

# Decarbonizing the EU's road and construction sectors through green public procurement

The case of Estonia and Poland



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## SEI brief

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## Key insights

- Green public procurement (GPP) has the potential to reduce greenhouse gas (GHG) emissions from road transport and construction sectors, which in total constitute almost 30% of emissions in Poland and Estonia.
- In the EU, GPP guidelines are voluntary, except for two limited EU directives, and implementation levels vary among different Member States. The uptake of GPP in Estonia and Poland lags behind that in other Member States, with the main barriers being the lack of mandatory requirements, lack of knowledge and experience among procurers and fear of higher price of green products and services.
- Both Estonia and Poland have recognized the benefits of mandatory GPP policies. Estonia has adopted nonbinding national targets for GPP for the period 2021–24, and in 2022 established four product groups in which green criteria is compulsory, though none related to construction and road transport. Meanwhile, the Polish State Purchasing Policy 2022–2025 foresees the development of a catalogue of products and services for which green criteria is compulsory.
- Recent key improvements include the development of a tool for Life Cycle Costing (LCC) for buildings in Poland, and the near-future potential for Estonia to apply mandatory green criteria to construction procurement. Despite the recent national improvements and EU-level capacity-building efforts, implementation monitoring remains insufficient in both countries due to lack of institutional capacity.

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Government spending on public works, goods and services in the European Union (EU) accounts for about 14% of the EU's GDP. Consequently, the EU and its Member States (MS) can make a great impact in accelerating the development and uptake of low-carbon technologies through green public procurement (GPP).

This brief is part of a wider [project](#) financed by Breakthrough Energy, aiming to understand the divergences in GPP uptake in different EU MS and to identify key barriers to greater adoption and opportunities ahead. Ultimately, the project aims to contribute to greater policy coherence among member states to reduce greenhouse gas (GHG) emissions, as well as to increase policy support for the design of GPP implementation frameworks and for harmonized GPP target-setting.

In 2020, the road transport sector accounted for 23% and 20% of total Estonian and Polish GHG emissions, respectively, while the construction sector represented about 5% and 9% of Estonian and Polish total GHG emissions, respectively. These

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numbers point to the large mitigation potential that procuring authorities can support by including environmental criteria in procurements.

In this brief, we share the results from our desktop research and stakeholder interviews for Estonia and Poland. Results from all cases and additional research will be published in a report later in 2022.

## **The Estonian green public procurement landscape**

Estonia is one of the few EU MS that does not have any mandatory strategic or national action plan for GPP. The national Public Procurement Act (RHS) mentions the possibility of including environmental criteria in procurements, but it is not required. The Estonian programme for environmental protection and use of environmental resources for 2021–2024 includes a section dedicated to GPP. Under the measure for “Enhancing resource efficiency and eco-innovation”, the program outlines non-binding GPP targets for all public procurements. Accordingly, the national government expects a significant increase in GPP among all public procurements from 3% in the base year 2020 to 25% in 2022 and 30% in 2025. However, the measure does not name specific product groups to target, nor is there any plan to make these goals possible.

The Estonian Energy and Climate Plan for 2030 includes GPP, following the requirement from the latest EU Energy Efficiency Directive. It mandates that central governments renovate 3% of the total floor area of government buildings annually, and to only purchase energy efficient products, services and buildings. Estonia also follows the EU Directive on the promotion of clean and energy-efficient road transport vehicles<sup>1</sup>, which stipulates that the energy and environmental impacts of any procured road vehicle must be considered.

Starting in 2022, Estonia established mandatory GPP criteria for four product groups: office paper, cleaning products and services, furniture, and office equipment. There are plans to set mandatory criteria for another five product groups and construction is considered one of the potential groups.

The main responsible body for public procurement in Estonia is the Ministry of Finance (EMiF). The Ministry of the Environment is responsible for GPP. All procurements in Estonia are done electronically and carried out in a procurement register operated by the EMiF. The Ministry of the Environment cooperates with the EMiF to make changes in the procurement register to better support GPP.

Currently, the law does not define what constitutes GPP, nor does it set clear criteria. To facilitate GPP, green criteria are built in for the four mandatory product groups. Selecting one of these criteria makes the procurement automatically “green”. However, for other products and services, the contracting authority defines what it considers to be a green criterion and decides for itself whether to define the procurement as GPP. Most often, procurers do not have sufficient background knowledge on GPP to do that. Therefore, there lacks a clear overview of GPP implementation in Estonia.

Through interviews, we found that procurers might be using more green criteria than they are aware of. The main driver for that is usually material or energy efficiency. As an example, road construction procurements are carefully thought

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<sup>1</sup> EU Directive 2009/33/EC on environmentally friendly road transport

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through, with the aim of minimizing the environmental footprint of the construction and save costs – this is done by locally sourcing materials from nearby mining sites whenever possible and using recycled materials in the lower layers of the roads. However, these actions are not recognized as green criteria by the procurer, nor do they appear in the EMiF procurement register as GPP. If procurers view green criteria as adding to their costs, they are more reluctant to buy green.

## **The Polish green public procurement landscape**

There is no separate law or guidance in Poland concerning GPP. Rather, Poland had a National Action Plan that integrated changes in the new EU GPP Directives in 2017. It focused on Sustainable Public Procurement adjustments of existing tools and mentions the voluntary option to include economic, environmental, social, innovation and privacy performance requirements that can be addressed by the contracting body in the tendering process. Poland decided to discontinue the National Action Plan in 2020, instead adopting the State Purchasing Policy for 2022–2025, which defines desired voluntary activities and outcomes for purchasing sustainable and innovative products and services. The State Purchasing Policy also foresees a development of a catalogue of products and services, for which the use of green criteria would be mandatory. This catalogue will be updated every two years.

The only policies that mandate minimum use of environmental criteria in procurements follow EU directives (2009/33/EC, 2012/27/EU), which address government vehicle purchasing and energy efficiency in buildings. According to the latter requirement, new buildings must meet two conditions: a minimum insulation level and a limit on annual non-renewable energy use.

Otherwise, the use of green criteria in procurements is voluntary and might be applied by procurers, but there is no requirement to practice GPP. The Public Procurement Office (PPO) is assigned with specific GPP responsibilities, such as organizing trainings and disseminating information on relevant regulations and practical examples, including a guide to support contracting bodies in implementing GPP. The State Purchasing Policy for 2022–2025 aims to develop a GPP team to produce a catalogue of products and services where GPP criteria is compulsory. This ready-to-use set of GPP criteria will be updated every two years.

Furthermore, the Polish government developed a tool to calculate Life Cycle Costs (LCC) for buildings. The method and associated reporting standard were developed at the national level based on a statutory regulation defined by the Ministry of Economic Development and Technology (Journal of Laws 2021, item 2276). The regulation became effective on 1 January 2022 and applies to public buildings.

## **Similarities and differences between the Estonian and Polish cases**

### **National plans and targets**

Estonia has no national action plan on GPP, but some nonbinding targets are set for increased uptake of GPP, whereas Poland recently called to increase the uptake of GPP to 7% of all procurements by 2025 from the base value of just 1% in 2020 as part of their State Purchasing Policy 2022–2025. In comparison, in Estonia, the share of GPP in all procurements is currently 3%, yet based on interviews with stakeholders, it is likely that the share is higher in reality. Both countries follow EU requirements on environmentally friendly road transport

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and energy efficiency in procurements, but the use of green criteria in the construction sector and road transport beyond the directive requirements is voluntary. While it is possible to add environmental considerations to a tender, it is not compulsory to do so, and the choice is made by the procuring agent.

### **Governance**

In terms of governance, the PPO is Poland's dedicated body for procurement. In Estonia, there is no such authority. Instead, the Ministry of Finance is the main responsible body for public procurement policy. The helpdesk for procurements and the online platform are maintained by EMiF. EMiF also organizes trainings on public procurements. The Ministry of Environment is responsible for developing the GPP system in Estonia, which includes trainings on the use of environmental criteria, providing advice for procurers where needed and developing and integrating green criteria into the online procurements platform. However, there is lack of coordination and cooperation between these authorities.

### **Monitoring and follow-up of GPP uptake**

The status of GPP in both Estonia and Poland remains unclear because monitoring is not sufficient. All procurements are done online in Estonia, allowing the procurements register to monitor GPP. However, it unfortunately does not give an adequate overview, because only the procurements that use some built-in or explicitly expressed qualification or award criteria are regarded as GPP, while green technical specifications or contracts that are not labelled as such do not come across as GPP. Thus, according to the register, only 3% of all procurements in Estonia are currently considered GPP. Based on our interviews, it is likely higher in practice.

In Poland, the PPO developed a monitoring system based on information provided by the contracting body in procurement contracts and gathered in an annual report. All inclusions of environmental and social features are included in a table, allowing the PPO to track awarded contracts that included environmental considerations. However, the PPO performs little follow-up on GPP.

### **Mandatory vs. voluntary GPP policies**

In Estonia, environmental considerations in tenders became mandatory in four office-focused product groups starting in 2022, but for all other product types, including road transport and construction, GPP remains voluntary. In Poland, the government expects procuring entities to pursue new or upgraded products or services, thus the Polish procurement system is more inclined towards supporting innovation.

### **Use of GPP in practice**

GPP is a voluntary measure in the road and construction sector, which can be considered one of the major barriers in both Estonia and Poland. Mandatory rules would accelerate the uptake and increase the number of environmental considerations in procurements. As there is lack of experience and knowledge on GPP reported in both countries, setting environmental criteria is an extra effort for the procurer, especially when the tender's monetary worth is rather small.

Interviewees in Estonia mentioned that procurers are willing to use green criteria but would need special training to learn about greener alternatives. Similarly, in Poland, we found that despite positive reform efforts, many contracting authorities still make limited use of quality criteria for evaluating tenders. There is little awareness of the potential benefits of adding environmental and social stipulations to a tender, as well as a lack of knowledge of available tools.

Table 1. Comparison of GPP landscapes in Estonia and Poland

	<b>Estonia</b>	<b>Poland</b>
<b>National plan / goal</b>	<ul style="list-style-type: none"> <li>No national action plan on GPP</li> <li>Goal to increase GPP from 3% in the base year 2020 to 25% in 2022 and 30% in 2025; no mandate for implementation</li> </ul>	<ul style="list-style-type: none"> <li>National Action Plan on GPP in place until 2020</li> <li>GPP included in 2022–2025 State Purchasing Policy, which calls for increasing the uptake of GPP from 1% to 7% by 2025</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Ministry of Finance responsible for all procurements</li> <li>Ministry of the Environment responsible for green criteria and GPP</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Economic Development and Technology responsible for procurement policy and legislation</li> <li>Public Procurement Office assigned with specific activities on GPP</li> </ul>
<b>Monitoring</b>	Procurement register in principle is built to automatically monitor the GPP, but the system gives an incomplete image of GPP uptake	Online tool developed for registering procurements, but lacks clear overview of GPP, as it is not clearly defined with criteria in all product groups
<b>Mandatory / voluntary</b>	<ul style="list-style-type: none"> <li>Mandatory criteria for office paper, cleaning products, furniture and office equipment</li> <li>Mandatory application of EU Directives</li> <li>Green criteria in other product types are voluntary</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability and environmental criteria are voluntary, with general recommendations</li> <li>Mandatory application of EU Directives</li> <li>No national GPP criteria have been developed</li> </ul>
<b>Use of GPP in practice</b>	In 2020, 3% of all public procurements in Estonia were GPP, but the share was likely higher because not all GPP are monitored and recorded	The share of applied green and innovation requirements in awarded public procurement contracts was 1% in 2020 and accounted for 7% of the total value of awarded contracts
<b>Main implementation barriers</b>	<ul style="list-style-type: none"> <li>Lack of mandatory requirements</li> <li>Lack of knowledge and experience</li> <li>Weak support system for GPP</li> <li>Fear of higher prices of green products and services</li> </ul>	<ul style="list-style-type: none"> <li>Lack of mandatory requirements</li> <li>Lack of knowledge and experience</li> </ul>
<b>Capacity-building and support systems</b>	<ul style="list-style-type: none"> <li>No competence center for GPP</li> <li>Online GPP information portal</li> <li>Training organized only on project basis</li> </ul>	<ul style="list-style-type: none"> <li>Trainings organized by PPO with EU support to increase procurers' capacity to use GPP</li> <li>PPO acts as helpdesk for GPP</li> </ul>

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**Capacity-building and support systems**

Between 2020 and 2022, the PPO in Poland conducted training sessions which highlighted the possibility of including social and environmental considerations in public procurements. In Estonia, general procurement trainings are organized regularly by the Ministry of Finance, yet these may or may not address GPP. Usually, GPP trainings are organized separately by the Ministry of Environment or other organizations.

There is no dedicated GPP support center or helpdesk in Estonia or Poland. However, both governments field procurers' GPP-related queries. In Estonia, the Ministry of Environment hosts a GPP informational website with contact information for those with questions. In Poland, queries regarding procurements, including GPP, can be sent through a website to relevant local offices or by reaching out to PPO.

**Role of the EU**

EU Member States had an opportunity in 2021 to include GPP into their Recovery and Resilience plans (RRP), commissioned by the EU as a Covid recovery measure, to green their respective economies. The Polish plan states that GPP is important and sets targets to enhance low-carbon transport by 2025, while the Estonian RRP did not include GPP as a means for the green transition.

In Poland, the EU has played an important role in capacity-building on GPP by funding trainings organized by the PPO. In Estonia, interviewees indicated that some level of mandatory requirements would accelerate GPP uptake, and those requirements should originate from the EU. However, they also found that EU regulations often conflict with local conditions, hence they would prefer the criteria to be developed by local authorities.