

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

## – SWEDEN –

### *Description of the case*

This case is based on an interview with a public authority in north of Sweden. They have 17 people in the procurement division, and they procure 1.4 billion SEK per year.

This municipality is well-known in Sweden as one of the pioneers of using electronic tender system. This capacity to hold e-tenders which demands that they provide detailed documentations and answering inquiries has helped them to navigate easier to environmentally friendly procurements. Also, procurement department from several years ago has had a chair in the strategic meetings of the community meaning that procurement has a strategic role in the municipality.

Due to importance of environmental considerations Sweden, and specifically in north of Sweden which includes several natural heritages, it is important to increase the level of renewables and innovative solutions in the procurements. Also, in Sweden people are very nature oriented which is another reason for the success in moving toward environmentally friendlier solutions. Also, due to geographical distance of this town to the capital (1000 km) it is interesting to study how they deal with the challenges of electrification and finding suppliers for renewables.

Geographical distance is another theme presented in the interview. Sweden is a big country and geographical distance of this municipality to the capital is almost 1 000 kilometers. The long and cold winter reduces possibilities to use electric cars and placing more solid criteria on suppliers and supplies.

### *Analysis of current situation*

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

This municipality has fossil-free transport and environmental strategies with the focus on sustainable energies. Also, based on the vision of 2050, which is developed from Agenda 2030, there is a strategy called “sustainable energy for everyone”. Municipality follows the agenda in Sweden to cut fossil fuels. There is document called Vision 2050 which is developed from agenda 2030 which explains different strategies and actions that this municipality has in hand to become fossil fuel free.

Sustainable development is important for the municipality. They have had several procurements related to RES. Human resources to maintain tenders with more precise requirements is a need for them. The municipality has the responsibility to serve the people in



the region through different activities as well as procurement. Also, preserving natural resources, reducing carbon emission, using sustainable means of transport are among the top priorities in environmental issues.

Geographical distance has limited their opportunity to have a bunch of suppliers to choose in between. Also, it has reduced their speed of placing environmental criteria with the pace that infrastructures in other regions of Sweden are developing. The pace of electrification, biofuels, and other means of transport and heating is high in Stockholm, but it reduces as one goes further away from the capital.

Also, municipality needs to consider using economic resources in a cost-effective way. It means that the lowest price bid is not the most popular form of the procurement. Economic considerations are important in tenders. They use different ways of procurement with a major focus on open procedure. They began using LCA some time ago, and they are on a right track to include more LCA based procurements which results in more sustainable procurements. However, they have not found it easy to use. It demands great resources from procurement division, but they sometimes use it.

As many other public actors, they were not ready for Covid-19. It has absorbed lot of resources from them and it might reduce the level of investment that they had plans to do related to renewables.

#### b. PP strategy or regulations & support for SMEs

During 2019, the municipality had a project about sustainable procurement which resulted in a new policy and guidelines for sustainable procurement. The policy is building on both inner and outer goals as part of the overarching program vision 2050. Also, they have the national procurement strategy which are the global goals for agenda 2030, and the ISO-standard 24000 for sustainable procurement.

These policies point toward guidelines and guidelines are interconnected with each other and the procurement process. Hence, sustainability is in everything they do.

Municipality follows the political agenda decides by politicians and policy makers. These policies are decided by political parties that they are in charge for a certain period in the municipality. It gives a strategic role to the procurement that it should follow the political decisions in the procurements.

#### c. PP & supplier engagement

Marketing activities that the municipality has been doing for several years has helped them to be positioned as a fair and environmentally friendly municipality. This has helped them to easily lift the level of criteria toward SMEs and larger organizations to maintain more tenders with economically most advantageous criteria.

It is a mandatory action in their pre-tender phase. But depending on the object it's sometimes only like a phone call or two, but at most of the time they tend to make it quite a lot. They are



very active in the supply chain. They participate in a lot of tender schools and supplier meetings, in the project organization, the Swedish Federation of Business Owners, confederation of Swedish Enterprise. Also, they have, once in a month plan to check suppliers to assess which one they shall meet disregarded if they are in contract with them or not. If the decision is to visit a supplier, it can be planned or spontaneous. They often speak to them first, so supplier know they are coming. Just an opportunity for them to speak to procurers and if they have any questions about procurements.

They make purchasing plan for 12 months indicating what they are going to do in the next 12 months. They also have checklists, so when they talk with suppliers, they need to check some things because they must talk to them about trends, sustainability, and what is in the pipe for them. How they look at the municipality in general, if they have points on issues that should be done better, less of, more of, etc. So, they have some sort of checklist on what to do. Also, they know what they are going to do soon, talking about the assignment coming up. Is the contract big? What are requirements? How should they take this assignment on themselves? Should they do tips and tricks, open talks really?

As a municipality they are kind of opened, their budget is like an opened book. So, the figures are opened to the suppliers. But things can change, there can suddenly be a pandemic, and the money is transferred to other areas and so on. So, partly, they talk about the money and if they have a specific procurement that they talk about, of course the municipality have an idea of this is what they are going to spend the budget on. But it can also change. The dialogue with the suppliers says that it is okay, but if they are going to be sustainable, then they are going to double that up. They must check with that finance people and talk to them and see how they will handle it. And perhaps, they can have an increased budget for that object, sometimes not, but it happens.

They used to do a lot of Prior Information Notice (PIN). They are not doing it as much as they used to right now. It is unclear if it is because of that they have been busy with the pandemic, or other reasons. But yes, they try to be as transparent as possible and doing a lot of pre-information, both locally and of course now in the TED database as well. They also have it on the municipality website. There they have the planned procurement, so it's free for everyone to look at.

They actively engage with suppliers through different means. One of these instruments is supplier satisfaction survey that they send to their suppliers to know how satisfied they are with the contract and the existing relationship. They also plan their procurements for 12 months and they communicate it with suppliers and receive input on that.

#### d. PP & SME

The municipality has a goal that they should develop the local companies. So, they are doing a lot. They are aiming for a lot more dialogues, that is why they are doing the pre-tender information which they list the local companies, regularly. They also have an e-service for the SME suppliers. Where they can be seen, and say 'hello, I'm here', 'I can offer you this'. It makes it easier for procurers to contact SMEs to have the dialogues, and participating in all these



entrepreneurial breakfasts, and business organization as well as tender meetings. They try to be out as much as they can.

They actively search in the market for new solutions. They are active in pre-tender meeting, exchanging information and reaching suppliers. This will help them to setup procurements that can result in enough number of participants. Otherwise, there is a risk for having tenders that no SMEs can attend in it. They try to do a lot of external collaborations, split the contracts, and simplifying the tenders regarding language and structure, try to reduce the numbers of requirements, and use special contract terms. They try to develop the contract view in the agreement period, using a lot of verbal presentations of the offer, and verbal evaluations of the offers. Procurers try to think about the business model. If it is fixed price, then it could be hard for a small supplier to attend. It is a high risk, for the SMEs. Procurers need to think guaranteed volume to attract the SMEs. Also, to use the accurate currency, because they do not always ask for prices in Swedish Cronas. They try to do small things and get better and try talking and evaluating their own work. They also send out supplier satisfaction survey which is a questionnaire for all suppliers to get feedback. What procurers have been good at, or bad? What can they do better?

#### *Barriers & Drivers: Identification*

- One of the things is the lack of knowledge. They sometimes get a bit overwhelmed because it is kind of bureaucratic language, very formal. They have to talk about the procurement through the procurement system. Because they are going to talk to them about to the 5 principles of the EU. So, that is the biggest barrier, lack of knowledge and a bit of overwhelming. They are not used to it.
- Procurers are very creative, innovative, and teamwork oriented. It is very often that they get new solution very quick. When they start working together, they can find further improvements. They are kind of quick to adapt to new changes.

#### *Barriers & Drivers: Possible solutions*

- They attend tender schools to gain new knowledge related to new procurements. They learn the language of the procurement to get used to this bureaucratic language system. However, the procurement department happens to end up in court every year.

#### *Summary & Discussions*

The municipality receives principles from the political agenda and updates its procurement policy. The procurement policy communicates in a transparent way with suppliers and other stakeholders to be practiced for 12 months. During this process, there are different assessments of deviations from the plan.

New and renewable procurements demand great deal of resources. Geographical proximity has made this municipality independent and digitalized. However, the choice of suppliers is limited. The municipality is on its right track to increase procurements with renewables, using more LCA in procurements.

