

# XPRESS CASE STUDIES ON BARRIERS TO INVESTMENTS IN RENEWABLE ENERGY SOURCES

## – GERMANY –

This case is based on interviews with two public procurers at a German County. The district (county) processed a tender for green electricity of the district with its 22 municipalities (population: 245 000). The county has developed a Master plan: 100% climate protection with three pillars, renewable energy, energy efficiency and energy avoidance.

There are two respondents participated in the interview. The first one is responsible for energy purchasing for the district, and his main job is in climate protection management and energy management. The second participant is the head of the department of Rural areas and Consumer protection of which the Climate Protection and Renewable Energies Department is a part of.

### *Analysis of current situation*

#### *a. Sustainability strategies, energy related strategies*

The district has developed a climate protection concept and the *master plan for 100% renewable energies* based on the climate protection concept. These are two support programs from the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety and therein the goals for sustainability are defined. In addition to energy efficiency and energy saving, the district also produces the energy in a renewable way. The district also built a sustainability concept on top of the climate program two years ago, where the 17 UN criteria for sustainability are the basis of it. In summary, the district has a clear strategy and that is the basis for the climate program.

The district has now also launched a so-called 50-roofs program as part of the climate protection action program. The 50-roofs program describes 50 further roofs where the district would like to build photovoltaics in order to be able to cover its own electricity requirements to a large extent.

#### *b. PP strategy or regulations*

The district usually uses open tendering procedures so that the free market can also apply. Via the German e-tendering system, tenders are published. In principle, this is done or carried out in the open awarding procedure and the purchases are then published by the district in the German e-tender as it is done in the open procedure.

The procurement of the energy sources is in charged by the specialist service *Renewable Energy* since 2014. The goal of this unit is to procure 100% sustainable and green electricity.



The general purchase or the procurement runs over other organizational units of the district. At the moment in the run-up to the climate emergency, which was under discussion throughout Germany, this district has developed a climate protection action plan in which the procurement system is also examined. Within this framework a new procurement guideline is being developed.

The determination of the tender's framework conditions were decided politically. Enabling the participation of municipalities and own companies as well as central coordination were important goals. Service providers were hired that could carry out the operational work for setting up the tender such as define *green electricity*, define *service specifications* (contract periods, notice periods, ...), define *lots* (street lamps, heat, etc., if necessary separately), review of *acceptance points* (load profile data, etc.).

In terms of energy and electricity procurement, the district is not only using these so-called certificates of origin to buy green electricity from electricity that was produced conventionally and then re-labelled as hydropower. Instead, they use differently labeled electricity, for example the ok-power label from TÜV-Nord and TÜV-Süd. With this we want to make sure that the energy we buy is actually from a renewable energy source.

They are somehow aware of the LCA, "it is already in the minds that durability and specific energy consumption has to be taken into account... not only the cheapest, but the best value for money is chosen", but its usage is neither formalized nor implemented.

#### c. PP & supplier engagement

They have used dialogue forms such as a workshop with potential suppliers, but rarely. They consider it important "that the supplier provides us with certain references" and that pre-defined criteria are met. Given this, the price is decisive.

#### d. PP & SME

Usually, the electrical installation firms that maintain the regular repairing etc. are naturally appropriate for larger orders. But smaller enterprises or enterprises without so much experience are shy away from tendering portals. SMEs perceive the effort to get used to the new portals and tendering procedures is too big, also the legal framework conditions that a public authority has are complex.

The respondents think it would be helpful for more SMEs to participate in public tenders if there were criteria such as regional specificities or basic information about social standards. In other words, the PAs could bring in a few additional factors, where perhaps one or the other smaller company has an advantage. Moreover, smaller firms can set out on their own or form alliances so that they can get win more tenders and get more orders. This is also an important point that smaller craftsmen's businesses have to join forces to a certain extent in order to be able to participate in a tender, and perhaps also process larger contracts. From the awarding side, the PA's hands are naturally tied.



The green electricity tender is a good example that SMEs can benefit from. At the very beginning, the aim was to fix as large a quantity as possible at a fixed price for three years. Today it is almost like that that one must actually negotiate and tender a procurement mode with the partner. The district is currently working on topics such as balancing groups and regional electricity, where additional services and activities are being negotiated. And that is a great opportunity for small energy suppliers, for such municipal or regional utilities, because they can simply offer electricity, but it is also a service, and the municipalities also benefit from it. It is also the case where a win-win situation can be achieved.

The major challenges for potential suppliers were the long contract duration and many delivery points (acceptance points) with partly low consumption. The main advantages of the joint tender were more favorable conditions due to larger tender volume, less administrative effort, inclusion of smaller communities and creating a role model effect of public institutions purchasing green electricity.

#### *Potential barriers for SMEs to participate in PP:*

- SMEs must be ready to fulfill the formalities. Many SMEs consider the procedure a black box.

*“Many people find it too costly or think that there are sitting bureaucrats, who will not pay out the money for my service timely.”*

*“there is the problem with companies who say that the effort to get used to the new portals and tendering procedures is too big.”*

*“there are the legal framework conditions that a public authority has. ... A little more leeway for all those involved would be helpful, for example, it would be helpful if there were criteria such as regional specificities or basic information about social standards or something like that. “*

*“Not all SMEs understand what we are asking for; they do not have the knowledge of the process”*

- Small SMEs should get involved into cooperation with others.
- Shortage of supplier firms for “green” electricity is a problem.

#### *Drivers for SMEs to participate in PP:*

- Increasing demand for green electricity is a big opportunity for all supplier firms.
- The flexibility of SMEs is an advantage: *“Big players have no interest in such small “drips and drabs”*. It can be a good thing for a small energy supplier, and PAs as customers and the other municipalities also benefit from it.
- Cooperation is considered be the key factor for success *“smaller craftsmen's businesses have to join forces to a certain extent in order to be able to participate in a tender, and perhaps also process larger contracts.”*
- It is considered to be recommendable to *“bring in a few additional factors, where perhaps one or the other smaller company has an advantage.”*



*“I think an important process is simply to get involved in this field of municipal business.”*

- Suppliers taking initiative themselves: *“I always find it important and courageous when the suppliers say we have something new, we offer a product, we take the step towards sustainable products.”*

