



Task 7: 2nd Joint Procurement Report

Report prepared by Simon Clement,
ICLEI – Local Governments for
Sustainability

Simon.clement@iclei-europe.org

Freiburg, 31st October, 2006

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Overview: Review and conclusions from the 1st round of joint procurement

The first LEAP round of joint procurement (JP) concentrated on attempting to set up cross-border JP¹, and finally carrying out of a „co-ordinated procurement“ activity in the UK and Greece². Within this activity two large groups of UK public authorities collaborated on the joint purchase of cleaning products and TFT monitors, and two Greek municipalities formed a much smaller consortium to tender for the same products simultaneously with those in the UK.

Whilst the UK groups achieved very impressive results, the Greek authorities received no responses to the tenders principally due to the very small quantities tendered for.

The problems encountered and the results achieved are outlined in more detail in the report on the first round of JP available on the project website at www.iclei-europe.org/leap.

The results of this activity demonstrated that there are still significant hurdles (both legal and practical) to the setting up of such international JP activities. A number of specific conclusions informed the model followed in the 2nd JP round:

- The excellent results achieved in the UK in jointly buying cleaning products and TFT monitors has clearly demonstrated the potential power of JP in moving the market, achieving good prices and minimising administrative costs, provided a sizeable consortium can be put together.
- The most important barrier to participation in JP activities is the lack of experience in such an approach in many European countries (particularly those in the South), together with a low level of support for green procurement. Simply committing an authority to participate in such an action requires a good deal of internal effort. A major benefit in achieving this would be the existence of well-documented good practice JP actions within that country.
- Building sufficiently large consortia is also a key challenge in setting up effective JP actions, especially where such practices are not commonplace.
- Whilst the opportunity to apply environmental criteria used by leading countries is one of the key benefits of involvement in international procurement activities, close co-ordination and the harmonising of tender documents used in different countries is extremely challenging given the different languages used.
- In countries already familiar with the concept of JP, the most beneficial results for the market can be achieved through targetting more innovative products not already well-established on the market (such as non-toxic cleaning products), rather than rather straightforward products (such as TFT monitors), however given the substantial administrative savings inherent in JP, it has the potential to be beneficial for many types of green procurement action.
- In countries less familiar with JP, there is a clear need to initiate activities in as simple a manner as possible, including focussing on simple products.

¹ “Cross-border JP” refers to public authorities from different countries tendering jointly for goods or services

² “Co-ordinated procurement” here refers to public authorities from different countries tendering for goods and services simultaneously, using the same tender documents, and referencing the other tenders in the published notices, but carrying out legally separate activities.

Given these lessons a number of key recommendations were drawn for the second round of JP within LEAP:

- For countries less experienced in JP (within the LEAP project: Greece, Portugal and Spain), the focus should be on setting up effective national JP actions. This will involve a strong drive to recruit additional authorities to provide the necessary demand volumes to interest suppliers.
- For these countries the product selected must be relatively straightforward and „risk free“, as the object will essentially be to demonstrate that JP can work effectively.
- To ensure maximum efficiency, the quantity of documents needing translation should be kept to an absolute minimum – essentially the environmental criteria, together with guidance on the setting up of JP procedures.
- For the UK, which has considerable experience with JP the focus of the second round should be on using JP to assist in the introduction of more environmentally innovative products or services.

Consequently different approaches were developed – the first for the less experienced countries in the LEAP consortium: Greece, Spain and Portugal, and the second for the UK. The different approaches and results are presented in two sections below.

Section I – Greece, Spain and Portugal

Revised approach – national joint procurement actions

Overall approach

Following the 1st round of JP a survey was taken of the LEAP partner authorities asking which approach should be pursued for the 2nd round, and which products may be suitable. Rather than repeating the „co-ordinated procurement“ model, or carrying out further legal analysis of the possibilities for cross-border JP, all partners in Greece, Spain and Portugal felt there was most to gain through focusing on setting up individual national JP actions in these countries.

It was felt that such an approach would be highly valuable both as an initial demonstration of the potential of JP within a less experienced country, and also as a helpful route for raising awareness of the topic of sustainable procurement by presenting it together with a beneficial economic model.

Product selection

In terms of products, as noted above it was confirmed that a „simple“ product would be most appropriate for such initial piloting activities. **Printing/copying paper** was selected as an obviously very standard product, purchased in large quantities by all local authorities. Furthermore it seems that more environmentally friendly options, though common in the UK and Sweden, are still often expensive niche products in Greece, Portugal and Spain.

Tendering procedure and contracting arrangements

It was also emphasised that such an initiative, though organised at the European level, would need to have a flexible approach given the different procedures and legal systems followed in the participating countries. As such, although guidance was provided by the partners, the exact contractual/procedural approach taken by each national consortium needed to be individually determined, including the drafting of tender documents, rather than following a single central model.

The only „centrally determined“ element was the environmental product specifications, developed by ICLEI in co-operation with SEMCO, which reflected European best practice. These would be inserted into the standard tendering documents used by the participating authorities. The contractual model together with the procedure for developing and carrying out the tender would be developed locally through discussions with the lead authority’s legal and procurement staff, together with other consortium members.

Recruitment of consortium members

Perhaps of most importance was the emphasis to place on the recruitment of additional authorities in order to collect a consortium big enough to interest suppliers and provide bulk buying advantages. This initial recruitment phase was thus given high priority within the group.

A summarising guidance document was produced outlining these arrangements, attached in **Annex A**.

Development of environmental product specifications

A draft set of environmental product specifications was developed by SEMCO in co-operation with ICLEI based on existing eco-label criteria – specifically those of the EU Ecolabel (Flower), Nordic Swan and Blue Angel.

In co-operation with the participating authorities in the three countries, and their local market research the criteria was reduced to focus on the two issues considered most important – the percentage of recycled fibres (80% in line with the Blue Angel criteria), and the bleaching process used during manufacture („totally chlorine free“ (TCF). It was again felt that a critical aspect was keeping the criteria simple to ensure the process itself was simple.

One of the principle concerns identified in the three countries, was the common perception that recycled paper is of a poor quality – incompatible with office devices such as printers and copiers, and not sufficiently white. As such it was considered important to include strict criteria on technical performance within the specification – standards for whiteness, durability and compatibility with machinery were included based on ISO, DIN or equivalent standards, based on those used by the Blue Angel.

The complete final specification is included in Annex B.

Pilot joint procurement activities and results

XXX Overview of results XXXX, with list

Greece

Recruitment of further authorities

The following public authorities participated in the JP

- Municipality of Amaroussion Development Company (DEADA) - Lead Authority
- Kalithea - Rhodes Sustainability Non-Profit Municipal Company
- Municipal Enterprise of Holargos
- Municipality of Ancient Olympia (initially participated, withdrew later)
- Municipality of N. Psychiko Environment and Sustainable Development Company
- Municipality of Rhodes Solid Waste Management Company
- Marathonios Development S.A

The three LEAP local authorities, namely the Municipality of Amaroussion Development Company (DEADA), Kalithea - Rhodes Sustainability Non-Profit Municipal Company and the Municipal Enterprise of Holargos organised a small campaign in order to recruit additional non-LEAP authorities. The method used was the easiest, quickest and most effective one: dissemination to authorities with a history of previous cooperation. The outcome of the effort for Greece at least was quite rewarding. In total, 7 local authorities committed themselves to take part in the JP of recycled paper, (the 3 LEAP partners and 4 non-LEAP authorities).

Procurement procedure followed

The 7 participating local authorities acted as a team under the coordination of the Municipality of Amaroussion Development Company (DEADA), and at the same time separately as well. One tender was published, for one product - recycled paper- with identical technical specifications, one price was offered taking into account the total quantity asked and finally identical contracts were signed – one for each Authority separately. The contracts signed were for one year with the possibility of extension if desired by the authority. In addition, there was a clause in the contract according to which there would be a gradual delivery of the recycled paper quantities according to each partner's needs, as there is a storage issue.

As Lead Authority, the Municipality of Amaroussion Development Company (DEADA) took responsibility for preparing all tender documents, which were circulated to all participating authorities for approval.

Chronologically, the JP action was carried out as follows: a meeting between the Greek partners was organized in Rhodos on the 13th of January 2006 in order to discuss proposed activity. The first action was the conduct of a market survey according to the specifications provided in order to see whether the specifications were applicable in the case of the Greek market, the second action was the drafting of the tender documents, the third action was the specification of quantities to be demanded after consultation with the partners and finally the fourth action was the approval of the documents by all partners.

Quick overview

- Step 1 → conducting a market survey
- Step 2 → drafting the tender documents
- Step 3 → specification of quantities
- Step 4 → final approval of the documentation

Having incorporated the quantities needed in the tender documents and their final approval, the consortia-team proceeded with the publication of the tender on the 1st of March. The tender was published in local and national newspapers, as well as at the Official Journal of the European Union. A period of 20 days was given for the offers to be submitted. On the 20th of March the evaluation committee – consisting of one representative from each participating Authority - met to evaluate the bids. As there was only one bidder the evaluation committee completed its work on the same day. DEADA had already drafted the contract text previously approved by the rest of the partners, and had also drafted a typical one-page document for confirming receipt of the bids, and after the closure of the evaluation process, DEADA carried on with the drafting of the proceedings document and the finalization of the process by signing the contracts.

Quick overview

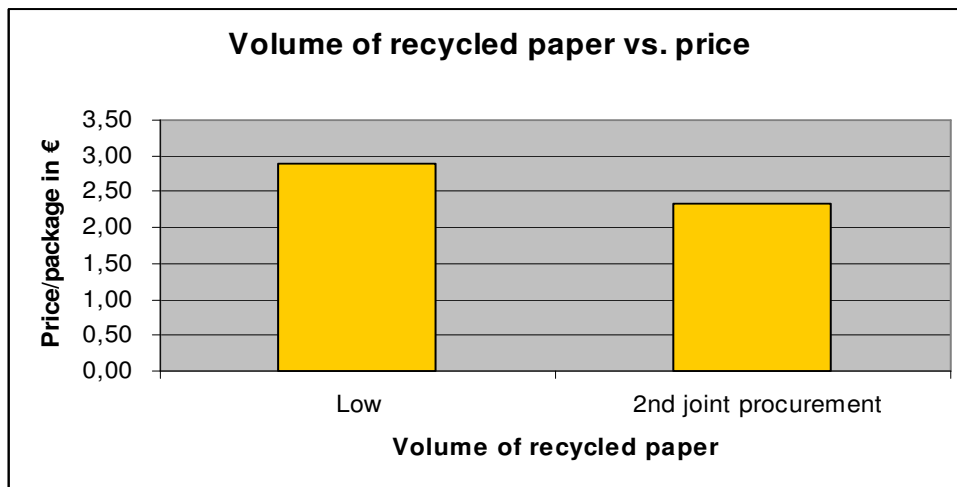
- Step 5 → publication of the tender in local, national press and the OJEU
- Step 6 → evaluation committee announces the winning bidder
- Step 7 → signing the contracts

Results achieved

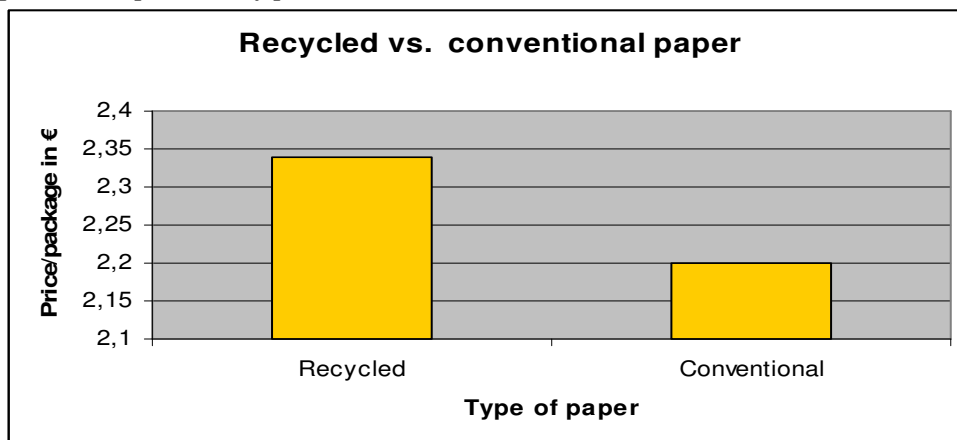
Of the 7 participating authorities, 6 finally signed contracts with the winning supplier (the Municipality of Ancient Olympia initially participated but withdrew later). Although only one compliant bid was received in response to the tender, a number of significant benefits were achieved for the participating authorities.

In terms of price, the higher amount of recycled paper demanded on behalf of the participating local authorities, led to a clear reduced cost. In total 430 boxes containing 5 packages of 500 sheets each, were demanded. The price offered per package was €2.34. The cost for the same type of paper for the Municipality of Amaroussion prior to the JP was €2.90 per package. This represents a 19% price reduction for Amaroussion (see Graph 1 below). Moreover, the price that was achieved for the recycled paper through the second joint procurement, namely 2,34 € per package compared to the price of the “conventional” paper for the same volume of product, namely 2,20€, was only 6% more (see Graph 2 below). Even more impressive was the case of Kalithea-Rhodes where the amount paid for the conventional paper was €2.40 per package (see Graph 3 below). This means that in this case the recycled paper was even cheaper from the conventional one.

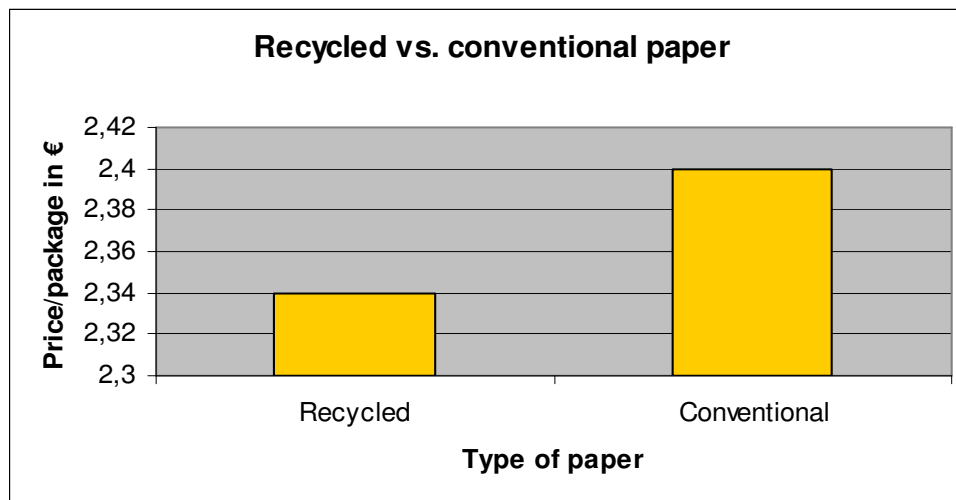
Graph 1: The case of Amaroussion



Graph 2: Comparison of prices



Graph 3: The case of Kallithea Rhodes



Beyond price, the pilot activity served to raise awareness in the potential of JP. Through the publicity the JP activity generated, many Municipalities showed an interest. Even the supplier received calls for information on the possibilities of participation in similar future actions.

In terms of the wider market impact, the JP activity can be seen as helping to stimulate the market for recycled paper.

Significantly, the activity has also greatly helped to promote the concept of green purchasing, by combining the aim of achieving a good environmental standard for purchases with a clear financial benefit in achieving bulk buying price reductions.

Barriers observed/problems encountered

In Greece, procurement activities and procedures within the public sector in general are surrounded by strict legislation. However, this pre-identified barrier was overcome during the planning stage when it was decided to use the standard procedures of the Municipal Companies of the participating municipalities, as these are less strictly regulated. There was one Municipality out of the 7 bodies participating in the JP activity which was

eventually forced to withdraw due to legislative issues. The Municipality of Ancient Olympia withdrew shortly after the completion of the tender and evaluation procedure and the signing of the contracts. It should be noted though, that it was solely the legislation issue that held this local authority back and was not related to costs or the lack of political commitment.

The time taken to set the activity up was also considerable, however to a large degree this was because it was the first activity of its kind for the participating authorities, and indeed within Greece as a whole. As such, now that a successful piloting has been achieved, for future activities the time required will likely be considerably reduced.

One of the principle challenges was the recruiting of further participating public authorities. Several hurdles were observed: lack of interest, lack of time, difficulties encountered due to legislation issues and finally a lack of will to take the lead. Finally, since such an action was the first to take place in Greece, it was relatively difficult to recruit further authorities by convincing people to become pioneers through conducting a procedure, which had not been tested before.

Considering these hurdles, the participation of 7 authorities can be seen as a great success, and will likely pave the way for further similar activities in the future, with a great deal of interest already having been shown by other authorities.

Evaluation and conclusions

A number of significant conclusions for future work can be drawn from the Greek JP activity:

- Through successfully demonstrating a JP model within Greece for the first time with impressive results, one can expect the approach to be widely replicated in the future independently of any project
- Given that high prices are one of the main barriers when dealing with green products in Greece, the achievement of a very competitive price for good quality recycled paper provides an extremely valuable example to promote within Greece, and can hopefully act as inspiration for others to follow suit.
- Given the clear economic benefits of such an approach JP can be seen as a highly effective way to introduce sustainable procurement practices into authorities which may otherwise be more reluctant.

Spain

Within Spain, the JP activity, lead by the Diputació de Barcelona (DIBA), is yet to be completed due to unforeseeable problems with the supply of paper from the winning bidder. This is due to the winning bidder being forced to change the source of its paper due to factory closures.

However the procedure itself has been almost completed and offers some highly relevant results.

Recruitment of further authorities

A large number of municipalities have taken part in the joint procurement activity thus far, however a final confirmation of the number of participating authorities will only be clear once problems relating to the winning supplier are solved.

In addition to DIBA 21 municipalities have taken part:

Cambrils, Igualada, Malgrat de Mar, Manlleu, Martorell, Montornès del Vallès, Mancomunitat La Plana, Sta. Coloma Gramenet, Sitges, Terrassa, Tiana, Tona, Viladecans, Vilafranca del Penedès, Vilanova i la Geltrú, Pineda de Mar, Moià, Torredembarra, Pallejà, Entitat Metropolitana de Barcelona, Centelles

In order to find municipalities interested in the JP activity Diputació disseminated the proposal among the members of the regional Network of Cities and Towns towards Sustainability (XCPS). A number of meetings followed where the procurement process was better defined and clarified with the involvement of the municipalities interested.

The Network XCPS is made up of 220 local authorities committed to make progress towards sustainable development. Since 2004 the Network has been working on green public procurement through the working group on “green procurement and responsible consumption”. As such it has provided the perfect structure through which to set up a JP activity, and can prove a useful example for other European regions with similar groups in place.

Procurement procedure followed

DIBA led the joint procurement activity, being responsible for planning the whole process and developing the different steps undertaken:

1. Finding municipalities interested to take part in the activity: as described above
2. Developing tender documents: a first draft of the technical tender document was prepared by the Diputació following the paper criteria developed within the LEAP project. This first draft was revised and improved with Diputació’s legal advisers, participants in the JP and green procurement experts.
3. Carrying out a market survey to find suppliers that could be invited to tender: questionnaires were sent to paper suppliers in order to know if they could supply recycled paper and to gather information about the environmental characteristics of this product. Moreover, municipalities provided information about their current suppliers and about prices they are currently paying for recycled paper.
4. Setting up a collaboration agreement with all the participants: a collaboration agreement between Diputació and the local authorities taking part in the JP activity has been jointly prepared, discussed and approved. The agreement aims to set the characteristics of the JP activity as well as to disseminate GPP.
5. Carrying out the tendering process, the evaluation of bids and selection of the winning bid: five suppliers were invited to tendering and after that, an evaluation committee composed of representatives from each authority selected the winning bid.

Throughout the process a series of meetings was held through the Network of Cities and Towns towards Sustainability (XCPS), with the co-operation of the Network’s GPP working group. These meetings served to revise and approve the procedure to be taken and the tender documents with all participating authorities. Each participating municipality also completed a questionnaire with the aim to express their interests and specific purchasing/procedural requirements.

Given the small quantities of paper involved it was felt appropriate to use a restricted procedure, inviting a small number of suppliers to tender, rather than go through the time consuming open procedure.

In contractual terms, as in Greece, the tender was published jointly but each participating authority will buy paper individually through the chosen supplier. As the quantities is small, there is no need for specific contracts, but a direct invoicing arrangement will be used.

Results achieved

As noted above, although a winning supplier (Canon) was selected (of two compliant offers) through the procedure, the activity is now on hold, pending new supply arrangements because the factory that supplies recycled paper to Canon closed this summer and now Canon has to find another supplier. However, some results can be observed.

The price offered by Canon was very competitive. At €2.02 per ream, this was considerably cheaper than the average price paid of €2.41 for recycled paper by the participating municipalities – a reduction of 16%. Of the 5 municipalities currently purchasing recycled paper prices paid ranged from €2.05 to €2.91 per ream.

Although it is difficult to specify the reason, it is likely that the demand had an impact on lower prices. Moreover it was observed during the market survey, that paper quality, rather than recycled content, had a bigger impact on price differences. Suggesting that there is little economic argument against „buying green“. It is hoped that in carrying out the actual tender, the expected price benefits in getting the best quality product at the best possible price can be realised, which will of course provide a huge boost in convincing authorities to join similar activities in the future.

Again, one of the principle benefits identified has been to increase interest in the topic of GPP, by offering potential economic advantages alongside environmental ones.

A number of significant achievements can be noted:

- Agreement has been reached by the Diputació together with a number of local authorities on environmental specifications for recycled paper and on a technical document to purchase recycled and non-recycled TCF paper.
- Knowledge has increased within the Diputació and the participating authorities about the recycled paper market in Spain as well as about features and types of paper available in the market. With more information about the product and the market it is easier for municipalities to convince politicians and technicians to buy recycled paper. Moreover, the procedure has helped to guarantee a good quality for the paper purchased.
- Working together with different authorities and experts on procurement has been very didactic and has helped to find the best procedure for undertaking the joint procurement.
- A Collaboration Agreement has been prepared and will be signed shortly in order to work together to purchase “greener” products and specifically to develop a joint procurement activity to buy recycled paper.

Barriers observed/problems encountered

It has been necessary to overcome a number of substantial barriers in the Diputació in order to undertake a JP activity integrating environmental requirements. One of the main problems is that the Diputació, as in the majority of Catalan and Spanish municipalities is only just beginning to consider implementing green procurement, therefore there is a lack

of the necessary awareness, knowledge and skills to introduce green criteria in procurement activities. Moreover the Diputació had never undertaken a JP action. As the process was new it was necessary to evaluate different procedures in order to find the most suitable way for all interested authorities that take part in the JP action to procure together.

More specifically, the following obstacles have had to be overcome:

- **There is no mandatory regulation** in the regional government to implement green procurement. Consequently, it is **difficult to get political and technical commitment** to shift to greener products and services. Moreover, at the moment there is no national regulation to develop green procurement in Spain or in Catalonia. This would be necessary to facilitate political commitment to further develop green public procurement in local authorities.
- As in many authorities, in the Diputació it is usually **the environmental department** promoting the implementation of sustainable public procurement, with those directly responsible for purchasing activity less interested. Moreover the departments responsible for procurement are often averse to changing existing practices, such as long-standing arrangements with local and/or reliable suppliers.
- **The procurement dynamics are difficult to change.** The procurement departments in the Diputació, as in many municipalities, are not used to introducing environmental requirements in the purchase of goods and services, tending to think that green products will be expensive or that they will be worse quality.
- In the Diputació, and in some municipalities contacted for the JP activity, there is **an existing contract** to purchase paper. Therefore, it has been difficult or impossible to take part in the JP.
- It was the **first time that strong environmental specifications have been introduced** into tender documents. As such technical advice was needed on which requirements to use and how to introduce them in the tender documents.

The main solutions implemented in order to solve the problems encountered are as follows:

- To develop the JP activity the LEAP team in the Environmental Department **mainly worked with technicians that were already aware** of the importance of introducing environmental requirements in purchases. It was realised that it is easier to get environmental technicians involved than procurers, however in the authorities that have more experience introducing green procurement those in charge of procurement were directly interested in taking part in the JP activity.
- The Diputació is starting to implement a **Resources Optimisation Plan** that involves all departments of the government in order to further develop the sustainable use of resources and sustainable procurement.
- Throughout the project the LEAP team has **strengthened the contacts and relationships** between procurement departments and the environmental department in the Diputació which has been critical in developing common actions to further implement green procurement. However it was still difficult to participate in a JP for recycled paper for all departments of the Diputació because a) it was not the responsibility of the Environmental Department, and b) the Diputació already has a contract to buy TFC paper that finishes next year. As a

solution it was decided that the Environmental Department would directly purchase recycled paper.

- In order to raise the awareness and knowledge of green procurement the LEAP team is holding a series of **seminars** for local municipalities, each of them focussing on a specific product. The first seminar was about recycled paper and was a very useful opportunity for the participants to learn about the environmental specifications for this product and to have more information about the market.
- The environmental purchasing criteria were developed by external experts within the LEAP project, providing European best practice. The tender documents were then revised through different meetings with the municipalities interested in participating.
- The **assessment of the Diputació's legal and administrative advisers** has been crucial in finding the most suitable procedure for carrying out a JP activity with municipalities.

Although the process has taken a long time to set up, the experiences gained through successfully setting up a JP action will likely mean that in future a number of the above mentioned barriers will be much more easily overcome, and consequently considerably easier to implement.

Evaluation and conclusions

Although not yet complete some conclusions can be drawn from the activity so far

- The JP activity has proved highly valuable in enhancing partnerships between local authorities in the region and in increasing knowledge and development of GPP. The activity will likely be replicated in future, expanding to other product groups commonly purchased, such as office supplies, certified timber or cleaning products and services
- In practical terms, this pilot activity has helped to define a working procedure for undertaking JP through the close involvement of local legal and procurement advisors together with the European LEAP team. Now this procedure is in place, it will prove straightforward to replicate without the support of an external project.

Portugal

Recruitment of further authorities

The Portuguese JP action was led by LEAP partner Almada City Council. 6 further public organisations also participated:

- Torres Vedras City Council
- Oeiras City Council
- Tavira City Council
- Tratolixo – Solid Waste Treatment Services (for Municipalities of Cascais, Sintra, Oeiras and Mafra)
- Almada's Borough of Sobreda
- Almada's Borough of Cacilhas

- SMAS de Almada - Almada's Municipal Water and Wastewater Services

In order to recruit additional participating authorities, Almada wrote an invitation letter inviting other local authorities to participate in the Joint Procurement of recycled paper, and providing more information on the LEAP project. This letter and the Portuguese LEAP leaflet were sent to several Portuguese public bodies, followed up by close contacts by phone, reiterating the invitation and giving more details on the LEAP Project.

A meeting was organised by Almada to allow those interested to discuss in person the potential environmental and financial benefits associated with the project and the proposed procedure to be followed.

All the entities were asked to formalize their intention in participating by email or fax.

Procurement procedure followed

As with the actions in Greece and Spain, Almada as Lead Authority took responsibility for recruiting additional authorities and preparing initial drafts for the tender documents and a Partners' agreement/protocol. Almada also took the lead in establishing an evaluation commission formed of the participating authorities, and carrying out an initial evaluation to pass to this Commission.

All documents were circulated to the participating authorities for comments/approval, and revised accordingly.

The Partner's or Consortium agreement stated that the Lead Authority (Almada) was the representative of the Consortium and lists the obligations of both entities:

- the Lead authority is responsible of the whole procurement procedure
- the other members of the consortium have to contribute with suggestions during the procurement procedure and after reception of the final evaluation report, each of them have to produce its own adjudication proposal (depending on the number of paper reams bought, as well as delivery conditions)

Given the low quantities being purchased (in cost terms), the participating authorities decided to use the restricted procedure whereby a number of companies (15) were requested to bid, rather than using an open tendering procedure. This save substantial time and resources.

All participating authorities signed the Partners' agreement/protocol, however individual one-year contracts with periodic deliveries were set up directly with the winning supplier.

Results achieved

Of the 15 companies invited to tender 8 submitted bids. Of these 7 were fully compliant with the specification. In financial terms a positive price was received. The supplier offered a price reduction from €2.32 per ream to €2.15 per ream due to the final quantity demanded (13,000 reams) – a reduction of over 7%, or €2,210 in total.

Almada City Council was already using recycled paper, bought without any specific criteria other than the specification "recycled paper". The price currently paid is €1.80 per ream, lower than the price at which the joint procurement paper was adjudicated.

However, the recycled paper that was proposed by the winning bidder (Brand: Steinbeis Vision Trand White) is of a much higher quality and meets all the specifications that were defined in the tender documents. It also presents the Blue Angel and Nordic Swan labels, and is certified EMAS and ISO 14001, which ensure high standards of quality and which

can in part explain the higher price. As in Spain, it seems that quality rather than recycled content is the primary determinant of price.

Another key benefit noted by the participants was the reduced administrative requirements within the other authorities, with Almada taking on responsibility for the procurement process, once agreement had been reached on the appropriate JP approach to take.

The success of the approach taken has meant it will be relatively straightforward to replicate the activity again in the future.

Barriers observed/problems encountered

There were two principle barriers to overcome in setting up the activity:

- As JP is hardly known in Portugal it was necessary to analyse deeply the public purchasing legislation and to involve the Municipality's Legal Department to ensure the process (from the consortium agreement to the tender documents) was designed within a legal framework. Now this has been achieved, replication will be far easier in future
- Recruiting additional authorities proved challenging, partly because they were unfamiliar with, and suspicious of JP, partly because there was not always the will to purchase green, and partly because of practical reasons – existing contract for the supply of paper, not able to specify the quantity required before tender publication

Evaluation and conclusions

Similar to results in Greece and Spain it can be noted that a positive financial outcome has been achieved through buying in bulk, with the effect of reducing the price for greener products. It has also proved highly valuable in providing a successful pilot model for JP which others can replicate, and in raising further interest in the topic of sustainable procurement.

Final conclusions

The three pilot national JP activities for recycled paper in Greece, Spain and Portugal have provided a number of key conclusion which may help to inform future sustainable procurement and JP actions:

- 1. JP is possible in all European countries** – through piloting JP in three different and inexperienced countries, the success of the pilot activities has demonstrated that such an approach is both legally and practically possible, with no reason to indicate that it could not equally be applied in all other European countries.
- 2. Price reductions are achievable through combining procurement activities** – all three pilot activities demonstrated that combining procurement actions can greatly assist authorities in achieving a competitive price for „green“ products, which may not be achieved individually due to the small quantities involved
- 3. JP is a useful „entry door“ for introducing the concept of green/sustainable procurement** – in each pilot activity being able to present both clear economic and environmental arguments behind the proposed activity has been highly beneficial in convincing authorities to participate, overcoming a great deal of the reluctance which

is often faced by proponents of green/sustainable procurement. Once the first step is taken and has proved successful, it is far easier to introduce further environmental criteria in tendering procedures.

- 4. JP can help to enhance regional co-operation and knowledge** – local authorities are increasingly looking to co-operate in the area of sustainability. Joint procurement offers a very concrete activity which can help to deepen such co-operation. It can also prove a useful means for increasing general awareness and practical knowledge in the topic of green/sustainable procurement

The main project outcome of the LEAP JP project activities is the development of a tool to assist any European public authority to set up a JP action. This can be found at:
www.leap-gpp-toolkit.org

Section II – the UK

Revised approach – innovative procurement in the UK

From the 1st JP activity it was apparent that UK authorities found it relatively easy to jointly procure goods and to repeat the exercise would not result in significant improvements to the current purchasing practices of the LEAP UK partners. It was also difficult to find a product that 1) had significant environmental concerns, and 2) all UK partners were in a position to jointly tender for (as each partner already had contracts in place for most potential products).

One product that UK authorities were interested in purchasing was bio-diesel, **Lewisham** needed to re-tender their contract and have it in place for 1st April 2006, **Leicester** were halfway through their current bio-diesel contract and **ESPO** (the purchasing organisation through which Leicester sources many of its goods and services) will be starting the re-tendering process in late 2006. **Southwark** wanted to trial the use of bio-diesel with a greater than 5% bio element, and **Sutton** and **Sandwell**, were starting to talk to their vehicle fleet managers about using bio-diesel.

Currently in the UK bio-diesel contains a 5% bio element, the bio element is blended with standard low sulphur diesel and vehicles require very little modification. Most vehicle manufacturers will warranty their vehicles to use 5% bio-diesel, but not any higher.

A series of activities were planned to help learn more about the market conditions for bio-diesel and see how the market would respond to more ambitious requirements.

Joint tender for bio-diesel - Lewisham

The London Borough of Lewisham agreed a new Energy Policy in 2000, which recommended 'Use of vehicles with low fuel consumption and pollution reducing technology and ensure their regular servicing and energy conscious operation. Promote and facilitate the use of alternative modes of transport'. A target was set to fuel all vehicles from sources other than normal petrol and diesel by 2010.

A 5% bio-diesel / 95% ULSD diesel mix was satisfactorily trialled in all Lewisham diesel vehicles in 2005.

The UK Government announced on 10/11/05 its intention to introduce a Renewable Transport Fuels Obligation (RTFO) requiring 5% of all fuel sold to come from renewable sources by 2010.

In February 2006, Lewisham undertook a full EU tender for diesel and biodiesel. Prices were requested for one year, two and three year contracts for the supply of 1.2 million litres of Ultra Low Sulphur Diesel (ULSD) and 40,000 litres of petrol, supplied by twice weekly deliveries.

The council asked for suppliers to quote for 0%, 5%, 10% and 20% biodiesel mixed with normal ULSD (Ultra Low Sulphur Diesel). The tender included wording to allow all London Boroughs and all LEAP participating authorities to use the tender prices if they chose (a form of „piggy-backing“ outlined in the joint procurement tool available at www.leap-gpp-toolkit.org).

7 tenders were received back with no suppliers quoting for the 10% and 20% variations. A range of prices was received for both 5% biodiesel and 100% diesel. Petroplus, the winning contractor, quoted the same price for either 5% biodiesel and 100% diesel. This

in effect meant that they were receiving 1 pence per litre more for the 5% biodiesel variant due to the lower UK duty on biodiesel.

Biodiesel is known to have lower carbon dioxide emissions and is believed to potentially have 2-3% improved engine performance. Petroplus claim the improvement in miles per gallon to be 2%, which at current diesel prices equates to a saving of £18,081 per annum.

Under a separate project; Bistro, in partnership with SELTRANS, the borough is investigating the potential for recycling Used Cooking Oil (UCO) for converting into biodiesel. It is hoped that at some time over the next three years it will be possible to re-use a percentage of UCO in fleet vehicles. Negotiations will commence with the winning tenderer to encourage them to buy UCO from Bistro for addition as the 5% biodiesel element of the fuel

Trial of 30% bio-diesel mix - Southwark

The London Borough of Southwark undertook a trial of a 30% mix bio-diesel (70% diesel, 30% biofuel) on a small number of their fleet vehicles to assess its reduction in terms of CO₂ emissions with a view to commencing the use of biofuel on all of the Council's applicable fleet.

Following a successful, initial trial, the number of vehicles was increased to carry out further trials. The mix was then reduced due to the increase in vehicles and different models of vehicles. As there were no problems with the smaller amount of vehicles on the 70/30 mix then when increasing the number of vehicles, the assumption was made that they would run perfectly on the 80/20 blend.

Manufacturer's warranties for a 70/30 mix are only provided by Citroen (including Peugeot). None of the other vehicle manufacturers will provide warranties for this a biofuel mix. Due to this Southwark decided to wait for the vehicle warranties to expire before using the bio-diesel mix to minimise the risk to the Council. Although even under warranty the onus is on the manufacturer to prove that the fuel has caused the problem if they occur.

A number of potential drawbacks to tendering for high-blend bio-diesel may be observed however:

- There are very few suppliers in the market and when Southwark increase their usage to approximately 100,000 litres/month it is probable that the supplier will struggle to meet Southwark's requirements.
- The cost of biodiesel is more expensive
- It is difficult to tender on costing due to the daily fluctuation of prices. It is easiest to contract on volume and quality only.

Market research into bio-diesel – ESPO

In anticipation of re-tendering Leicester's bio-diesel contract, ESPO did some market research to ascertain the market's position on the supply of bio-diesel from the mainstream fuel suppliers (currently it is supplied from a few small companies) and what warranties vehicles manufacturers are currently offering. A copy of the report is in Annex C.

Annex A: LEAP – National joint procurement procedure

Introduction

Given the legal and administrative restrictions relating to international joint procurement, the second round of joint procurement within the LEAP project will focus on developing individual joint procurement actions in the different participating countries. In particular, the aim of this initiative is to **demonstrate the power of combined public procurement in helping to develop the market for green products** in countries where this is still relatively untested – namely Greece, Portugal and Spain, and to **promote the use of international environmental standards**.

The purpose of this document is to outline the procedure we propose to follow for carrying out this activity. This document will focus on the three key tasks to be carried out, with an accompanying overview:

1. Formation of national/regional consortia
2. Preparation of tendering documents and an evaluation model
3. Carrying out joint procurement

Overview of procedure

As noted above, for this action our focus has altered to demonstrating the potential of joint procurement at the national (or regional) level in less experienced countries. As such the co-ordination of the actions will principally take place at the national level, with a minimal amount at the European level. Specifically the only Europe-wide conditions will be:

- The use of environmental criteria set by the LEAP project team
- Publication of tenders no later than 1st February 2006
- Publication in OJEU (the Official Journal of the European Union) through SIMAP

The exact tendering procedure, documents used, and evaluation model to be followed, together with the national consortia arrangements will be determined at the national level, with ICLEI providing advice as required.

For this to function effectively one authority in each country will need to take on the role of **Lead Authority**– responsible for developing these aspects and ensuring activities are carried out as planned, with ICLEI providing full support.

Task 1 - Formation of national/regional consortia

Recruitment of authorities for the consortia

For the joint procurement activities to be effective at the national level, a sufficiently large group of local authorities will need to be involved to ensure demand levels are high enough to interest the market. Within each country we should be aiming to have at least 5 or 6 individual authorities participating, including the Lead Authority.

A significant effort will therefore be needed to bring non-LEAP partners into the activity. The Lead Authorities will need to take responsibility for this recruitment. ICLEI will also contribute the contacts it has with other authorities in these countries.

Developing a model for consortium arrangements

A model will need to be developed defining how the consortium will function, and outlining responsibilities. A proposed model is presented below, which we will be glad to provide more information on. However, this is only provided for guidance, and the Lead Authority can adapt this as it requires.

Proposed consortium model

- Contractual model: A 3-4 year framework contract will be signed by the winning supplier and all participating local authorities. This will outline the framework conditions for purchasing (price, delivery conditions, performance of contract etc.), but will not include an obligation of quantities to be purchased. Each authority can then order supplies through this contract as they are required in one-off contracts.
- Responsibilities for the tender process:
- Lead Authority to draft the **tender documents** to be used. These will be circulated to all participating authorities for approval before publishing
- Lead authority will **collect all tender responses** and **check them for compliance** with the specifications
- An **Evaluation Panel** is set up with a representative from all participating authorities, and chaired by the Lead Authority. This panel will meet to **evaluate the tenders** according to an evaluation model agreed on when the tender documents are being drafted
- The Lead Authority will be responsible for **monitoring the performance of the contract**

Task 2 – Preparation of tender documents and evaluation model

The second step will be the preparation of the tender documents and evaluation procedure to be used, with the responsibility for drafting and approving these dependent on the consortium arrangement model decided upon in Task 1.

It is important to note that one of the reasons for minimising the European co-ordination of these documents and procedures is to minimise interference in well-established internal procedures. **It is intended that the Lead Authorities use their usual procedure, documents and evaluation model** adapted to include the environmental criteria and the inclusion of other authorities.

An indication of the documents which may need to be prepared is given below, based on information provided by Dave Starling (Lewisham), though this may vary from country to country:

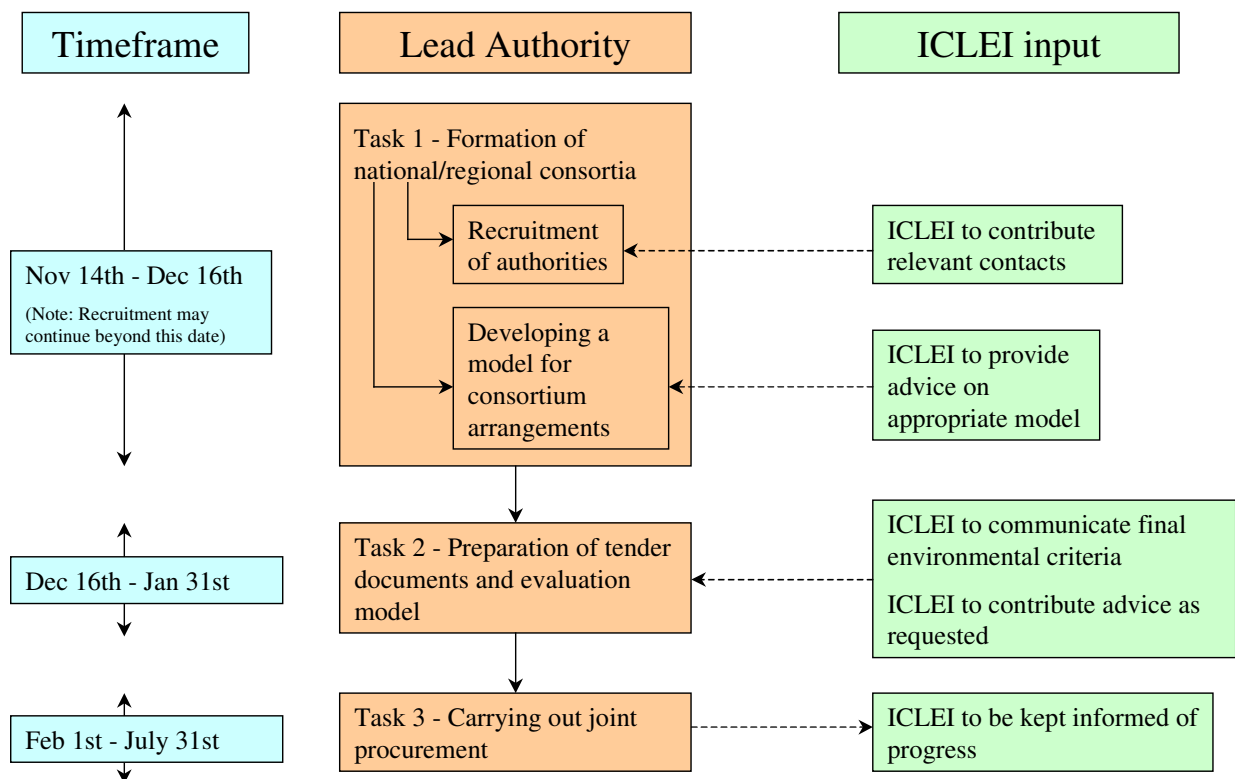
- Pre-qualification questionnaire (PQQ) and evaluation model (if required)
- Contract Notice (for publishing the tender in OJEU)
- Invitation to Tender (ITT)

- Technical specifications (including the environmental specifications set by the LEAP team)
- Model contract (to be signed with the winning bidder)
- Pricing schedule (indicating how potential bidders should provide their pricing information)
- Format for responses (outlining all information to be provided by potential bidders and the format to be used)
- Evaluation model (for determining how compliant bids will be evaluated to decide on a winning bid)

Task 3 – Carrying out joint procurement

As indicated above, the final tender must be published in OJEU by no later than 1st February to allow for 6 months to complete the procurement process, giving enough time to complete the report on the second joint procurement before the official end of the LEAP project.

The Lead Authority will need to take responsibility for ensuring this deadline is met. ICLEI should be kept informed on a regular basis, of latest status.



Annex B: Purchasing criteria for recycled paper

Technical specifications/ Mandatory requirements

Material inputs

At least 80% of the fibre raw material in the paper is recycled fibre

Verification: The tender has to present a certificate to demonstrate that at least 80% of the fibres are recycled. The certificates can be the Blue Angel or equivalent **or** a self-declaration.

A.1. Bleaching methods

Paper / fibres must not be bleached using any chlorine substances (TCF (Totally Chlorine Free))

Verification: Documentation/certificate from the manufacturer.

Other technical specifications

1. Whiteness level ≥ 80 according to ISO 2470 or equivalent

Verification: ISO certificate or equivalent

2. Durability > 100 years, according to ISO 9706, DIN 6738³ or equivalent

Verification: ISO or DIN certificate or equivalent

3. Compatibility with machinery: meeting DIN 19309, AFNOR Q11-013 standards or equivalent

Verification: DIN or AFNOR certificate, Blue Angel ecolabel or equivalent

³ The results of the DIN test must be LC/LDK 12.80

Annex C - BIODIESEL: Its Market Availability &

Contents

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Affect on Vehicle Manufacturers' Engine Warranties	

BIODIESEL

1. What is Biodiesel?

Biodiesel (Fatty Acid Methyl Ester) is fuel extracted from vegetable oils, such as rapeseed, soya & palm. Its advantages over Ultra Low Sulphur Diesel (ULSD) are:

- Carbon monoxide is reduced by 47%
- Particulates reduced by 48%
- All unburned hydrocarbons reduced by 67%
- Sulphur oxide removed completely
- 50-80% lifecycle carbon reduction

The disadvantages of biodiesel, compared to ULSD, are:

- Carbon dioxide is increased by 2%
- Nitrogen oxide is increased by 10% (6% with catalytic converter)

2. UK Biodiesel Market

Producers:

Company	Plant	Feedstock	Capacity (Tns/Yr)	
Global Commodities	Norfolk	Rapeseed	144,000	
Eternal Fuels	Milton Keynes	Cooking & Palm Oil	46,000	
Argent Energy	Motherwell	Palm Oil	40,000	
BIP Ltd	W. Midlands	Cooking Oil	12,000	
Seedzero Energy	Leicester	Multi-feed	8,000	
			250,000	
Future:			<i>(Indicative)</i>	Scheduled Prod. Start Date
Greenenergy	Immingham (1)	Rapeseed & Soy	100,000	End of 2006
Greenenergy	Immingham (2)	Rapeseed & Soy	100,000	Mid 2007
Biofuels Corporation	Teesside	Rapeseed, Soy & Palm Oil	250,000	2006 (delays)
Brocklesby Ltd	Hull	Multi-feed	18,000	Unknown
Global Commodities	Hull	Multi-feed	180,000	Unknown
			648,000	

Suppliers:

Company	Volume (Tns/Yr)*	Market %
Petroplus	14,800	80%
Greenenergy	1,000	5%
Others	2,700	15%
	18,500	

* Sold as a 5% blend (95% ULSD)

- The majority of feedstock used for producing biodiesel comes from Europe
- The majority of product bought by Petroplus & Greenenergy comes from Europe
- The majority of the biodiesel produced in the UK is supplied to Europe, particularly Germany
- Global Commodities currently supply Greenenergy with a proportion of their product, along with a number of smaller distributors of biodiesel, such as Rix Petroleum & CPS
- Suppliers blend biodiesel with ULSD, usually as 5% biodiesel & 95% ULSD, *as vehicle manufacturers' engine warranties do not generally cover blends greater than 5%. (In recognition of the blending cost and the environmental benefits of biodiesel, the Government gives biodiesel a 20 pence per litre duty rebate.)*
- Petroplus have storage facilities at Milton Haven & Grangemouth
- Greenenergy have storage facilities at West Thurrock, the Thames, Immingham, Leeds & Grangemouth
- Greenenergy have set up "Field to Forecourt" contracts with 1,500 UK farmers, to supply feedstock (160,000 tonnes/year of rapeseed - 10% of UK crop) to the new Immingham production plant. *(At the moment, due to limited production capacity, Greenenergy cannot guarantee the supply of 5% biodiesel blend (with blends of 3-4 % common), but ensure the equivalent net greenhouse gas benefit by attributing carbon offset credits (awarded to fuel sold by Greenenergy, as a result of independent "whole-of-life" research of emission reduction projects.)*
- Petroplus have been supplying biodiesel to the north of England since March 2003. They expanded their distribution capacity into Scotland in March 2004. Further

expansion is planned so as to cover the Midlands during the 1st quarter of 2006, then the South East in the 2nd quarter of 2006.

- Greenergy's customers include supermarkets (incl. Tesco), Local Authorities (contracts have been arranged by ESPO), & oil companies
- Petroplus supplies 80% of the UK biodiesel market, including via a bunker network

3. UK Biodiesel Market Drivers

- The main factor influencing the growth of the UK biodiesel market is the availability of product
- In the short term (*as can be seen from the 'Producers' table above*), production capacity (availability) is scheduled to increase significantly, beginning with Greenergy's Immingham plant coming online towards the end of 2006
- Greenergy suggest that come the end of 2006, the possibility of supplying a group of local authorities may be more feasible
- As mentioned in the section above, Petroplus's ability to supply biodiesel will be further enhanced throughout 2006, as its distribution capacity expands
- In the longer term, the primary factor on which any further expansion of the UK biodiesel market is dependent, is the UK Government imposing the Renewable Transport Fuel Obligation (RTFO) (as part of the EU Biofuels Directive 2003/30)
- The RTFO would work by issuing fuel suppliers with a biofuel use target (i.e. 5% of all fuel sold on UK forecourts must come from renewable sources by 2010)
- The UK Government is still consulting with the public over the issuing of a RTFO
- The RTFO is scheduled to be introduced in April 2008
- Once the RTFO is introduced, the current 20 pence per litre duty rebate on (100%) biodiesel is likely to be reduced or abolished (though the Government will need to carefully manage this rebate change to maintain growth)
- The 'Major' fuel suppliers are awaiting the introduction of the RTFO before entering the biodiesel market:
 - **Texaco (Kevin Barnes, Product Engineering Dept Manager)**: "We have so far not used bio-products to any great extent in our road fuels as these components

are more expensive than the mineral oil they would displace, this despite the reduced duty incentive applied to bio fuels. This would have increased the fuel costs to our customers and made us less competitive in the market place vs. suppliers not using bio-components. Additionally, the integrated fuels supply structure in the UK, which is designed to keep fuel delivery costs at a minimum, means that unless all suppliers start to use biofuels, we could not guarantee that a customer's fuel would actually contain a bio-component.

We are actively looking to meet the requirements of the RTFO though the timing for launch it still to be determined though this particularly, depends on decisions taken by the government.”

○ **Shell (Michelle Morton, Atlantic Supply Fuels Product Management**

and HSSE): “We don't have a single position paper on biofuels in Shell UK. This is partly because the situation is changing every day!

In general, we don't yet have biodiesel because it's not been economic with only 20 ppl duty rebate. However, things are changing rapidly with the oil price being high and the RTFO recently announced so obviously Shell UK will have biodiesel by April 2008 latest. We may have smaller niche options (100% biodiesel, etc.) available sooner and these need exploring with Commercial in more detail. I am raising this at the EU biofuels workshop on Feb 1 and will see where that leads”

- A further factor inhibiting the growth of the UK biodiesel market is vehicle manufacturers' engine warranties not generally covering the use of biodiesel blends that include more than 5% biodiesel (95% ULSD)

4. Future Biodiesel Price

- ESPO has arranged biodiesel (5% blend) call-off contracts with Greenergy for two Councils (one in the Midlands, another in the East of England), based on a Weekly Lagged Platts Pricing Mechanism. These work out at 0.45 pence per litre (0.6%) more expensive than for ULSD
- Greenergy suggests that the economies of scale that will result from its Immingham plant, and other plants, coming online, will lead to a reduction in the premium for 5% blend biodiesel
- The new plant will also be more efficient than the current 'second-hand' plant, further reducing operating costs per unit, allowing the biodiesel premium to be reduced
- Further factors that will influence the future price of biodiesel are the cost of feedstock (e.g. rapeseed, soya & sunflower) & ULSD (a derivative of crude oil), which are globally traded commodities. The feedstock markets have a further dynamism, as the commodities have both a food & industrial use

5. Engine Warranties

- Generally, all vehicle manufacturers endorse the use of a 5% blend of biodiesel, as it meets the existing EN590 automotive fuels specification. (Note: EN590 allows for 5% impurities anyway.) See '*Appendices - Vehicle Manufacturers' Position on Biodiesel*'.
- Below is a list of the existing vehicle warranties covering the use of 100% biodiesel (conforming with the European automotive fuels specification EN 14214):

Audi	Personal cars	All TDI models since 1996
BMW	Personal cars	Model 525 tds/1997 onwards, 3 + 5 series diesel since 2001
Case-IH	Tractors	All models since 1971
Caterpillar	MMT, Industrial, marine	All engines except some Perkins
Claas	Combines, Tractors	Warranties exist
Faryman Diesel	Engines	Warranties exist
Fiatagri	Tractors	For new models
Ford	AG Tractors	For new models
Holder	Tractors	Warranties exist
Iseki	Tractors	Series 3000 and 5000
Iveco	Truck	Cursor since 2000
John Deere	Combines, tractors	Warranties since 1987
KHD	Tractors	Warranties exist
Kubota	Tractors	Series OC, Super Mini, 05,03
Lamborghini	Tractors	Series 1000
MAN	Truck	Engine numbers 8953591 to 8953001
Mercedes-Benz	Personal cars	Series C and E 220, C200 and C220, a.o.
	Lorry, bus	Series BR300, 400, Unimog 1988 a.o.
Nissan	Personal car	Type Primera since 2001
PSA	Personal car	All Hdi up to 30% biodiesel Blend*, Tractors Since 1990
Seat	Personal cars	All TDI since 1996
Skoda	Personal cars	All TDI since 1996
Steyr	Tractors	Since 1988

	Boats	Series M16, TCAM and M14 TCAM
Valmet	Tractors	Since 1991
Volkswagen	Personal cars	All TDI series since 1996, new Sdi series (EURO-3)
Volvo	Personal cars	Series S80-D, S70-TDI, V70-TD

Source: Rix Petroleum

- Petroplus are currently trialling a 20% biodiesel blend (80% ULSD) on low residual value vehicles

6. Summary

- The UK's biodiesel market is well integrated with Europe, with the majority of feedstock used for producing biodiesel in the UK coming from Europe, the majority of biodiesel bought by UK suppliers coming from Europe, and the majority of biodiesel produced in the UK being supplied to Europe
- The UK's capacity to produce biodiesel is due to increase significantly over the next few years, with a number of new plants at varying stages of planning & construction. (Greenergy's first Immingham plant, with a capacity of 100,000 tonnes p.a., is due to become operational towards the end of 2006)
- Petroplus (the biggest supplier of biodiesel in the UK, with 80% of the market) is due to expand its distribution coverage beyond the north of England & Scotland, into the Midlands & the South East throughout 2006
- This bodes well as the main factor influencing the growth of the UK biodiesel market is the availability of product
- The 'Major' fuel suppliers await the introduction of the Renewable Transport Fuel Obligation before entering the biodiesel market (which is due in April 2008)
- A further factor inhibiting the growth of the biodiesel market is that whilst generally endorsing the use of a 5% blend of biodiesel (which is in line with the EN590 automotive fuels specification), vehicle manufacturers do not generally endorse the use of biodiesel blends greater than 5%, *at the moment*
- Petroplus, the leading biodiesel supplier in the UK, is currently trialling a 20% biodiesel blend (80% ULSD) on low residual value vehicles

Appendices

Vehicle Manufacturers' Position on Biodiesel

ABCDE A

DV

LDV Group Limited

Mr James Trotter
 Energy Section
 Eastern Shires Purchasing Organisation
 Barnsdale Way
 Grove Park
 Enderby
 LEICESTER
 LE19 1ES
 February 2006

Bromford House
 Drews Lane, Birmingham B8 2QG
 Telephone: 0121-322 2000
 Fax: 0121-327 4487

6th**Biodiesel and Engine Warranties**

Dear Mr Trotter

LDV's policy regarding the use of Biodiesel is derived directly from the policy of our equipment suppliers, VM Motori for engines and Robert Bosch for the fuel injection system fitted to those engines.

The position of these, and other competitor suppliers, was defined in a joint statement, Diesel Fuel Injection Equipment Manufacturers Common Position Statement, issued in June 2004. A copy is attached for your reference.

In summary, this statement defines two specific requirements for the use of biodiesel:

Fatty Acid Methyl Esters (FAME) which are used as an additive to mineral diesel fuel must conform to the European standard EN14214.

FAME conforming to EN14214 can be added in quantities of not more than 5% to mineral diesel fuel. The resultant fuel blend must be in conformance to European Fuel Standard EN590.

LDV's terms of warranty support the use of biodiesel within these defined standards. Use of fuels that do not conform to these standards is likely to result in premature failure of the vehicle fuel system and would invalidate the vehicle warranty in the affected areas.

I hope that provides you with the information required. Please do not hesitate to contact me if you require further clarification

Yours sincerely

**James Billingham BSc DMS CEng
MIEE
Quality Manager – LDV Group Limited**

Regi:
Bror
Drew
Reni:



7th February 2006

BG / Tech

Energy Section
Eastern Shires Purchasing Organisation
Barnsdale Way
Grove Park
Enderby
Leicester
LE19 1ES

Dear Sir

Reference Biodiesel Suitability and Warranty

Thank you for your letter dated 31st January in connection with the above.

Currently NO Kia vehicles have undergone testing for use with alternative fuels such as biodiesel. For this reason Kia Motors Corporation would not cover any engine or fuel system failures that are directly attributable to the use of such fuels.

I trust that this clarifies our current situation, but if I can be of any further assistance please contact me directly.

Yours faithfully

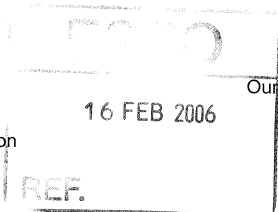
Bob Greagsby
Technical Manager

Toyota (GB) PLC

Great Burgh
Burgh Heath
Epsom
Surrey KT18 5UX
Telephone: 01737 363633
Facsimile: 01737 367700
www.toyota.co.uk



Mr James Trotter
Energy Section
Eastern Shires Purchasing Organisation
The E S P O Building, Barnsdale Way
Grove Park, Enderby
Leicester
Leicestershire
LE19 1ES



Our ref 442951

13 February 2006

Dear Mr Trotter

Thank you for your letter dated 31 January 2006.

I can confirm on behalf of both Toyota (GB) PLC and Lexus (GB) Ltd, that the manufacturers warranty will not be invalidated by the use of biodiesel, providing the blended element does not exceed 5% of the overall diesel volume. If vehicles were outside those parameters, then any claims under the manufacturer's warranty would be assessed on a case by case basis.

I trust this is of assistance and thank you for taking the time to write to us.

Yours sincerely

Samantha Betts
Customer Support Co-ordinator