

# Introductory Note for an International Workshop to Promote the Integration of Energy Efficiency in Public Procurement

Hosted by the Indian Bureau of Energy Efficiency  
With support from

The Asia Pacific Partnership (APP)  
US State Department (USDOS)  
US Environmental Protection Agency (USEPA)  
US Agency for International Development (USAID)

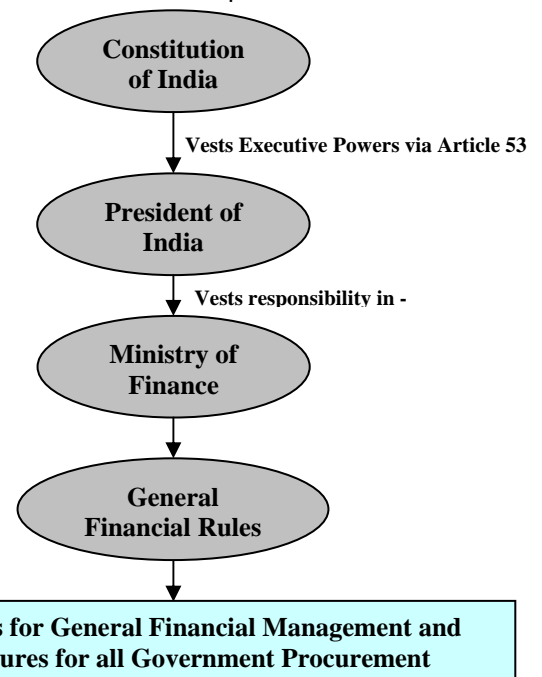
July 13-14, 2007

## Purpose of Workshop

The United States Environment Protection Agency (USEPA) and United States Agency for International Development (USAID) with support from the US Department of State (USDOS) and the Asia Pacific Partnership (APP) in cooperation with Bureau of Energy Efficiency (BEE) and Ministry of Power intends to organize a workshop to promote the energy efficient procurement in bulk Government purchases. The primary purpose of workshop is to assist BEE in initiating the process for promotion of energy efficient purchases in all Government Departments. The presentation and discussion of experiences of the US, China, India and other APP member countries will also serve as an important input to the development of a handbook of good practices for market transformation to promote diffusion of energy efficient products.

## Indian Situation

In India, different procurement rules apply at the Central level, in the states and territories, to the central public sector units, and to public sector enterprises. At the Central level, procurement is regulated through executive directives. The General Financial Rules (GFR), issued by the Ministry of Finance, lay down the principles for financial management, and—in chapters 6 and 8—broad rules and procedures for the procurement of goods and services and for contract management. The Rules were revised in 2005 to provide greater flexibility while ensuring accountability in government transactions. A Manual on Policies and Procedures for Purchase of Goods has been published to assist the procurement entities and their officers in procurement. An important number of instructions, issued by the Central Vigilance Commission (CVC), supplement these regulations. Specific sectoral procurement regulations exist in some areas, such as defense procurement.



At the Central level, procurement is administered by the individual government agencies. These agencies may issue more detailed instructions in conformity with the Rules; the individual procuring agencies are also responsible for developing their own handbooks, model forms, and model contracts. Most of these agencies have already developed model tender documents. Certain control and oversight functions are carried out by central authorities such as the Comptroller and Auditor General and the Central Vigilance Commission (CVC). At the Central level, India has not established an authority that is exclusively responsible for defining procurement policies and for overseeing compliance with the established procedures.

As public procurement in India is decentralized, all States/PSUs have their own procurement organizations. There is no Central Procurement Authority though Central Purchase Organizations like the Directorate General Supplies and Disposal (DGS&D) and state level central state purchase organizations are active for rate contracts with registered suppliers for goods and items of standard purchase in the Government under the provisions of the Government Financial Rules and State Financial Rules. The Rate Contract Scheme is like the Framework Agreement used widely in countries like the UK, USA and Europe. Earlier the DGS&D had a major role in government procurement, but as part of liberalization, this has been largely decentralized. No centralized data on Central Public Procurement Offices at the Union and State levels is maintained.

### **Procurement of Energy Efficient Products**

The Indian Government Sector (central, state, and municipal) presents a substantial opportunity for energy savings. The total planned annual energy-related expenditure for 2007-08 is \$15.75 billion, which will include expenditure on capacity addition, energy distribution, implementation of various programs and procurement of energy-related products.

The Government Sector can mandate the purchase of energy-efficient and/or environmentally friendly products. This is important to allow government organizations to lead by example and be a catalyst for market transformation by using its substantial purchasing power to create a market for energy-efficient products. In addition to creating a market, the policy to procure energy-efficient products reduces energy costs without compromising quality.

Carefully orchestrated government purchase programs in which Governmental organizations create the complete framework enabling energy-efficient procurement of products can reap significant cost savings through bulk procurement contracts with leading vendors and manufacturers of energy-efficient products. Some state agencies serve as the procurement arm for other government units within the states. If energy-efficient products are on the approved list, the resulting cost and energy savings can be enormous.

### **Current Obstacles and Solutions**

Despite the large savings potential for energy-efficient government purchasing, there are a number of obstacles to success. Some have to do with the core goals of public purchasing: to promote transparency (reduce corruption), lower the costs of routine purchasing, ease of placing orders, and simplify the process where possible. These

barriers may make purchasing departments resistant to changes in procurement practices that seem to work well.

A few high-level barriers to energy-efficient government procurement are indicated below:

1. **Lack of Government Legislation:** The lack of an enabling government legislation directing (making it mandatory) government agencies to purchase energy efficient equipment based on technical criteria/specification to be set by a government agency (e.g. Bureau of Energy Efficiency in the case of India): While many states have passed Government Orders directing government organizations and Designated Customers (under Indian Energy Conservation Act of 2001), they are neither accompanied by energy efficiency specifications nor do they reference an existing program (e.g. BEE's Star Rating System) making them meaningless and largely ineffective from the beginning.
2. **Overcoming/Modifying existing government procurement practices that over-emphasize least cost of procurement without specifying energy-efficiency specifications:** One of the seemingly intractable obstacles to energy-efficient purchasing is the tradition of obtaining multiple bids and then selecting the one with lowest purchase price. While this leads to products or services with low first-cost, in the case of energy-using equipment this can also mean lower efficiency and increased energy and quite often maintenance cost over the life of the product. The obvious solution is to base purchase decisions on total **life-cycle costs (LCC)** but considering the challenges in effective a policy change so that call procurement decisions are based after conducting LCC analysis, an interim solution will be to include minimum energy performance or energy efficiency specifications for products that government departments have to purchase.
3. **Ensuring transparency and competition during government procurement:** To maintain fair and transparent tendering and bidding process and to introduce competition, government may also require that at least three manufacturers /vendors must have products meeting the energy efficiency criteria. In many developing countries it is difficult and challenging (at least in the initial stages) to get the data required to conduct a technically rigorous analysis leading to simple and easy to use information for government agencies.
4. **Lack of availability of products (appliances and equipment) in the marketplace displaying energy efficiency specifications/labels to simplify ease of procurement:** This barrier can be addressed by adopting a phased approach reflecting BEE's plan to launch a labeling system for other appliances and equipment. In the first round, energy-efficient refrigerators, florescent tube lights, and room and split air-conditioners can be covered since the EE criteria have already been developed for these products.
5. **Lack of a simple and easy to use EE Procurement Tools and Tip Sheets:** It is often difficult or costly to evaluate LCC at the time of purchase. In the case of USA's Federal Energy Management Program (FEMP) – probably the most successful EE procurement program in the world, a number of tools, outreach materials, and purchasing aids for government agencies (<http://www1.eere.energy.gov/femp/program/index.html>) have been created to help buyers have an understanding of the total cost of ownership (initial purchase, operation, and maintenance costs,). Additionally training on the use of these tools can help, along with easier access to data on purchase prices and energy costs – but many purchasing officials are more receptive to lists of pre-

approved (energy-efficient items), with a life-cycle cost analysis used to justify exceptions, or for very large contracts.

6. **Lack of a central procurement authority for all government purchases:** Higher value and most frequently procured items may be purchased centrally with lower cost products decentralized to operating units. Decentralized purchasing makes it harder to reach and influence buyers with new policy directives. It is required to work with agencies such as DGS&D (for all government purchases) and ministries like Indian Railways and Defense in the beginning to make an impact in the short-term.
7. **Limited staff resources and excessive paperwork:** Government purchasers frequently see themselves as facing too many decisions in too little time. This makes it hard to introduce new purchasing requirements or to encourage their participation in training.
8. **Lack of technical knowledge:** Some buyers view energy-efficient purchasing as requiring technical skills or information they lack; others assume that it is up to the final user to specify the desired efficiency level. Users, on the other hand, may see their own influence as limited, believing that the purchasing office sets specifications. This role uncertainty may be more common where local officials have failed to set a clear policy or to recognize how energy efficiency can help lower operating costs.

### **Support from Asia Pacific Partnership (APP)**

The US Government is proposing to support this workshop as one of its activities within the Action Plan of the Buildings and Appliances Task Force (BATF) of the Asia Pacific Partnership (APP).

The Asia-Pacific Partnership on Clean Development and Climate is an innovative new effort to accelerate the development and deployment of clean energy technologies. Founding partners *Australia, China, India, Japan, Republic of Korea, and the United States* have agreed to work together and with private sector partners to meet goals for energy security, national air pollution reduction, and climate change in ways that promote sustainable economic growth and poverty reduction. The APP Partners have approved eight public-private sector task forces covering including the Buildings and Appliances Task Force (BATF). The overall goals of the APP BATF are to:

- Use cooperative mechanisms to support the further uptake of increasingly more energy-efficient appliances, recognizing that extensive cooperative action is already occurring between Partner countries.
- Promote best practice and demonstrate technologies and building design principles to increase energy efficiency in building materials and in new and existing buildings.
- Support the integration of appropriate mechanisms to increase the uptake of energy-efficient buildings and appliances into broader national efforts that support sustainable development, increase energy security and reduce environmental impacts.
- Systematically identify and respond to the range of barriers that limit the implementation of end-use.

As part of the BATF initiative, a Market Transformation Project has been established to promote information sharing and technical cooperation in programs to increase market diffusion of energy efficient products. One of the fundamental components of

the market transformation approach is the important role of government procurement in driving markets for energy-efficient products.

The proposed international workshop in India would focus on information exchange, development of consensus on good practices, and in-depth discussion of the potential adaptation and application of these practices to support Indian partners in enhancing energy efficient government procurement.

### **Objectives of Workshop**

The objectives of the workshop are as follows:

- Understand the current process for procurement being followed by various Government departments in India;
- Identify major stakeholders and partners;
- Share lessons learned from successful energy-efficient procurement programs implemented in other countries in the Asia Pacific Partnership and develop consensus in India on good practices and lesson learned from the programs;
- Distill the relevant points applicable and discuss adaptation to the Indian context;
- Help BEE design a statute, ordinance, or policy statement requiring energy-efficient purchasing by Central and State owned Government departments;
- Create a framework for Government Departments to lead by example through promoting energy efficient procurement;
- Leverage the work being done under USAID's ECO-III Program to identify opportunities and implement pilot energy-efficient government purchase programs at the state level
- Identify the need for resources and training to promote and to institutionalize energy efficient procurement in India;

### **Expected Outcomes of the Workshop**

- A review and synthesis of good practices and lessons learned from government procurement programs in other APP countries
- A comprehensive understanding of current procurement processes followed in India and points of intervention to develop a successful energy-efficient program
- Identification of Government ministries and departments (central and state) as lead agencies to initiate energy efficient procurement
- Identification of major stakeholders and their roles and responsibilities in the development of the energy-efficient government purchasing program
- Identification and prioritization of energy-efficient products and a phased implementation plan for promoting energy-efficient government purchasing over the next three to five years;
- Recommendations to develop an action plan for promotion of energy efficient purchases in India

### **Participating Agencies**

- Ministry of Power, Government of India
- Bureau of Energy Efficiency (BEE)
- United States Environment Protection Agency (USEPA)
- United States Agency for International Development (USAID)
- The National Development and Reform Commission (NDRC) of China
- The China Standards Certification Center (CSC)

- Representatives of government procurement programs in other APP countries
- Office of Director General of Supplies and Distribution (DGS & D)
- Representatives of State Public Works Department (Maharashtra, Gujarat, Punjab, and New Delhi, etc.) and CPWD
- ICF International
- International Resource Group (IRG)
- Representatives from Ministries like Railways, Defense, etc (prospective agencies to initiate the EE procurement process)
- Independent Experts (US and Indian)

### **Structure of Workshop**

The first day of the workshop shall be devoted to presentations and discussions with a synthesis and summary in the end to capture key information the best ideas. The first half of the second day shall be devoted to the presentations on Indian examples, which shall be followed by a roundtable brainstorming and working session during the second half with select stakeholders, government officials and experts in the field. The outcome of the roundtable discussion will be the recommendations for promotion of energy efficient procurement in bulk Government purchases.

### **Workshop Agenda**

Draft attached

**International Workshop on Promotion of Energy Efficient Procurement in Government Purchases**

July 13-14, 2007, Imperial Hotel, New Delhi, India

**Draft Workshop Agenda**

*The workshop will provide an opportunity to share experiences and lessons learned from government procurement programs across the six Asia Pacific Partnership (APP) countries, and provide advice and assistance to the Indian Government's efforts to initiate a process for promotion of energy efficient purchases in government agencies in India. Participants will discuss key policy and logistical barriers and how they can be overcome and share ideas to forward the government procurement process in India.*

<b>DAY 1 – FRIDAY, JULY 13, 2007</b>	
9.00 am	<b>Registration</b>
	<b>Opening Session</b>
9.30 am	Welcome Address - Bureau of Energy Efficiency (BEE), Ministry of Power
9.40 am	Lighting of Lamp
9.45 am	Opening Remarks – Secretary, Ministry of Power
10.05 am	Introduction to Workshop – Mr. S. Padmanaban/ Ms. Archana Walia, USAID
10.25 am	US-EPA/APP Objectives – Mr. Paul Schwengels, USEPA
10.45 am	<b>Tea/Coffee Break</b>
	<b>First Session</b>
11.00 am	Overview of existing procurement situation in India and workshop objectives Mr. Ajay Mathur, DG, BEE
11.20 am	Procurement Procedures in India – Joint Secretary, Expenditure, Ministry of Finance, India
11.45 am	FEMP – Phil Coleman, LBNL
12.20 pm	Other US experience – Jeff Harris, Alliance to Save Energy
12.55 pm	Question/Answers on US Experience
1.10 pm	<b>Lunch Break</b>
	<b>Third Session</b>
2.00 pm	China Experience: Existing China policy – Gao Jian (NDRC, China)
2.35 pm	China Implementation – Liu Caifeng (CSC, China)
3.10 pm	US-China (and others) Cooperation – Jiang Lin (LBNL China Team)
3.45 pm	Question/Answers on China Experience
4.00 pm	<b>Tea/ Coffee Break</b>
	<b>Fourth Session</b>
4.15 pm	Other International Experience (Chaired by Jeff Harris) – Other APP country speakers
4.50 pm	<b>Closing - Day 1</b> Wrap Up / Synthesis – Jeff Harris and Saurabh Kumar, Secretary, BEE
5.10 pm	<b>Close</b>

<b>DAY 2 – SATURDAY, JULY 14, 2007 (till noon)</b>	
	<b>First Session</b>
9.15 am	Role of Vigilance Commission in Procurement in India - CVC
9.40 am	Indian Experiences and Opportunities – DGS & D
10.05 am	EE Procurement Opportunities – Ministry of Railways
10.40 am	EE Procurement Opportunities – Ministry of Defense
11.05	<b>Tea/Coffee Break</b>
11.15 am	Examples of Procurement Process in Public Sector Organizations – National Thermal Power Corporation (NTPC)
11.40 am	Procurement Process for Plant & Equipments – Gas Authority of India (GAIL)
12.05 pm	Procurement Process for civil, infrastructure & construction sector – Central Public Works Department (CPWD)
12.30 pm	ECO-III Initiatives on Efficient Procurement in India – Satish Kumar, ECO-III/USAID
12.55 pm	<b>Closing – Day 2</b> Wrap Up / Synthesis – Paul Schwengels, Archana Walia & Saurabh Kumar
1.15 pm	<b>Close with Lunch</b>