



# New Procurement Strategies Needed to Cut Energy Consumption

Purchasing Now Requiring Complex Matrix Beyond Initial Price To Total Cost Of Ownership

A leading Australian expert on corporate environmental issues is alerting procurement and supply chain managers to the need to urgently change the way purchasing decisions are made. Rapidly rising energy costs and the introduction of major pieces of legislation related to energy use and waste disposal, slated for later this year, will see an irrevocable shift away from buying on initial price to total cost of ownership. Trevor Barrows, Principal Consultant & Sustainability at Fujitsu Australia Limited, said: "As our appetite for electronic technologies continues to grow, there are some undeniable facts that are now influencing procurement strategies: the cost of energy will double within the next five years; we will shortly have a national waste policy; some form of carbon tax or trading scheme will be introduced within the next two years; and the dilution of renewable energy programs in Australia is already happening. These all add new dimensions to the cost of every asset." Speaking at the Chartered Institute of Purchasing and Supply Australasia (CIPSA) Special Energy Forum in Melbourne today, Barrows said: "Procurement and supply chain managers are struggling under the complexities of the broadening definition of cost and the impact of asset purchases on energy usage. Whether it's ICT equipment, paper or furniture, now whole-of-asset lifecycle is under consideration, including greenhouse gas emissions and waste related to manufacture, lifetime use and disposal. "As a procurement officer, you've got to put your company's energy and waste footprint as a top priority and change your mindset about what cost means. A company's procurement directives are the absolute foundation for any strategy to effect energy consumption reductions. Good buying decisions can flatten or reduce total cost of ownership, irrespective of rising energy costs. Within the next two years you'll be penalised for sending potentially recoverable materials to landfill. You'll be obliged to recover, recycle, reuse, which maybe a cost factored into a vendor contract or a cost that needs to be factored into the operations of an organisation," Barrows said. ICT can be responsible for approximately 40 percent of an organisation's energy use, so the lifetime efficiency of that equipment is critical to making meaningful reductions in electricity costs, greenhouse gas emissions and waste generation. Barrows says: "By addressing that 40 percent, you can address the bulk of the issue. With ICT refreshment at the 3-5 year mark, you need to be able to assess the budget breakpoints: do you buy a computer which costs \$100 more now but which may save you \$300 in electricity usage throughout the life of the product?" Barrows worries that Australia's procurement managers are largely unaware of the help available to them to make good buying decisions. Various Federal and state government agencies are doing enormous amounts of work to provide assistance with meeting standards and guidelines for including environmentally responsible components in tender documents. And organisations like CIPSA are vital to the communication process. Having an immediate effect on energy costs From Barrows' experience, procurement professionals can have an immediate effect on their company's energy and overall lifecycle cost of services and assets by following these tips: Measure: The old adage "You can't manage what you don't measure" has never been truer. By understanding baseline electricity use, you can prove achievements and ROI. More and more companies are pushing for the reporting of upstream emissions outside their immediate boundaries. As an example, one of Fujitsu's customers in the utility sector requires reporting on the GHG emissions from both activities performed in providing services and the energy consumed by ICT equipment deployed. Tendering: Put the onus on your suppliers to meet ICT sustainability requirements by applying weighted, mandatory environmental criteria in your tenders such as accreditation to ISO14000 and ISO26000; stipulating minimum EPEAT Silver or equivalent (based on ISO14021/ISO14024) and high ENERGY STAR ratings for equipment; and supplier-provided emissions offsetting. Take-back policies: You have the option of selecting suppliers of toner cartridges, mobile devices and ICT equipment with take-back policies for decommissioned equipment, or employing an accredited contractor to take charge of it. Fujitsu, as an example, is a founding member of the Byteback program in Victoria which is a free service for residents and small business owners to dispose of unwanted computers in a safe and environmentally responsible way. Fujitsu also works with recycling companies such as SIMS on recovering up to 98% of the materials in ICT disposal. Packaging: Select suppliers that participate in the National Packaging Covenant (NPC) or comply with the National Environment Protection (Used Packaging Materials) Measure (NEPM) for the reduction, re-use or recycling of packaging waste. Reduce consumables and energy use: Set desktop and print managed services for automatic power downs, reduce the use of consumables such as paper and toner, and buy a minimum 50 percent post-consumer recycled content paper. eWaste The National Television and Computer Recycling Scheme will commence in 2011 and be progressively implemented over a five year period, which will introduce costs into the end of lifecycle of electronic products. Procurement professionals need to negotiate vendor contracts that factor in the "end-of-lifecycle" of assets or factor this cost into the operations of their organisation. CSREthical, sustainable procurement practices are now becoming a key component of the CSR commitment of Australia's leading companies. Reduction of whole-of-life costs requires a whole-of-organisation responsibility to incorporate the new 3Rs & recovery, re-use and recycle.. From his involvement with organisations across Australia, Barrows said: "From airlines to police agencies, I'm seeing a consistent push from staff at all levels for their employers to take responsibility for environmental impact, waste and emissions. Everyone wants to help, so long as you give them the right tools and it doesn't constrain how they do their job." END

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