

## CALIFORNIA CLIMATE POLICY FACT SHEET: PROCUREMENT

California’s climate laws have predominantly focused on addressing greenhouse gas (GHG) emissions reductions to reach a low-carbon future. In tandem, many institutions, including cities, universities, and businesses, have adopted sustainability and climate goals that align with or exceed the state’s goals. Yet many of these institutions have yet to incorporate their sustainability and climate goals into procurement processes, even though supply chain emissions are [typically larger](#) than other direct and indirect emissions sources. The concept of integrating sustainability and procurement, commonly referred to as environmentally preferable purchasing (EPP), is [defined in California](#) as the “procurement or acquisition of goods and services that have a lesser or reduced effect on human health and the environment when compared with competing goods or services that serve the same purpose.” This California Climate Policy Fact Sheet explores EPP and provides a foundational understanding of law and policy that guides the intersection of sustainability and procurement in institutional procurement processes across the state.

### Overview of Environmentally Preferable Purchasing

[Procurement](#) is the function of purchasing goods and services needed to run an institution and provide institutional services. EPP aims to integrate environmental, and often social, considerations into the procurement process. In the simplest of terms, EPP means “buying green.” As a result, EPP practices intend to reduce social and environmental impacts while achieving equal or better cost- and performance-competitiveness with traditional procurement processes.

[EPP](#) involves procurement that assesses a variety of factors where feasible, including: raw materials acquisition, production, manufacturing, packaging, distribution, reuse, operation, maintenance, disposal, energy efficiency, product performance, durability, safety, the needs of the purchaser, and cost. The [California Department of General Services](#) (DGS), the [California Environmental Protection Agency](#) (CalEPA), and the [California Department of Resources Recycling and Recovery](#) all participate in informing and guiding the state of California in its EPP. DGS, which is responsible for procuring a range of goods and services for the state (including many state vehicle fleets and real estate), publishes a best practices [Buying Green Guide](#) and [third-party environmental certification matrix](#) to aid in this process.

In general, institutional procurement offers significant market power and influence across the globe. The World Bank [estimates](#) that public procurement represents approximately 10 percent of gross domestic product in the United States. Furthermore, the [largest share](#) of this procurement is borne out of sub-national procurement, such as the procurement from state or local governments. With nearly [40 percent of total emissions](#) from public agencies and higher education institutions resulting from their supply chains, the significant expenditure on “green” goods and services with EPP provides a unique policy tool for California and elsewhere—EPP can lead to a cleaner environment while reducing adverse impacts to public health and social conditions.

### Evolution of Environmentally Preferable Purchasing

EPP came into focus at the national level in 1998 with President Clinton’s [Executive Order 13101](#), which directed the federal government to comply with policies “for the acquisition and use of environmentally preferable products.” A few years later, California established EPP goals of its own:

- [Assembly Bill 498](#) (Public Contract Code § 12400 et al.) directs DGS to provide information and assistance regarding EPP for the state and to consult with CalEPA, members of the public, industry, and public health and environmental organizations.

- Governor Brown's [Executive Order B-18-12](#) ordered state agencies to purchase and use environmentally preferable products whenever they are applicable, perform well, and are cost-effective.

In contrast to numerous other California environmental laws, such as those that pertain directly to public and private entities within the state involved in energy procurement or clean transportation, California's EPP goals only relate to procurement by the state of California itself. Recognizing the value of EPP, numerous local governments and large institutions have implemented EPP processes in addition to or independent from the state's goals. For example, the City of San Francisco implements an [EPP ordinance](#) for purchasing by city departments, and the Alameda County Waste Management Authority implemented its [Model EPP Policy](#) in 2009 to guide the county in its procurement and sourcing activities. The University of California system has also released [guidelines](#) and [policies](#) that ensure minimum sustainability requirements for products and services, including some mandatory product attributes.

### **Key Outcomes and Next Steps for Environmentally Preferable Purchasing**

The [idea](#) of using EPP to achieve social, economic, and environmental goals is not new. For decades, the power of significant institutional investment in products and services that also reduce environmental impacts has played a role local, state, and national procurement efforts. Innovation in the EPP space is also occurring with the expansion or development of sourcing platforms like [JAGGAER's sustainable supply chain](#), [Ariba's sustainability portal](#), or [Ecomedes's database of sustainability suppliers](#). Even industry-specific EPP platforms have emerged, such as [Empower Procurement](#), a California Energy Commission-funded program that aims to simplify the distributed energy resource procurement process. These efforts are beginning to shift the focus of traditional institutional procurement upon value solely for economic considerations, potentially shepherding the integration of social, economic, and environmental considerations into procurement processes.

### **The Challenge and Opportunity**

For many if not most institutions, including corporations, governments, and universities, sustainability and climate goals do not match with their procurement practices. Most institutions use one of the seven or so major e-procurement platforms (such as Ariba or Jaggaer) to do their major procurement purchases (such as computers, cleaning supplies, paper, etc.). For the most part, the e-procurement platforms do not incorporate sustainability criteria into the product filters—for example, the purchaser may be able to search for a computer screen by price and certain technical specifications, but not by energy usage or GHG emissions. As a result, the purchases must use a separate process to compare sustainability criteria across different purchasing options for any given product. This difficulty often precludes use of sustainability criteria. It is possible to integrate sustainability and climate criteria into e-procurement platforms? Doing so could make a significant difference in the marketplace.