

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

## – GERMANY –

This case is based on two interviews, one is with the head of the procurement services in a city in Germany and the other one is with the head the Department of Environmental Precaution and Planning in the city.

### *Analysis of current situation*

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

In accordance with the goals of the Paris Convention, the city wants to reduce greenhouse gas emissions by at least 40% by 2030, become climate-neutral by 2035 and switch completely to renewable energies by then. There is also a concept to switch completely to electric mobility. The goal is to cover the majority of the energy demand by 2035 with renewable energy. In addition, there is also a sustainability strategy "Implementing Agenda 2030", which is basically part of the second topic of climate and energy, which takes up the climate protection goals and develops strategic and operational instruments etc. In this respect there is a strategy for the entire city, in which the procurement process is, of course, embedded.

The main task areas of the department of Environmental Precaution and Planning are local climate protection within the focus area Climate Protection. The department oversees the agenda office for sustainable development. They also create standards and have been doing a systematic analysis of the environmental compatibility of the things the city procures.

This city is one of six German pilot municipalities to support the creation of sustainability strategies. An operational goal exists that all procurement procedures are carried out according to sustainability aspects and criteria are specified for this. For example, the city council has already decided that they will introduce a so-called solar obligation for new buildings from 01.01.2021 on. The climate protection goals include a reduction of greenhouse gas emissions by at least 40% by 2030, climate-neutrality by 2035 and a complete switch to renewable energies by then. The city also has adopted the sustainability strategy "Implementing Agenda 2030" which takes up the climate protection goals and develops strategic and operational instruments etc.

The city follows a Master plan for the energy transition and climate protection. The aim of protecting the climate, due to a Council decision, also holds when purchasing vehicles and equipment. The interview partner provides us with a document tendering a conventional and an e-vehicle in one process.

The city is also considering the application of the Photo Voltaic (PV) systems. Politics is on its way in this respect. Another topic is about the municipal vehicle fleet. They had the political requirement to achieve the best possible energy effectiveness years ago, i.e. the lowest



possible level of pollution, etc. Currently, they are also in the process of retrofitting the catalytic converters in existing diesel vehicles, which is a very ambitious project. Also, the change from gasoline vehicles to electric vehicles, whenever possible, is an important topic in the climate protection strategy. They have bought one of the first e-scooters within a joint project with the Postal Service Company and are continuing to expand this area. They have purchased about 30 VW e-ups, which are now in use throughout the administration. They are currently converting their bicycle fleet to e-bikes and they have also bought an e-truck. They aim to reduce the number of necessary vehicles by implementing a system with container solutions: *“we have achieved a reduction of 50% in terms of vehicles”*.

#### b. PP strategy or regulations

The city has a decentralized procurement management. In the area of construction contracts, there are guidelines that architects and engineers take into account accordingly, i.e. up to the passive house or also, control issues. They are currently trying to ensure a central energy management to get an overview of the consumption and problems with heating systems, etc.

They are conservative in their tendering approach, i.e. limited tendering depending on the contract value. They write what they want in the directory of services and the bidder has to deliver that, and then, they only consider the price. This unit coordinates procurement activities above a certain contract value in such a way that they accompany and publish the procedures, carries out communication with the bidders, checks the calculation in the offers, and accompanies and advises the colleagues in the specialized departments.

The city works with our municipal energy supplier in RES, which is a 100% subsidiary. The city has many Photo Voltaic (PV) systems on own properties, a considerable number of which were built directly by the municipal utilities under a leasing model. This means that the city does not go into tendering procedures to acquire necessary energy supply, but instead award the contracts directly to the municipal utilities.

There is awareness of the LCA but scepticism about whether it works in practice. Innovative procurement is considered as difficult to implement because of budgetary goals and restrictions.

#### c. PP & supplier engagement

The unit does not have an established strategy for dialogue with RES suppliers in the pre-tender phase but there is some dialogue that is a result of regular cooperation with the companies, and very rarely they conduct workshops with potential suppliers. It was mentioned, that in another area, the procurement of services and protective clothing, they conducted a bidder dialogue and have openly communicated that, and the results of this dialogue were communicated in the following tender.

#### d. PP & SME

According to the interview partner, a lack of SME participation is not a problem in the municipal procurement.



### Barriers

- Electric vehicles needed by the city (buses, firetrucks, vehicles for park management etc.): thin markets, that is, only a few suppliers exist.
- SME involvement is in the focus of municipal procurement but, because of the thin markets, often SMEs are only present via local subsidiaries of large vehicle producer companies.
- Money
- Not starting with the implementation: *"And one should not make giant concepts again "how, where, what", but one should simply start."*

### Drivers

- A critical success factors for SMEs to be suppliers to the municipality is that SMEs are more flexible to deliver specific equipment which the big suppliers deny delivering.
- Procurement in the area of RES: *"it is like rolling a medicine ball. If you don't actively push the ball, the ball does not move, it stays. A medicine ball is not necessarily a self-runner. [We saw with the fair procurement of clothing] that it is only then a self-runner, ..... because the market players saw that fair procurement is a topic with which one can score."*
- Political support: *"because all the things I have just mentioned are ultimately based on political decisions."*
- Acceptance of measures to switch to RES by the citizens.
- Appropriate human resources in the administration so that these things can be brought forward and can be controlled. *"we have that in our control center for climate protection."*
- Joining networks and learning from others

