

Policy tool



#2

**Government
procurement**

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Drive lower carbon emissions by using government procurement as a tool.

#2 Government procurement



What is government procurement?

Governments purchase goods and services (including construction services) using taxpayers' money to fulfil their governmental functions and provide public services. Such purchases are generally referred to as government procurement.

How can government procurement of more climate-friendly low-carbon goods and services help mitigate climate change and promote the just transition to a low-carbon economy?

Government procurement is of great economic importance, accounting for 10-15 per cent of national GDP, on average, and about 13 per cent of world GDP (around USD 13 trillion per year) (World Bank, 2021). This buying power can be deployed at all levels of government to help mitigate climate change and promote a just transition to a low-carbon economy. Through so-called green government procurement (GGP) policies, governments can influence private sector producers through their purchases of low-carbon goods and services, create markets for new green goods and services and stimulate innovative solutions to climate change problems by awarding public research and development (R&D) contracts.

In addition, GGP can help governments reduce their own carbon footprint. Government procurement is estimated to be directly or indirectly responsible for 15 per cent of global greenhouse gas (GHG) emissions (WEF, 2022).³ According to the World Economic Forum, abating such emissions would lead to a USD 4 trillion boost to the green economy and create around 3 million net new jobs.

Greater emphasis on GGP policies can therefore significantly reduce GHG emissions while producing significant economic benefits through new green jobs, enhanced energy and other resource-use efficiency, and stimulating innovation (World Bank, 2021). According to the [6th Assessment Report by the Intergovernmental Panel on Climate Change \(IPCC\)](#), current domestic government procurement systems usually mandate cost-effectiveness but only in some cases do they allow or mandate climate change considerations. The WTO [Environmental](#)

[Database](#) indicates that GGP policies take many forms and various members are already introducing low-carbon considerations into government procurement (see box).

Furthermore, aligning public procurement rules with other related objectives, such as promoting innovation, can have multiplying effects.

The International Energy Agency's (IEA) Net Zero by 2050 Roadmap indicates that, while the needed decarbonization of the world economy by 2030 is largely

WTO members' experiences with sustainable public procurement practices

According to the [WTO Environmental Database \(EDB\)](#), members have notified to the WTO at least 77 environment-related government procurement measures since 2009. These have pursued a series of objectives, including promoting environmental goods and services (27), energy conservation (20), climate change mitigation and adaptation (9) and renewable energy (4).

Not all WTO members are parties to the Government Procurement Agreement (GPA). Currently, 48 members are covered by it. Still, data from the EDB provide some examples of government action in this area, such as:

- Japan's Basic Policy for the Promotion of Contracts considering Reduction of Emissions of Greenhouse Gases (2019);
- Iceland's public procurement rules amendment to consider climate and social-related criteria and labels (2017);
- Canada's public procurement innovation programme for small and medium-sized enterprises (SMEs) and environmental solutions (2015); and
- Montenegro's green procurement strategy which considers innovation and degree of environmental protection as eligible elements for bidders (2015).

achievable with readily available technologies, by mid-century almost half of required emissions reductions will have to come from new technologies (IEA, 2021b; IMF, 2021). Government procurement can thus play a central role in helping nascent technologies take the key step from R&D to market readiness by serving as “first customers”, promoting learning curves, and providing economies of scale (Janeway, 2018).

By revising and updating domestic government procurement policies and incentivising purchases of low-carbon solutions, including nascent technologies, such a realignment can help promote several objectives at once.

What could be done to align government procurement policies with wider climate action policy plans?

In line with their domestic climate goals, governments could revise their domestic government procurement policies to include climate-sensitive criteria, such as science-based, low-carbon requirements in tenders. They could make such criteria not just optional but mandatory. In addition, GGP policies could be combined with more open government procurement markets. This would help to increase the number of suppliers participating in procurement tenders and to give government purchasers access to better or less costly climate-friendly goods, services and technological solutions. Research has confirmed that stable and open markets are key factors in low-carbon technology development, uptake and dissemination (Xin *et al.*, 2022).

WTO rules – including its Government Procurement Agreement (GPA 2012) – can play an important role in ensuring that open government procurement markets are leveraged to support climate objectives. For example, the GPA 2012 helps governments to overcome a potentially costly and climate-inefficient home bias in government procurement by ensuring that GGP practices are non-discriminatory, based on open markets and in line with good governance practices. Moreover, the GPA 2012 already has features that facilitate climate change mitigation through government procurement. For instance, it allows the application of technical specifications aimed at the protection of the environment and the evaluation of tenders using the environmental implications of a good or service as a criterion.

WTO regular work and discussions can also help by providing examples of what members are already doing in terms of government procurement, including by providing dedicated fora for policy learning and exchange, such as the Committee on Trade and Environment or the Committee on Government Procurement, and by providing technical assistance to those seeking to explore this topic further.