

JOINT PROCUREMENT STRATEGY

SCANDINAVIAN GREEN PUBLIC PROCUREMENT CITIES

- Date:** XX. XXXXX 2019, version 4.
- Partners:** The Cities of Copenhagen and Oslo with the support from the City of Stockholm and Gate 21
- Subject:** Procurement strategy for Scandinavian Green Public Procurement Cities for Non-Road Mobile Machinery
- Definitions** (in alphabetic order):
- ‘CNCA’: Carbon Neutral Cities Alliance – an international alliance of cities focusing on the reducing carbon emissions.
 - ‘SGPPA’: Scandinavian Green Public Procurement Alliance – project name for the cross border joint procurement activities between the cities of Copenhagen, Oslo and Stockholm.
 - Cross border joint procurement: a procurement that takes place within a joint group of procurement entities across borders.
 - ‘NRMM’: Non-Road Mobile Machinery – machines that operates within a designated area.
 - Wheel loader: a machine that can lift and dump bulk materials from place to another typically moving of dirt within a designated area.
 - ‘Parties’ or ‘Party’ depending on the context.
 - OEM: Original Equipment Manufacturer.

1. BACKGROUND

The Parties are brought together in a common wish to reduce emissions from Non-Road Mobile Machinery (‘NRMM’), which represents a significant part of the total emissions in the cities. Through cross boarder joint procurement efforts between Copenhagen, Oslo and Stockholm, the three Scandinavian capitals can achieve both environmental and climate goals, as well as strengthening their market dialogue towards the international machine producers. This Project was initiated to examine the possibilities to achieve the goals mentioned above combined with cross boarder green public procurement, which has not been done before.

Through funding by the Carbon Neutral Cities Alliance (‘CNCA’) the parties have since 2016 participated in a project called Scandinavian Green Public Procurement Alliance (‘SGPPA’) in the NRMM-sector. Gate 21 is acting as project manager in the Project.

The cooperation between the Parties has now reached a point where it is necessary to formalize the Parties Procurement Strategy.



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2. MARKET SITUATION AND PROCUREMENT FOCUS - WHEEL LOADERS

The Parties have completed a broad market research and made assumptions on which direction to go, in terms of narrowing down specific NRMM categories that would be of most interest for this project. Hereafter the Parties have gone through a market dialogue with global market players, focusing on low- and zero emission drivelines for wheel loaders. This has led to a rough overview of the possibilities, since most machine OEM are not that informative. Some few global players have though been open and would like to follow up on the dialogue ahead. This tendency is new to the cities and show the influential potential of this alliance.

The market for low- or emission free wheel loaders is in a more mature stage than most other NRMM. Though most machine OEMs are operating with significantly lower production volumes compared to car OEMs, the flexibility on both development and production readiness is higher.

Regarding wheel loaders, several suppliers now have models that have reached Technology Readiness Level (TRL) 8 or 9 for small wheel loaders, which means that the technologies are available in the market and introduced by pilot test or by initial market introduction. For large wheel loaders the tendency of where the market goes technological is still not clear.

The Parties have been in contact with close to 10 NRMM OEM of small and large wheel loaders. The market is still in an early phase in developing electric models, but there are a few models on the market that are 100% electric in the weight between 2 and 4,9 tons.

3. NEEDS ASSESSMENT

Copenhagen: Has an internal fleet of 2.000 vehicles and machines, of which the city owns 500 light and heavy-duty machines. 15 of these are wheel loaders and are all running on diesel. 3 of these are large wheel loaders with a heavy-duty operation cycle. The last 12 are small and with a light duty operation cycle.

City of Copenhagen looks in to replacing up to 7 of the 12 pcs. within a 4-year time frame.

Oslo: Oslo has an agency for waste management called “Renovasjonsetaten- REN”. This agency has the need to replace between 2-4 wheel loaders the next 4 years. REN already has 2 electric wheel loaders on their sites in a light weight class. These are primarily used for moving garden waste and materials for recycling. Their ambition in the future is to replace the wheel loaders of larger weight classes, to cover the need for moving heavier loads.

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4. COMPETITIVE PROCEDURE WITH NEGOTIATION

This type of procurement is dealing with a technological field that moves fast. The cities choose the competitive procedure with negotiation as it offers a necessary exception from ordinary procurement procedures. The Parties are entering into a market for NRMM based on new technology.



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To have the flexibility of dialogue, with the market and to have the possibility to make minor adjustments of the procurement material, is valuable and necessary for the Parties. Competitive procedure with negotiation has therefore been considered the most relevant procedure for the procurement strategy.¹

The benefits and challenges in working with competitive procedure with negotiation are outlined below:

Competitive procedure with negotiation	
Benefits/Advantages	Challenges/Disadvantages
The flexibility to take contributions from the candidates and tenderers during the procurement process into consideration, for example, cost drivers or show stops as well as indications of alternative requirements.	Use of resources and time spent in the negotiations phase.
The possibility of informing tenderers on specific strengths/weaknesses of their tender.	Lack of documentation of the negotiation process is crucial and time consuming.
The flexibility to negotiate on tenders with reservations.	Minimum requirements and award criteria cannot be negotiated.
The flexibility to clarify misunderstandings and/or elements that might cause non-conditionality.	Tenders may have to be evaluated several times.
The flexibility to amend and adjust the procurement material after the negotiations.	Possible remuneration to the participants, if reasonable. However, less than in competitive dialogue.
Reduced risk of a new procurement procedure.	

¹ Competitive procedure with negotiation, cf. [sections 61-66](#) in The Danish Public Procurement Act, Part 7

The procurement procedure contains three phases - a prequalification phase, a negotiation phase and a tendering and evaluation phase.

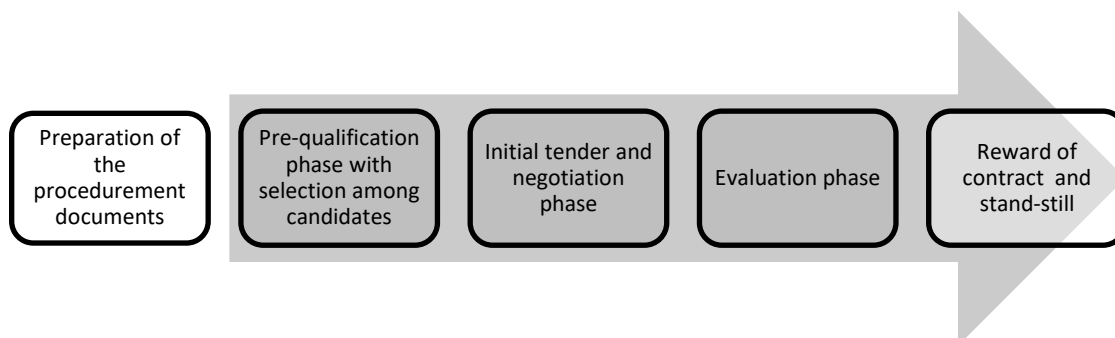


Figure 1: Overall procurement procedure.

5. CONTRACTUAL ASPECTS

The procurement procedure is structured around a general framework agreement consisting of two partial agreements differentiated between technology and weight. The framework agreement shall have a contract period up to 4 years (2 +1 +1 year).

Through two partial agreements it is also possible to accommodate individual needs for the Parties. Based on the framework agreement and partial agreements a mini-tender is set up for award of contract. The mini-tender is a procedure where the parties, for each partial agreement under the framework agreement, in writing encourage chosen tenders, who can comply with the agreement to deliver a tender.

The framework agreement shall be governed by Danish law, with jurisdiction for enforcement in Copenhagen for potential claims. Special local requirements, for example payment and delivery conditions, will be specified for each city in the partial agreements and will be executed when a mini tender has been completed.

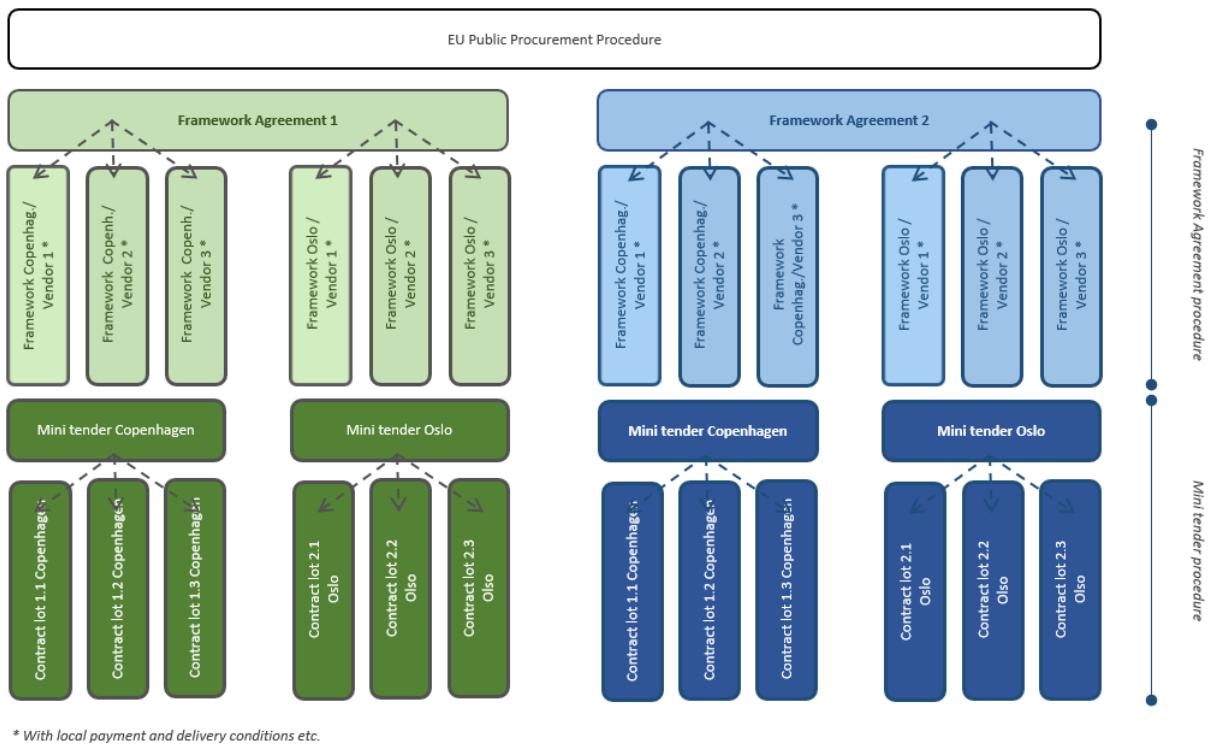


Figure 2: Overview of the chosen procurement procedure with overall and identical framework agreements #1 for and signed by Copenhagen and #2 for and signed by Oslo. Under each framework agreement there is a maximum number of 3 vendors. When the framework agreement has been signed each city can individually start up the mini tender process. Each vendor can participate - or choose not to - in the following mini tenders. A contract lot will be signed when winning the mini tender round (highlighted with strong light green and blue colours in the bottom).

6. QUALIFICATION AND AWARD CRITERIA

6.1. Selection criteria principles and respective weightings

The selection phase involves an examination of the suitability and capability of the potential bidders to perform the contract that will be awarded. Selection criteria is to be detailed in the actual tender material.

6.2. Award of Framework Agreement

For the Vendor to get access the framework agreement following criterias and weighting are to be taken in use:

Criteria	Weighting	Sub criteria	Weighting
ASSORTMENT & WARRANTY	50 %	<ul style="list-style-type: none"> • Relevant assortment (if more than one relevant wheel loader can be offered within the scope of this tender the Vendor will get X points) • Warranty for battery electric driveline (the longer warranty period – the higher points) Only for Contract Lot 1 (full electric) • Warranty for combustion engine driveline (the longer warranty period – the higher points) • Warranty for machine excluding driveline (the longer warranty period – the higher points) 	<p>[] %</p> <p>[] %</p> <p>[] %</p> <p>[] %</p>
QUALITY & INNOVATION	40 %	<ul style="list-style-type: none"> • Response time from service center to the city domain (the shorter time – the higher points) • Experience in the field of delivery and service of wheel loaders B2B with proven track record (the longer time – the higher points) • Innovation capabilities: official market strategy to enhance actual production of climate and environmental wheel loaders (the better and serious description – the higher points) 	<p>[] %</p> <p>[] %</p> <p>[] %</p>
PRICE (secondary services)	10 %	<ul style="list-style-type: none"> • Price for full training of personnel using the machine (the lower – the higher points) • Price for training for mechanics for light maintenance of machine 	<p>[] %</p> <p>[] %</p>

		besides servicing of machine (the lower – the higher points)	
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6.4. Award criteria for access to the mini tenders

For selecting a winner between the selected Vendors following criterias and weighting are to be taken in use in each mini tender:

Criteria	Weighting	Sub criteria	Weighting
TOTAL PRICE	60 %	<ul style="list-style-type: none"> Price for wheel loader (delivered to the city) Price for AC charge box supporting maximum charging rate of machine (delivered and installed at site) (for both contract lots) Price for tank solution (tank and dispenser) if not diesel or gasoline (delivered and installed at site) Price for full service agreement 	<p>[] %</p> <p>[] %</p> <p>[] %</p> <p>[] %</p>
ENVIRONMENT	40 %	<ul style="list-style-type: none"> Documented consumption mild duty cycle (the lower ‘fuel’ consumption level – the higher points) Documented consumption hard duty cycle (the lower ‘fuel’ consumption level – the higher points) Main fuel of fuel to be used (diesel, gasoline, electricity, hydrogen, gas, DME, methanol etc.) (if not diesel or gasoline – X points will be given) 	<p>[] %</p> <p>[] %</p> <p>[] %</p>



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Technology neutrality principle

The principle of technology neutrality means that the framework agreement will reward the supplier with whatever technology that is most appropriate to reduce the carbon footprint at the time of competing for the mini tender.

In this way, the cities can examine the feasibility of competition technologies within the field of renewable energy (e.g. bio-methanol/DME, electric, hybrid) with the purpose of endorsing all renewable energy technologies.

7. LEAD PARTNER

To facilitate the process, The City of Copenhagen takes the lead in handling the procurement procedure. This will ensure one point of contact for all candidates and tenderers regarding Q&A, upload of documents and other practicalities, as well as coordination with Bird & Bird and Gate 21 located in the Copenhagen region.

8. RISK ANALYSIS

The Parties have developed a risk analysis in a separate document, enclosed this strategy as enclosure 1.

Enclosure 1: Risk analysis



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