUSTRY LEAD SPEAKER

Melker Jernberg, VOLVO CONSTRUCTION EQUIPMENT, President

Thank you to the European Forum for Manufacturing for the opportunity to be here today and provide an industry perspective on public procurement. A special thanks to MEP Sara Matthieu for hosting us in the European Parliament.

Volvo Group is headquartered in Sweden with a strong industrial footprint in Europe – France, Belgium, Poland, and Germany. We are a leading manufacturer of zero tailpipe emission trucks and machines (10+ machine models on the market globally). By 2040 we aim to sell only fossil free solutions.



Volvo Group has an annual turnover of €50bn, with 100'000 employees globally. Volvo Construction Equipment (Volvo CE) is an important part of the Group, with approximately 20% of the turnover.

We are in somewhat turbulent times, and we see strong signals that the transformation towards sustainable solutions is going too slow. I think we need to remind each other that the main reason for all our efforts to go emission free is to save the planet – handing it over to our next generation in a good shape.

Why focus on public procurement as a decarbonisation tool? Globally, the construction and transport sectors each represent about 12% of government procurements' greenhouse gas emissions (Stockholm Environment Institute) – a lot of untapped potential. Non-Road Mobile Machinery is responsible for an estimated 2% of all CO² emissions in Europe.

Public procurement is one of the best and strongest tools we have for driving the transformation towards sustainable solutions. Our main message here today is that we, as a manufacturer, need your help to create clear and consistent criteria for public procurement.

Battery-electric machinery brings huge CO² savings compared to diesel-powered machines – 80%-90% reduced carbon footprint over the entire lifecycle of the machine. Benefits beyond CO² reductions include reduced air pollution (zero NO_x), less noise and improved working environment for operators.

Volvo Group applies a three-pronged approach in the shift to fossil free solutions. This means we are investing in battery-electric, fuel cell electric, and alternative fuels in the combustion engine at the same time. The technology shift to emission-free will look different depending on the infrastructure in respective markets.

Volvo Construction Equipment were the first in the industry to launch battery-electric machines in 2019. We see ourselves as leaders in the sustainability transformation. Currently, we have twelve battery-electric machines commercially available on the market. This means that, already today, it is fully possible to require emission free construction equipment in public tenders.

The challenge we have is weak demand. Customers are hesitating to invest in electric machines, mainly because of two things: Firstly, there is no “pull” in terms of public tenders requesting emission free equipment. Secondly, fossil fuels are still too competitive.

I assume some success stories will be appreciated by the audience in this room.

The city of Oslo is a global pioneer in public procurement of emission free construction. The city has decided to require 100% of its own construction projects to be emission-free by 2025. In 2023 they had already reached 77%.

In the Netherlands, ‘Rijkswaterstaat’ the Dutch Directorate-General for Public Works and Water Management, has developed a Circular Carbon Neutral Procurement Strategy for 2050 which includes a dedicated pathway to zero emission machinery.

Sweden’s largest fossil-free construction site is currently underway in Stockholm, where the city used a ‘pre-competitive dialogue’ as a tool to understand from manufacturers what type of zero emission machinery is available on the market before setting the tender criteria.

We also see encouraging developments in Denmark and Finland. Let me also highlight a “bad” example: Zero Emission Zones. Many of you know them from your own cities, like here in Brussels. Ironically, zero emission zones only apply to cars, trucks, buses and other on-road traffic, but not to construction equipment. This means I can drive my diesel wheel loader straight through your zero emission zones. We obviously wish that machines were clearly included in the criteria.

Our view is that we together in Europe can take the lead in the transformation. Emission free machines are available already today. We don’t need to wait. Please be brave and put ambitious tender requirements on zero emission construction sites – Volvo CE and the market will deliver!

THE ROLE OF PUBLIC PROCUREMENT IN SPEEDING UP THE GREEN TRANSITION



Sara MATTHIEU MEP (European Greens, Belgium), Industry, Research & Energy Committee

Public Procurement Is Like a Policy Tool

- Every year, trillions of Euros are spent by national, regional and local authorities through public procurement.
- This public procurement represents around 14% of GDP in the EU.
- Public authorities buy all those services and goods for the benefit of tax payers.
- But how should we define the benefit for tax payers?
 - Is it simply going for the lowest price, as is common practice?
 - Or should public spending also pursue a wider set of policy goals?
 - We think it is a no-brainer to go for the latter.
- You will agree with me that that one of the key policy priorities for Europe is to strengthen EU competitiveness in the world.
- In particular against US manufacturers with their cheaper energy prices, and the Chinese controlling entire value chains, for instance in affordable electric vehicles.
- But we need to move urgently towards a climate neutral and zero pollution economy.
- Green public procurement is a key instrument to achieve both these objectives.
- Unfortunately, we are not sufficiently making use of its huge potential.
- Public authorities tell us that existing rules are too complex. These slow down rather than accelerate its adoption.
- The conclusion is pretty clear: we need accessible rules that are easy to apply, and that will support the creation of European lead markets for sustainable green and circular products.
- That is why in this mandate, we need to prioritize a revision of the Public Procurement Directives in the context of the Clean Industrial Deal.

Big Picture: Clean Industrial Deal

- Let me briefly touch on that bigger picture. Because without it, Green Public Procurement [GPP] will not be enough.
- For European competitiveness, as a first priority, we have to beef up our European coordination capacity. Industrial policy remains way too fragmented in many areas.
- What is problematic in particular, is the subsidy race to the bottom between member states. It is bad for tax payers, and it is inefficient and unfair because it benefits Member States with the deepest pockets.
- That is why we call for a reform towards Green State Aid Rules. We can build on the Temporary Crisis and Transition Framework to provide more investments in clean technologies.

In addition to this, it would be helpful to tie in Green Public Procurement with EU funding instruments. It is important to coordinate additional financing at EU level.

- With many governments strapped for cash, joint borrowing should be used to top up existing and new European instruments. I want to make clear the contrast with the Recovery and Resilience Fund, where money was invested through national programmes. We need to learn from that mistake.
- We should use ensure demand for green products and materials, to provide certainty and predictability to European businesses shifting their manufacturing processes to these products.
- That is where GPP comes in especially. It is not the only thing however.

- Green performance standards and minimum requirements also help drive up demand, because they allow manufacturers of innovative products in sectors, like steel and cement, to enter the market easier and scale faster. This is where the EU can and should make a difference versus its competitors in the US, China and elsewhere.
- In parallel, public procurement agencies could provide an extra stimulus by pursuing for example clean vehicle fleet targets, or prioritizing these products in large infrastructure works.
- That is why a revision of the Public Procurement Directives, with the aim to mainstream sustainability, social and resilience criteria, is a great opportunity to create new markets.

Social Aspects of Public Procurement, Link with Just Transition

- And last but not least, the revision also has to strengthen the social clauses of the directives.
- All too often, public contracts are awarded to companies by looking at the lowest price tag only.
- This leads to a race to the bottom for the people and the planet. Cowboy companies that cut corners in environmental and social regulation have access to public money while sustainable companies with high standards are too expensive.
- For me, Public Procurement is also a way to improve the quality of jobs.
- This is also in the interest of employers and business.
- Today already, some sectors and industries face labour shortages.
- Those shortages are also threatening to diminish Europe's competitiveness.
- We will need everybody in the labour market and this is why we need to make sure that the transition is also in the interest of workers.
- Particularly workers employed in transitioning industries require attention.
- Industries are known to offer quality jobs.
- By making the social clauses in the current directives mandatory, we can make sure that the industries in Europe can keep on delivering stable employment in good working conditions, fairly remunerated and covered by collective dialogue.

What Amendments Do We Need?

- I tried to make clear why we need better rules to enhance green public procurement.
- The question that was not answered yet is: how do we have to amend the current legislation according to what we want to achieve.
- I do not want to become too technical, but I unveil what direction it is supposed to take.
- First of all, the current rules are too complex. We need simplification:
 - the competent Commissioner designate Séjourné also acknowledged this in the Hearing in the European Parliament last week
 - in a recently published survey, cities and regions in France for instance, stated that they are motivated to buy green but they simply do not know how.
- Second, mandatory rules make a difference:
 - putting green requirements in the public tenders is only partly mandatory according to the current rules.
 - a study that compared a few Member States, found out that in the field of public procurement of green construction products, the take-up in Italy amounted to 85% whereas in Germany it got stuck at around 12%. The difference? Italy has national rules, Germany has not.
- Third, we need to look the interplay of the public procurement directives and sectoral directives:
 - there is a risk of inconsistency
 - the Construction Products Regulation, for instance, says that in case of green procurement, you can derogate from the lowest cost principle
 - That is why in the main Directives, we want to delete the allocation based on the lowest cost principle. Green procurement should become the default option, rather than the exemption.

- Fourth, we need a good balance between harmonisation and national flexibility.
- And last but not least, and here I am also referring to the tension between green and social requirement in the previous revision, we need to make sure that social obligations will gain as much attention as green ones. Economic, social and environmental development go hand in hand.

Conclusion

So far my ideas on why we need a public procurement revision and what direction it should take. I look forward to discussing these ideas with you.



Richard Baron, EUROPEAN CLIMATE FOUNDATION, Executive Director, Director of the Trade Programme & Clean Industrial Transformation

A few days ago, former Finnish President Niinistö presented his report 'Safer Together: Strengthening Europe's Civilian and Military Preparedness and Readiness' to the European Parliament

Why do I bring this up in our discussion on public procurement today?

Well, the Report promotes industrialisation and reducing energy supply chain dependencies. A robust industrial base and increased investments in energy infrastructure are seen as essential. It recommends also to establish a targeted physical resilience framework for key manufacturing to enhance crisis preparedness and shock resistance - mostly in semiconductors and defence related equipment.

None of these sectors claim low carbon footprints, nor are they critical for other industries to achieve decarbonisation. But to us at least, it is another sign of a policy shift towards securing strong European supply chains, and a sign that Europe should be more serious about aligning its policies with its broad strategic objectives.

To me there is a strong parallel with our topic today – the revision of the Public Procurement Directive for more sustainability and decarbonisation.

Let me start by stressing that we should have pushed for a strong steer from public procurement towards low-carbon a long time ago.

At the European Climate Foundation [ECF], we have been hard at work to encourage and help replicate best practice in Green Public Procurement for some time. For this reason, the revision of the Public Procurement Directive and the proposal for a “Buy European” approach in strategic sectors is most welcome.

What motivated ECF to work on public procurement for decarbonisation is the recognition that if the ETS has been partly successful in decarbonizing electricity, and to a lesser extent heavy industry, carbon pricing is not sufficient to create premiums for low-carbon industrial products. And second, it is in principle not a good use of public resources to procure goods and services that largely ignore Member States' own commitments under the Paris Agreement, and the overall EU net-zero by 2050 goal.

Hence the need to create lead markets for low-carbon products in sectors that can decarbonise but face competitiveness concerns about putting more expensive products to the market, when the rest of the world - even more so now with the result of the US election, does not move as fast as the EU with decarbonisation. While I am on this international dimension, the EU has a significant carbon footprint through its imports (1.7GtCO₂e, when our territorial emissions are about 3.7 Gt, and we "only" export 0.7 Gt). And we do not want to worsen our carbon footprint by shifting our production to the rest of the world.

All this motivated ECF to take a closer look at would have been the implication of a Buy European and Sustainable Act – targeting only a few visible sectors for climate action. Trump tariffs, Chinese competition, and it is important to stress that neither China nor the US have had internationally open public procurement markets either.

Let me summarise the findings of what a Buy European and Sustainable Act could have achieved, if we had introduced it in the wake of the Paris Agreement. Where would we be today? We looked at a subset of sectors only – aluminium, cement, iron and steel, cars, buses, buildings, and food.

To give you an idea of where we put the cursor of climate ambition:

For instance: for Steel

- Maximum carbon intensity of 0,5 tonnes of CO₂ equivalent [tCO₂e/t] for direct and indirect new purchased steel. On average, globally, a ton of steel releases 1.9tCO₂
- 100% of steel purchased produced in EU (all transformation process).

For vehicles

- 100% of public procurement demand for vehicles, transport equipment or maintenance should be from the EU.
- Application of the Clean Vehicle Directive along the following lines:
 - 40% of light duty vehicle purchases should be clean vehicles
 - 15% of heavy-duty vehicles should be clean vehicles
 - 60% of buses and coaches should be clean vehicles
 - Weight reduction of around 20% for all other light duty vehicle purchases (60% of purchases).

In the case of buildings, we assume they would procure the above materials with the indicated carbon content and reduce their energy use by 67% compared to countries' average.

For food, 98% of procured food and catering services should be from European Union countries, which corresponds to the highest national rate, observed for Romania.

I should stress that our results are very conservative, they do not, for instance, reflect any overflow from such green public procurement into the private sector. I believe that with a clear signal from public buyers, private buyers looking to lower their carbon footprint would also jump on the bandwagon.

Overall, we find that a Buy European and Sustainable Act as defined in this study (limited number of sectors) would lead to:

- 34 metric tonnes of carbon dioxide equivalent [MtCO₂e] average annual decrease of the EU's carbon footprint.
- 9 MtCO₂e average annual decrease of EU territorial emissions.
- A 30% reduction on the EU public procurement carbon footprint for those sectors included in the study.
- 9% reduction on the total EU public procurement carbon footprint.

On the financial side, an increase in annual sales of €6 bn for EU companies, and a corresponding improvement of the EU's trade balance. €86 bn mobilized annually for decarbonization through

Europe-wide public procurement. This would be a very positive dynamic for the transition of these critical sectors in our decarbonisation agenda.

On the job front:

- 30,000 new and additional jobs in the EU.
- A shift of 380,000 jobs to green activities in the EU.

Let me add a few words on the feasibility of such a scenario.

Overall, the majority of public procurement goes to Europe-based producers already now. 90% of steel and aluminium procured publicly come from European plants, 93% of cement. There is excess capacity in these same sectors, i.e. there are industrial sites, which can minimise 'NIMBY' [Not In My Back Yard] risks and create local enthusiasm with prospects of job revivals.

Europe industry hosts R&D and innovation centres - but we know they risk shifting overseas, to be closer to growing markets (some European suppliers in the automotive industry tell us that much about their presence in China, which they refer to as their 'fitness market'.)

So, assuming the legislators would be ready to go for a "Buy European & Sustainable Act", we will all face some critical questions:

- What shape should it take to drive decarbonisation most effectively? Is it about minimum carbon content requirements, a common methodology to assess products carbon content? Or a mere obligation to introduce a global warming potential assessment in the tenders and translate that into costs?
- Should this be made a Regulation, and not "just" a Directive? I would leave this one to the policymakers in the room.

It feels to us that no time should be wasted when it comes to sending a market signal to key industries that there is a clear market for their low-carbon innovation.

Let me turn briefly to the international side of this - I can refer to trouble caused by the Carbon Border Adjustment Mechanism [CBAM] at UNFCCC COP negotiations.

Yes, it is about closing a portion of markets to foreign producers - but at the same time the revision of the public procurement legislation along these lines would acknowledge that our climate ambition is more advanced than that of other regions.

At the same time, we at ECF remain profoundly attached to multilateralism, and we also wanted to ensure that a buy European move would not run against the trade discipline of the WTO.

We asked for a legal analysis of the matter and the EU can redirect public procurement towards domestic production if it so wishes. To quote our legal analysis: "As a matter of fact, numerous States have already adopted "buy national" schemes or similar measures discriminating against foreign products in public procurement, which have not been challenged at the WTO."

Let me finish with a few important points:

- If the revised Directive introduces climate criteria without a Buy European dimension, there is of course no guarantee of additional innovation or job creation, as some of our trade partners could reshuffle production to meet our low-carbon standards.
- If we stick with "Buy European" or local content criteria alone, the reduction in the carbon footprint of those sectors concerned is close to zero (2%, against 30%), so we need both.
- Last, the European market must be strengthened and unified: to achieve this, it would make perfect sense to revise the PP directive into a regulation, with clear guidance and methods that can be applied safely by all public procurement offices throughout Europe.

(References: – A report simulating the introduction of a Buy European and Sustainable Act and its effects on emissions and jobs in selected sectors:

https://www.carbone4.com/files/Buy_European_and_Sustainable_Act_Report.pdf

– A legal analysis of how the EU could introduce a Buy European criterion in its public procurement

https://baldon-avocats.com/wp-content/uploads/2024/07/BALDON-EU_Sustainable_Act_Study_WTOCompatibility.pdf



Jeannette BALJEU MEP (RENEW EUROPE, Netherlands), Internal Market Committee

I served as a regional minister and also as the vice-mayor of Rotterdam, where I was responsible for overseeing the city's board. In Rotterdam, I managed public procurement and was heavily involved in road construction, including the development of new roads. I have accumulated a great deal of experience in these areas, which I am happy to share with you today. Much has already been said on this subject, but I hope you find my insights interesting.

I will be the one working on this File for the Renew Europe Group and I am looking forward to it. However, we are not quite at the point of finalizing the Renew Group discussion yet. What I am sharing now is my personal perspective, not necessarily that of the Group. That said, I am likely to share my thoughts with the Group as well.

Many points have already been raised, and if I review them, the Court of Auditors' report covers a lot of ground. We need to carefully consider that. Naturally, there are also many recommendations, likely including some from your businesses as well, so there is a significant amount of work ahead. From my perspective, I see three key areas to focus on.

First, as already mentioned, is the need for greater simplification of procedures, particularly for SMEs. I do not want to complicate the discussion on which sectors are included in public procurement, but from my experience in government and at the regional level, small and medium-sized enterprises (SMEs) are always a top priority for regional parliaments. They frequently ask, "Why can't we buy locally? Why can't we support local entrepreneurs?" My response is always that the threshold for procurement is €50,000 and once we exceed that amount, we are required to follow public procurement procedures.

If you look at SMEs, there are many topics that might be approached differently. We also need to enforce strict public procurement policies. This is something I learned, particularly from the notice regarding local departments having specific items.

One key aspect of modernization processes is simplification, which I believe is crucial. Fortunately, this point has already been highlighted by others, including the commissioner candidates during their hearings, and I am very pleased to hear that.

Secondly, regarding strategic criteria, I have seen numerous examples where, in the end, local governments, including ours, have opted for the lowest price. I can say this from experience, though it's not something we are particularly proud of. We often urge businesses to adopt more sustainable practices, yet we sometimes fail to uphold these values ourselves.

I believe this is something we should seriously consider. If we are truly putting our money where our mouth is, we need to evaluate broader criteria than just the lowest price. We must also think about where our investments are most needed, particularly in sectors like renewable energy, sustainable construction, and manufacturing. Green technologies are crucial to moving forward,

but we also need to support and reward the companies that are genuinely making efforts and taking meaningful steps in this direction. This includes highlighting initiatives like the focal cards. Of course, the defence industry is a completely different case, and we already know that. However, there might be other sectors we want to target, where we could establish specific criteria. For other sectors, we could apply different criteria.

Additionally, I am wondering about the possibility of simplification – I am not sure if it is feasible, but that is something for you, the legal experts, to consider. You have all likely been thinking about these issues for years, especially the parliamentarians. These are just some questions I have as a new Member, but I am sure we will find a way to work through this. While it is clear that we must apply additional criteria to the defence sector, which is a no-brainer, the question is: can we do the same for other sectors?

We are focusing on sectors that we believe are critical, which were also highlighted by the Commissioners designate during the Hearings as key industries. These include the steel industry, the automotive sector, energy-intensive industries, and the chemical industry. However, when considering public procurement, a significant portion of funding is directed toward infrastructure projects, such as public transport. It is crucial for our citizens and our heritage. But what exactly is its importance? Which critical sectors in public procurement should we focus on, and should we make decisions in these areas, if legally feasible? While I am not entirely sure about the legal implications, if we consider this, then we must prioritise quality-based criteria, encourage innovation, promote sustainability, and, as I mentioned earlier, reward companies that are taking the right steps.

Taking another example, I worked with, which is our national public construction office. I have spent two years as the director of a construction knowledge centre. During that time, we organised a kind of 'spider web' model, which mapped out various sustainability criteria and ranked companies based on their performance, including social factors.

Some social factors were also mentioned, and initially, we thought it would be useful to rank all the companies based on these points. We even discussed this idea with the cities, who were also interested in using it. However, in the end, no one actually adopted the tool. It is odd – we spent years developing and discussing it, only to stop using it.

And it is likely that the Netherlands was not the only country to develop such an instrument. There are likely various systems in place both nationally and regionally to assess sustainability issues. So, what can we learn from these systems? Can they help us clarify what we truly want and think? Ideally, there should be a unified European standard, but many criteria have already been developed – albeit scattered across different frameworks. We may not be aware of all of them, but they are either being used or should be guiding our efforts.

Perhaps you could highlight both the strengths and weaknesses of what has been discussed. I think that would be interesting to hear. Lastly, to conclude, it is important to emphasise that if we want to remain competitive within the EU, we must ensure our industry's criteria are followed by those outside the EU. In this regard, we need to focus on identifying critical sectors where we can make a difference and set criteria which give our European companies a competitive advantage vis-a-vis third countries which do not fulfil our criteria for resilience, sustainability, security and innovation. This point has already been raised by others, and I fully support it.

Radan KANEV MEP (EPP, Bulgaria), Environment Committee
(Points noted from the presentation)



I will make one clear statement. I have one question and one proposal.

The first point I want to emphasize is that we must keep prices low – this is crucial. If we look at national and European elections, we see that securing affordable prices and controlling inflation are top priorities for our voters. If these issues are not high on our agenda, our voters may turn to other politicians who are more focused on these concerns. Some politicians may not be particularly interested in participating in this event or in sustainability efforts at all. Therefore, we must remember that one of the key goals of public procurement is to keep prices low.

It cannot, and should not, be the only criterion we consider. Moving to the question at hand: how can we keep prices low while introducing new processes, which are often more expensive, at least until they scale? This creates a market challenge, a competitive dilemma. We need to adopt technologies that, by nature, may be more expensive but are significantly more sustainable from environmental, social, and other perspectives. As I mentioned earlier, the key question is how to prioritize these factors. Therefore, we should emphasize sustainability criteria and give strong focus to social criteria as well.

The key question we must address in the coming years is how to implement these changes without causing excessive price increases. Ultimately, the cost is borne either by the final consumer, in the case of most services, or by taxpayers through government funding.

At present, all governments are facing significant fiscal constraints. The situation in 2024 is drastically different from 2019. Back then, there was an abundance of money, and capital was relatively cheap on the markets. Today, however, money is scarce and expensive – a reflection of how the market operates.

When something involves cars, it becomes expensive, and we have no reasonable expectation that costs will decrease in the near future, at least not within the next five years as we engage with external institutions. As for the proposal, I believe it is not a one-size-fits-all solution – it is not a silver bullet. However, in many cases, we can identify potential industrial synergies when developing sustainability criteria. These synergies could be financed with a relatively small amount of money, just enough to align the contributions and supply of the different market players.

Typically, in public procurement, there are two main parties involved: the public body or corporate entity, which is required by law to follow public procurement rules, and the contractor. However, the service or product provided often results from a complex process. It is not something that the contractor has simply created in their garage, in most cases. If the process is truly sustainable and innovative, it could very well meet the same price and sustainability criteria. For example, this is closely tied to our future work on the Circular Economy Act.

For certain industry sectors, and under our current processes, it is difficult to decarbonize or technically impossible to fully decarbonize. For now, we need to use cement with a lower clinker content, as clinker is the primary source of emissions that we are unable to mitigate.

We have various technologies for producing cement using different waste materials from a range of industries. For example, waste materials from road construction can be used, but here we are focusing on the construction industry. Public works and procurement make up a significant portion of this sector. If a green cement criterion were to be included in public procurement, it could result in a significantly higher cost for construction projects. It will impact the budgets of both public institutions and/or households, or usually, both. However, if we implement a smart policy that links industries producing waste used as a substitute for clinker with the cement industry, and if we leverage both our financial resources and incentives (which are currently very weak), we could achieve a product at the same price.

Managing waste in the industry is also very costly. So, when the connection or interaction happens, we must keep in mind that at least one player benefits significantly from it. I understand that it may sound straightforward, but regulating this without causing significant issues is extremely challenging. However, this is our responsibility, along with the Commission and the government.

Benedikt Kutteneuler, SIEMENS, Head of EU Government Affairs

Leverage the European Single Market to Bridge the Green Premium Gap

The ambition for more sustainable solutions and products must not be lowered – rather, regulations should be coupled with incentives to reward sustainable products.

Siemens supports the use of public procurement to create demand for sustainable products: Public procurement accounts for about 14% of the EU's gross GDP²⁹ and must play a role in creating demand for sustainable products and clean technologies. Several pieces of EU legislation (eg. Ecodesign for Sustainable Products Regulation, Batteries Regulation, Construction Products Regulation, Net Zero Industry Act [NZIA]) refer to Green (and resilient, for the NZIA) Public Procurement criteria and targets. They should be implemented effectively and in the most efficient way, including the use of the Most Economically Advantageous Tender [MEAT] criteria.



But it is not so easy put this aim into practice. Easy solutions or just “tick the box” exercise will not do the trick.

Two concrete examples:

- If you buy a train (or any product with a long life-span), it is clear that the cheapest train, that needs a lot of repair, is not the most economical solution.

But the seemingly easy solution to include a long maintenance contract in the tender will also fail the objective.

Because if you have a train/product with a lot of maintenance time you cannot use it while it is in maintenance. So, you need more products to run your services while the other product is in maintenance.

But if you would have a guarantee that the train runs 99 % of the required time you need to buy fewer trains. That is not only more economical but also more sustainable (ie needs fewer resources).

Question: How can such a requirement be reflected in a public tender.

- If you have a school (or any public building) a good way to save energy and other resources during the use of the building is to use “Building Automation and Control System (BACS)”. Such a system can adapt the light, heating etc. according to the use. In no one is in a specific room it switches off the light and heating. And there are many other ways to save resources through BACS.

Question: How can you reflect in a public tender that one solution saves (for example) 25% of your energy cost but costs 5% more than the alternative system that only saves 10% of the cost.

Key message: If you want to get the best equation between price, life cycle cost and sustainability requirement in a tender it is more complex than just adding additional “tick the box” requirements (like certain sustainable product requirements).

Riccardo Viaggi, CECE – Committee for Construction Equipment, Secretary General

CECE represents the construction and mining machinery industry of Europe: 1,200 companies – 300,000 employed people – €40 bn turnover.



- Demand of decarbonised machinery is lagging, especially when contrasted with the supply provided by industry:
 - Innovation and investments made by CECE members to decarbonise construction machinery come as a normal response of manufacturers to the market and our clients, which always rely on more efficient and productive machinery. There is no regulatory obligation to decarbonise construction machinery.
 - Supply and availability of carbon-free machinery on the market is important but untapped. Some Original Equipment Manufacturers [OEMs] report of clients eagerly waiting months to get a diesel machine delivered, rather than have a battery electric machinery off-the-shelf.
 - Some national markets which are considered exemplary constitute a very small number of machines sold: 210 zero-emissions construction machinery sold in Norway in 2023, a 4.5% share of all the construction machinery sold in the same country is not a real market yet.
- Public tendering is a good tool to push the market and increase demand:
 - 14% of EU GDP is created by public procurement – up in the recent past
 - 11% of EU GDP is developed by the construction industry activities
 - 17% of construction turnover is made in civil engineering (mainly public clients)
- Most Economically Advantageous Tender [MEAT] - is already possible in the 2014 directives and is encouraged:
 - But MEAT is not widely used. Many tendering authorities do not know how to apply it or are afraid of lawsuits if they apply it without solid and stringent award criteria.
 - Limiting the use of “lowest price tendering” to few standardised tenders could be the first step.
- It makes sense to support the greening of construction works by awarding more points to an offer where more efficient carbon neutral machinery is used.
- As with all decarbonisation policies, Green Public Procurement criteria to decarbonise construction activities should be technology neutral: to policymakers, we say “Dictate the overall goal, not the specific measure to get there”.
 - A concrete example on today’s topic: CECE does not believe GPP criteria should dictate that battery electric construction machinery should be compulsory to win tenders or gain points in award criteria.
- Examples from northern/Nordic countries are inspiring, but do not seem to be relevant across Europe, also because they are costly and require a very specific energy mix and infrastructure at this stage.

- Subsidy schemes are not a sustainable alternative – market for electrified machinery is falling in Norway in 2024, when subsidy levels were lowered.



Danko Aleksic, EUROCITIES, Project Coordinator – Big Buyers Working Together

Eurocities is the leading network of major European cities and the coordinator of the Big Buyers Working Together (BBWT) project.

Public procurement is an important tool for green transformation, and cities have a big role to play in driving it. As emphasised by the Intergovernmental Panel on Climate Change, cities are responsible for over two-thirds of global consumption-based emissions. Demand-side measures, including green public procurement, could achieve 40-70% of the emissions reductions required by 2050. This makes demand-side action not only possible but essential for reaching our climate goals. By embedding climate and environmental requirements into procurement

processes, public sector institutions make sustainability a core selection criterion, setting high standards that suppliers must meet.

The BBWT Project, financed by the EU through European Innovation Council and Small and Medium sized Enterprises Executive Agency [EISMEA] and implemented by the Consortium consisted of Eurocities, International Council for Local Environmental Initiatives [ICLEI] Europe and BME, supports collaboration between public buyers with strong purchasing power and promotes the wider use of strategic public procurement for innovative and sustainable solutions. By working together and pooling their resources, cities, central purchasing bodies, and other major public buyers can maximise their market power and impact.

Lessons learned from the work of our CoPs show that aligning public procurement with environmental goals may have a transformative effect in sectors like construction, where focus on zero emission machinery has spurred innovation. In September 2022, Oslo, Copenhagen, Vanataa, Helsinki and Barcelona supported a Joint Statement of Demand for Emission-free Construction Site Machinery, announcing the aligned demand across big public buyers in Europe to procure for emission-free construction sites and jointly declaring ambitions to require fossil free construction machinery in their public projects with at least 20% from 2025 and at least 50% from 2030. As from 1 January 2025, zero emission construction will be a minimum requirement for public construction works in Oslo, completing a transition that was initiated only 5 years ago, when no zero-emission equipment was available in the market.

Construction is only one example of many. Cities account for 8% of global GDP through procurement activities alone. When used strategically, public procurement can stimulate demand for green technologies and foster entire industries focused on sustainability, creating jobs and economic growth in environmental-friendly manner.

Europe is the lead global region on cutting emission, transforming energy systems and decarbonising old value chains. But Europe lags in emerging markets for zero carbon technologies, such as batteries, solar, EVs and electric machinery. Used wisely, green public procurement can help transform traditional European industries by creating a strong market pull to accelerate the transformation, putting Europe in a much stronger position to compete also in the zero carbon markets of the future.

Cities are the closest level of government to citizens and have been working to use their power as public buyers to keep improving the quality of life of their citizens. In this context, the inclusion of environmental and social considerations in public procurement is extremely important. At the same time, this can increase the complexity of the process, at a time where local authorities are already faced with significant challenges in terms of internal capacity.

The upcoming revision of the Public Procurement Directive will be an important opportunity to update and simplify the procurement framework, to empower local authorities even more in the strategic deployment of public procurement as a tool to achieve their climate and social goals.

Olivier Janin, ORGALIM, Acting Director General

Orgalim represents Europe's Technology Industries – comprised of 770,000 companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Our industries represent Europe's largest manufacturing sector. They generate an annual turnover of €2,835 billion, manufacture one-third of all European exports and provide 11.7 million direct jobs.



We are currently in the process of holding internal discussions on the topic of public procurement and we look forward to engaging with the Commission to provide more detailed feedback once we finalise a position on the topic.

We have finalised a set of key priorities for the 2024-2029 legislative mandate, to ensure the EU can deliver on the net-zero transformation. From the perspective of Europe's Technology Industries, the first priority is to drastically decrease the regulatory burden, which is holding back Europe's high-tech manufacturing companies in their race to produce the technology solutions required for Europe to reach net-zero.

We therefore welcome the fact that one of the objectives of the revision of the Public Procurement Directive is to simplify public procurement rules and reduce administrative burden for companies.

We also believe that public procurement can play a role in boosting demand for green and circular products. We look forward to engaging in discussions on how to better integrate sustainability criteria in public procurement alongside traditional cost-related criteria, as long as the principle of technological neutrality is maintained.

Finally, we are convinced that public procurement can be a powerful tool to boost private investments, and we hope that the revision will strengthen the role of public procurement in encouraging investments in infrastructure, defence and security.

On the other hand, we take note that one of the objectives of this revision will be to “enable preference for European products for certain strategic sectors and technologies”. While it remains unclear how this will be operationalised in practice, we are concerned that this could result in “Buy European” requirements that would negatively affect the competitiveness of our industries.

Our industries typically have extremely complex value networks spanning multiple countries worldwide, which developed thanks to a rules-based and open international trade environment. In order to deliver innovative technological solutions to customers all over the world, our industries are under constant pressure to source highly specialised components at competitive prices to meet the requirements of complex industrial applications.

The highly specialised inputs, that our industries need, are often not produced in sufficient quantities in the EU and have to be sourced abroad. Reshaping value networks as a result of regulatory developments in the EU is often simply not an option in the short to medium term.

In the light of the above, it is clear that any “Buy European” provisions have the potential to negatively affect the ability of our industries to benefit from public procurement in the EU.

For example, a company manufacturing in Europe but primarily relying on components and materials sourced abroad could be prevented from directly participating in public procurement tenders or from “indirectly” supplying products to companies carrying out public works for government authorities.

While we look forward to gathering more information on which direction the European Commission is going to take, we would like to caution against the implementation of similar “Buy European” requirements in the upcoming revision.

In general, our industries are concerned about an emerging trend of state-driven interventions in industrial value chains to promote political objectives in the EU (eg. reducing dependencies).

Our industries are actively engaging in a process of de-risking and diversification of their value networks. However, we remain firmly convinced that such process should remain primarily market driven, rather than promoted via burdensome regulatory requirements, including in the area of public procurement.

From our perspective, the EU should rather focus on engaging with third countries to conclude Free Trade Agreements and other types of agreements that drastically reduce barriers to trade. This would enable our industries to diversify their import sources and build more resilient value networks.

In conclusion, we believe that the revision of the Public Procurement Directive represents a great opportunity to reduce administrative burdens for our companies, boost investments in infrastructure and promote green and circular products. On the other hand, it has the potential to disrupt the complex and global value networks of Europe’s Technology Industries.

We look forward to engaging with decision-makers to ensure its successful implementation without negative impacts on the competitiveness of our industries.

CLOSING REMARKS

Antony Fell, EUROPEAN FORUM FOR MANUFACTURING, Secretary General

I would like to thank most warmly all the speakers and wish the Commission and Parliamentarians good progress of this important work. I would also like especially to thank Volvo Group and Bert D’Hooghe and Tora Leifland, with whom we have worked most closely for this lunchtime debate.

And as ever I would like to thank the EFM team for their excellent preparation and organisation today.

