

**ENVIRONMENTAL
PURCHASING: LOOKING
BEYOND THE
ENVIRONMENTAL BENEFITS**

Eun-Sook Goidel

Pacific NW Pollution Prevention Resource Center

Seattle, Washington

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ABOUT PPRC

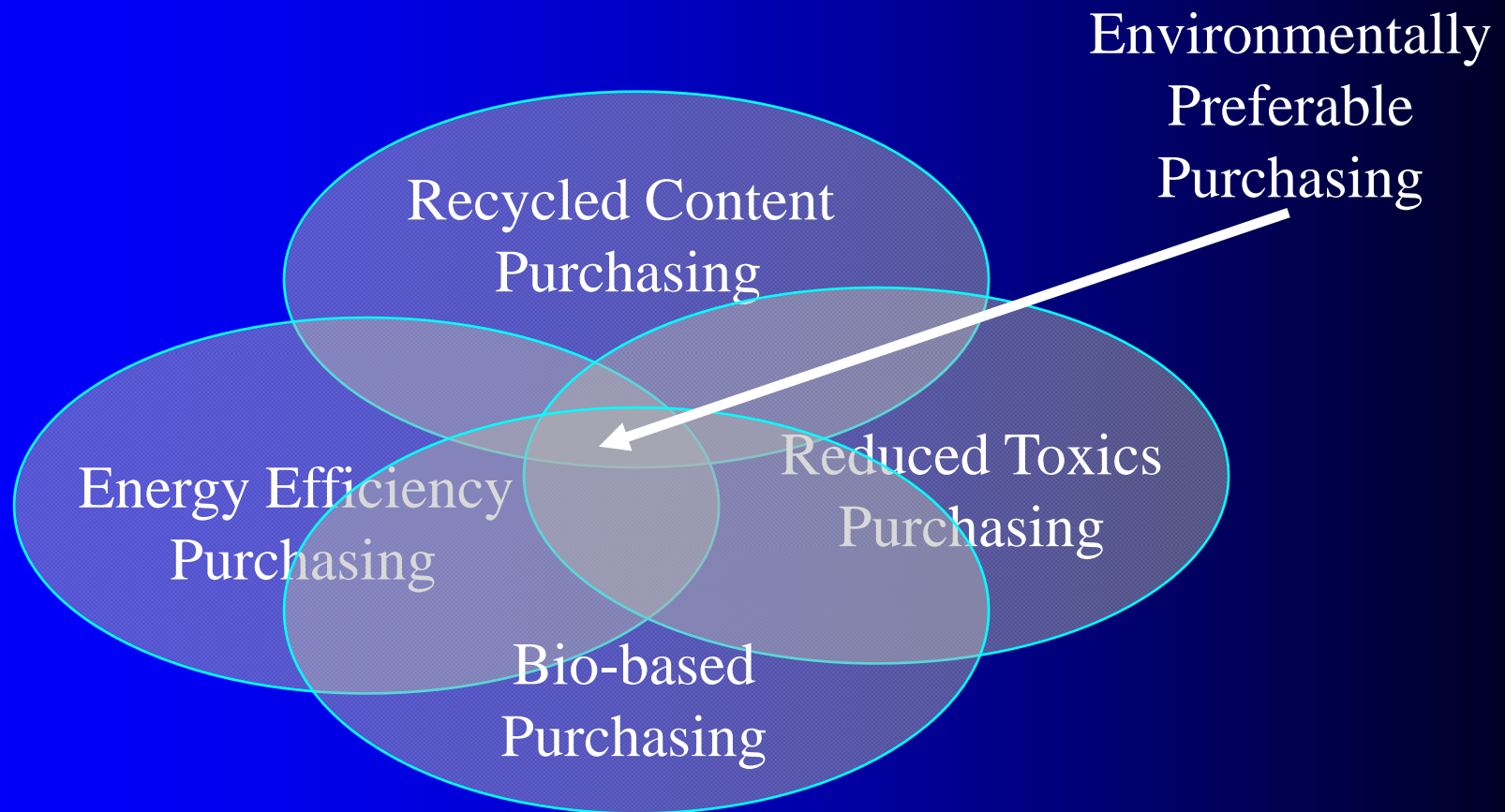
- A NW regional non-profit established in 1990 to promote environmental protection through pollution prevention (P2).
- Develop environmental purchasing strategies and tools for institutional purchasers.
- NW's leading source of high quality, unbiased P2 information.

WHAT IS ENVIRONMENTAL PURCHASING?

...Incorporating key environmental factors with traditional **price** and **performance** considerations in purchasing decisions.



EVOLUTION OF ENVIRONMENTAL PURCHASING



SUSTAINABLE PURCHASING

- Balancing the three “E”s:
 - Environment
 - Economics
 - Equity
- Next iteration in the continuous improvement model...



**WHAT MOTIVATES
ORGANIZATIONS TO
PURSUE
ENVIRONMENTAL
PURCHASING?**

ORGANIZATIONS ARE MOTIVATED BY THESE...



WHAT ARE THE OTHER MOTIVATORS?

- It's required
 - Statutory, policy requirements
 - External demands (e.g., from customer, shareholders, public opinion, etc.)
- Reduced Liability
- Reduced Costs
- Convergence of Business and Environmental Goals
- Product differentiation; competitive advantage

“IT’S REQUIRED”

IT'S REQUIRED

- Federal statutes and a series of Presidential Executive Orders require federal agencies to purchase environmental products and services (see <http://www.ofee.gov>)
- Forty-seven states have some type of a green purchasing policy; numerous local governments do as well (see <http://www.newdream.org/procure/policy/index.php>)



IT'S 'REQUIRED'

- **External Pressures -- Home Depot Example***
 - 1997-1999: Environmentalists protest at hundreds of Home Depot stores.
 - August 1999: Home Depot says it won't purchase wood from endangered forests.
 - 2002: Home Depot cuts purchases from Indonesian suppliers to \$50 million from \$500 million in 2000.
 - November 2003: Home Depot brokers an agreement between environmentalists and Chile's two largest timber producers to protect native Chilean forests.



* As reported in Wall Street Journal, August 6, 2004

REDUCE LIABILITY

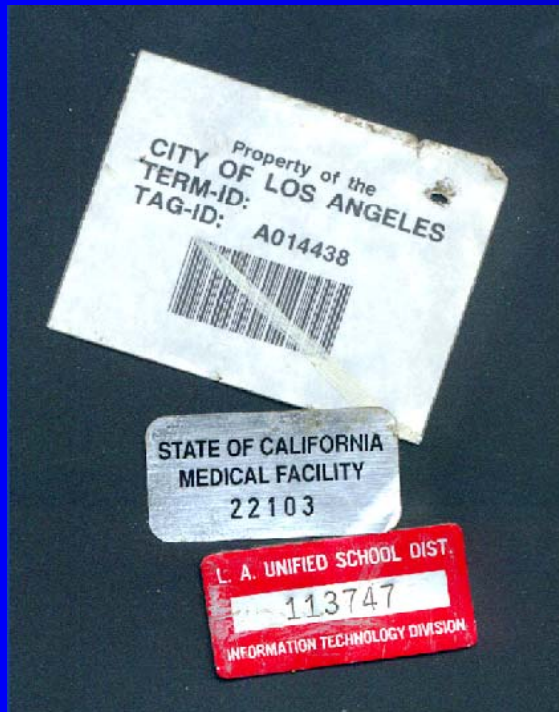
REDUCE LIABILITY: EXAMPLE OF ELECTRONICS

- Electronic equipment contains hazardous and toxic substances such as lead, mercury, chromium, and cadmium.
- Electronics designated as a hazardous waste under RCRA.
- Liability exposure results from illegal, or poorly considered, disposal and recycling practices. (“The Six O’Clock News” factor.)



LIABILITY EXPOSURE OF ELECTRONICS

Property tags on
equipment from China



Abandoned truck with
abandoned e-waste;
Snohomish County, WA, USA



Equipment
transport
In China



Top photos courtesy of Basel Action Network (www.BAN.org) and Silicon Valley Toxics Coalition (www.SVTC.org)

Reduce Liability: Example of Electronics



- Due to liability concerns, Bonneville Power Administration (BPA) chose to purchase services of a recycler to manage electronics in an environmentally responsible manner.
- BPA is also changing its procurement standards to minimize environmental impacts of its IT equipment.

REDUCE COSTS

REDUCE COSTS



- **\$ 16 million:** Differential in supply expenses from 23% of annual net revenue to 17.2% through purchase of recyclable and reusable products. (Swedish Medical Center, Seattle, Washington)

As documented in PPRC's Report: "*Environmentally Preferable Purchasing (EPP) Programs and Strategies: Integrating Environmental and Social Factors into Procurement Practices*" found at: <http://www.pprc.org/solutions/epp.cfm>

**CONVERGENCE OF BUSINESS
AND ENVIRONMENTAL
GOALS**

CONVERGENCE OF GOALS

- Copernicus Project re-engineered City of Seattle's procurement system that includes environmental and social considerations. Resulted in \$3.14 million in direct cost savings in 2002.



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**PRODUCT DIFFERENTIATION/
COMPETITIVE ADVANTAGE**

PRODUCT DIFFERENTIATION

- Collins & Aikman Floorcovering, Inc is one example of a company that has distinguished its products based on environmental performance.
- Examples are more abundant in Europe and Japan
 - Environmental profiles of products are much more readily available
 - Customers tend to look for and distinguish among products based on environmental performance
- Will there be a trend here in the U.S.?

QUESTIONS?

Contact:

Eun-Sook Goidel

Pacific NW Pollution Prevention Resource
Center

esgoidel@pprc.org