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Energy Efficient Public Procurement

Activity:	Promoting an Energy-Efficient Public Sector (PEPS)
Location:	Mexico
Problem:	Inefficient energy use at all levels of government, due to historic purchasing policies that favor low-first-cost products, budget constraints and disincentives, periodic changes of leadership, and competing policy priorities.
Solution:	Collaboration with municipalities, federal agencies, and other local organizations to provide guidance and technical support for energy-efficient procurement and overall public sector energy management.
Duration:	2000–2006
Implementers:	Lawrence Berkeley National Laboratory and ICLEI—Local Governments for Sustainability

Objective

The objective of the project is to provide support to municipal governments, federal agencies, and other local organizations to improve the energy efficiency of the public sector, through energy-efficient procurement and overall public sector energy management.

The Promoting an Energy-efficient Public Sector (PEPS) project promotes economic growth in developing countries—through reductions in wasted energy and money savings—by increasing the efficiency of public sector energy use. The USAID-funded portion of the project is focusing on Mexico, with outreach and exploratory activities in India and other countries.

Background

Opportunities exist in every country for more efficient energy management of government owned facilities and operations—which can result in cost savings, reduced emissions, and increased energy system reliability. In addition, the government's buying power and leadership can stimulate market demand for energy-efficient products. Despite these potential benefits, many countries have only recently begun to focus on facilitating energy-efficiency policies in the

public sector. Historical barriers to such efforts include a lack of technical expertise, bias toward buying lowest-first-cost products, and budget constraints for capital improvements (despite short payback periods). In addition, there are often economic disincentives for investing in efficiency, including: 1) subsidized energy costs, 2) energy-related decisions made by people who are not responsible for the energy bills, and 3) public agencies that reduce their bills, ironically often are not able to retain the resulting savings in their own budgets.

Established in 2000 to help government agencies worldwide overcome these barriers, PEPS is a partnership of Lawrence Berkeley National Laboratory (LBNL), International Council for Local Environmental Initiatives (ICLEI/Local Governments for Sustainability), the Alliance to Save Energy, and the International Institute for Energy Conservation (IIEC). With funding support from USAID, the U.S. Department of Energy, U.S. Environmental Protection Agency, and the Energy Foundation, the PEPS partnership develops outreach tools (i.e., website, guidebook, energy savings calculator) and works with developing country partners to implement government sector energy-efficiency programs.



Activities

The evolution of the PEPS government purchasing initiative in Mexico offers a clear demonstration of how focusing on adjusting purchasing guidelines and practices can help lead to a transformation in the market for more efficient products and services.

In 2000, PEPS and Mexico's National Commission for Energy Conservation (CONAE) began a program to help federal agencies institute policies that would commit them to buying energy-efficient products. After encountering a number of challenges at the federal level—resulting in part from an ambitious project scope that covered a large array of products and targeted all federal agencies—PEPS shifted to municipal government purchasing.

In 2003, PEPS began coordinating with ICLEI's Cities for Climate Protection (CCP) campaign and AMMAC (a Mexican association of municipalities) to implement a two-pronged approach at the city level, providing:

1. Technical tools to help cities adopt and use new procurement policies—including sample policy text, an energy savings calculator, a PEPS manual with equipment purchasing specifications, case studies of successful experiences in other cities, and a website containing these and other useful resources for Mexican municipalities; and
2. Customized technical assistance (through site visits and seminars) to help cities initiate actual energy-efficient procurements.

Results and Development Impacts

PEPS has created an interactive website (www.peponline.org), where these tools and other materials and resources are available.

The pilot phase of the municipal program avoided the challenges of the ambitious federal-level program by focusing on a limited set of energy-efficient products (lighting and office equipment) and by concentrating on only eight cities. Tangible benefits from the program were almost immediate.

As of June 2006, the PEPS program had recruited about 30 municipalities to participate in the program, with 10 *normas* or policy statements on energy-efficient product procurement completed and over 15 under preparation, 9 procurements completed, \$1.8 million in energy-efficient products purchased and 8,500 MWh of annual energy savings achieved resulting in 5,700 tons of CO₂ emission reductions.

of CO₂ emission reductions. Initial efforts were also made to expand the program to the State level.

Based on the success of the municipal-level pilot phase, PEPS is now expanding training to new cities and is adding more products to the PEPS specifications. The program expects to complete energy-efficient procurements in at least 10-15 cities during the current fiscal year. In addition, the early successes of the municipal program have rekindled the interest of the federal government (along with a number of state governments), and PEPS is working with CONAE to introduce the PEPS purchasing specifications in several federal agencies this year. Finally, PEPS is exploring possibilities for partnering with the private sector to launch a regional procurement initiative.



The PEPS initiative in Mexico demonstrates the need for flexibility in designing and implementing procurement programs, as well as the benefits of focusing on small pilot programs to achieve early success. By shifting its focus to municipalities, capitalizing on an existing network of motivated cities, and limiting the scope of the pilot phase,

PEPS achieved demonstrable success at the municipal level after just one year—which has given the program momentum at all levels of government. Early successes by leading cities also helped newly recruited cities learn from those that had recently completed procurements.

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