



PROCUREMENT OF BULK ROAD FUELS

BUSINESS CASE

Key Decision No FCR Q62

CPC MEETING DATE

11th March 2020

CLASSIFICATION:

Open

If exempt, the reason will be listed in the main body of this report.

WARD(S) AFFECTED

All

CABINET MEMBER

Cllr John Burke

Energy, Waste, Transport and Public Realm

KEY DECISION

Yes

REASON

Affects Two or More Wards

GROUP DIRECTOR

Ian Williams, Finance and Corporate Resources

1. CABINET MEMBER'S INTRODUCTION

- 1.1 The Council uses road fuels within its vehicles for the provision of essential services to residents of the Borough. Whilst it is our long term aim to operate all Council fleet vehicles on electric energy, and are already operating 57 fully electric vehicles, it is acknowledged that electric vehicle technology is still not practically viable for all fleet vehicles either because of technical limitations in smaller vehicles or simply not yet available in larger specialist municipal vehicles.
- 1.2 For vehicles that cannot operate electric technology it is our aim to use an alternative fuel that is sustainable and environmentally beneficial. Historically, the Council has successfully utilised a high blend renewable biofuel saving hundreds of tonnes of CO2. The current contract expired in September 2019 and must be retendered to ensure continuity of supply. This report outlines the recommendation to use a superior high blend renewable biofuel until electric technology develops to allow wider implementation.

2. GROUP DIRECTOR'S INTRODUCTION

- 2.1 This report details the requirement for the contracted supply of bulk road fuels, specifically renewable high blend biofuel and rebated gas oil (red diesel) for an initial 24 month period commencing 1st August 2020 with the option of two further extensions, each for a 12-month period. The use of this fuel in existing internal combustion engines will not only greatly contribute to our carbon reduction targets but also improve local air quality.

3. RECOMMENDATION(S)

Cabinet Procurement Committee is recommended to:

- 3.1 **Note the various options considered for the procurement of Bulk Fuels.**
- 3.2 **Agree the procurement strategy detailed in this report and for officers to proceed with the procurement of a Framework, open to Hackney, City of**

London and other London Boroughs, to identify and engage providers for the fuels required.

4. RELATED DECISIONS

4.1 There are no related decisions regarding this procurement process.

5. OPTIONS APPRAISAL AND BUSINESS CASE (REASONS FOR DECISION)

5.1.1 The report sets out to seek approval for the procurement of contracted bulk vehicle fuel supply arrangements that meet current and future requirements. Fuel is a vital commodity which the Authority relies upon for use in its fleet vehicles and plant. The procurement of road fuel and rebated gas oil for plant and machinery has been an ongoing requirement for many years. The current contract expired September 2019.

5.1.2 This procurement focuses on identifying supply arrangements for high blend renewable biofuel (from waste) called Hydro-treated Vegetable Oil (HVO) and its rebated Gas Oil variant for off road machinery required over the next 24 months. This fuel is highly CO₂ efficient reducing CO₂ by over 80% prior to combustion and up to 12% after combustion (at the exhaust pipe), a total of circa 92%. It is also highly NO_x efficient reducing NO_x by up to 69% at the exhaust pipe.

5.2 Benefits Realisation / Lessons Learned

5.2.1 London Borough of Hackney has been proactively using renewable biofuels from waste for over 10 years saving 100's of tonnes of CO₂. Early trials of FAME biofuel on just a few vehicles at a 30% blend (B30) proved successful and was progressed over time to 100% (B100) renewable FAME biofuel across most of the Waste Services HGV fleet of Euro IV and V emission standard vehicles.

Year	Total annual CO ₂ produced if no biofuel used (tonnes)	Total annual CO ₂ produced using FAME biofuels (tonnes)	CO ₂ savings achieved from using FAME biofuels (tonnes)	% savings
2010/11	2876.74	2843.32	33.42	1.16%
2011/12	2939.2	2798.76	140.44	4.78%
2012/13	3160.77	2973.09	187.68	5.94%
2013/14	3429.46	2884.12	545.34	15.90%
2014/15	3448.24	3094.56	353.68	10.26%

2015/16	3361.62	3054.08	307.54	9.15%
2016/17	3422.83	2572.88	849.95	24.83%

- 5.2.3 Unfortunately, in October 2017 our supplier of FAME biofuel went into administration and the replacement supplier couldn't provide fuel to an acceptable quality standard causing operational problems with all vehicles. We stopped using FAME at that time.
- 5.2.4 In parallel with using FAME biofuels, around early 2016 the Corporate Fleet Manager started investigating a new to market renewable biofuel from waste called Hydro-treated Vegetable Oil (HVO). HVO can be made from various waste organic matter including animal fats, fish fat, residues from vegetable oil including farm chaff and used cooking oil.
- 5.2.5 L B Hackney, already instrumental in the development of the London Mayors Biodiesel Programme (receiving a letter of commendation from the Deputy London Mayor) contributing to industry case studies; information videos and by 2016 was actively pushing the programme to explore and formally emission test Hydro-treated Vegetable Oil.
- 5.2.6 In partnership with TfL, 'LoCity' and the 'Low Carbon Vehicle Partnership' (LowCVP), L B Hackney carried out extensive trials of HVO, including numerous controlled emissions testing on one of our Euro VI diesel HGV's for different drive cycles at Millbrook Proving Ground with exceptional results.
- 5.2.7 The table below represents emissions testing on one of our Euro VI HGV's on a test cycle simulating a 'multi-stop' operation such as parcel delivery. It is important to note that these emissions results are 'tailpipe' emissions. HVO, being made from waste is already >80% CO2 efficient before it goes through the combustion process making it some 92% CO2 efficient when measured on a 'well to wheel' basis when benchmarked against standard road diesel.

Emissions (g/km)	CO	NOx	CO2	PM
Standard Road Diesel (EN590)	0.017	0.238	879.9	0.006
HVO	0.014	0.072	776.2	0.004
	-17.65%	-69.75%	-11.79%	-33.33%

- 5.2.8 L B Hackney's experience with renewable biofuels is well documented in numerous industry information/advisory papers including those from Energy Savings Trust, CENEX and many others. L B Hackney has been nominated or won up to 13 awards for its green fleet work over the last three years.

- 5.2.9 Hackney are replacing their complete fleet to the latest emissions technology 'practically' available. Most of the Council's LCV fleet are now Euro 6 compliant with the last few remaining awaiting delivery. Hackney also operate one of the largest electric vehicle fleets of the London local authorities with 57 EV's operated. Our EV's are supported by a charging infrastructure of 48 depot based charge points dedicated for fleet use ie not available for public use. We have also installed 5 home based charge points on a trial basis for drivers that take vehicles home.
- 5.2.10 We operate 3 petrol electric hybrid cars and 3 diesel electric hybrid vans although these vans should have gone off fleet last year.
- 5.2.11 We have concluded a procurement exercise with 57 HGV's ordered that will see our whole HGV fleet at Euro VI. (Euro 6 for cars & light commercials and Euro VI for truck; bus & coach are the highest vehicle emissions standards dictated by the EU). Our bus fleet is already at Euro VI. Our new compact mechanical sweepers delivered September 2019 are 'stage 5' (the highest emission standards available for mobile plant). All our non electric diesel engined vehicles can operate on 100% HVO with no modifications and no additional servicing requirements.
- 5.2.12 All our new Euro 6 LCV's and non electric cars are fitted with 'stop/start' systems meaning the engines will automatically switch off when stationary after a few seconds and switch back on again as soon as the driver needs to move off - usually activated by the clutch pedal.
- 5.2.13 Most of our HGV vehicles have specialist bodies requiring powered energy supplied by the motive engine. 'Stop/start' does not work particularly well for our HGV's because when the engine automatically switches off it also automatically disengages the power supply to the specialist body causing major operational delays to re-engage. Therefore, all new HGV's have been ordered with automatic shut off which is a system that automatically switches a vehicle off if it is idle for more than a few minutes (this time lag will be different for different vehicle types) but will not automatically switch vehicles back on again.
- 5.2.14 By September 2020 all Council fleet vehicles will be ULEZ compliant.

5.3 Strategic Context:

- 5.3.1 One of Hackney's strategic priorities is to achieve 45% CO2 reduction by 2030 from its combined activities. Fleets environmental strategy is contributing to this target through a number of measures but predominantly through its use of alternative fuels.
- 5.3.2 It is our intention to continue to develop our electric vehicle fleet to include HGV's, ideally sourcing electricity from sustainable sources. We are one of the first

organisations to sign up to the 'Clean Van Commitment' aiming to have all our light commercial vehicles ULEV by 2028.

5.3.3 We have approximately 200 light commercial vehicles that utilise high street forecourts for refueling via fuel cards equating to approximately 300,000 litres of fuel annually. Logistics permitting we would like to divert as many of these to the bulk storage facilities at Millfields depot in due course or consider installing bulk fuel facilities at any new depot (particularly for Hackney Housing).

5.3.4 Through the use of HVO in all non electric vehicles the Council fleet has the potential to be 100% 'fossil fuel free' by 2021.

5.3.5 Long term future aspirations

Our Fleet strategy is to reduce its carbon footprint and improve local air quality from fleet operations by:

- Eventually electrifying the whole Council fleet.
- Install appropriate charging infrastructure to support these electric vehicles to include provision of proper back office data.
- Minimise the number of vehicles that are taken home by drivers.
- Consider replacing vehicles with electric bikes where appropriate.
- Consider clean energy production from wind/solar/other? at key Council sites/depots.
- Consider the use of energy banks from electricity produced at key Council sites/depots.
- Continue to investigate alternative technology.

5.4 Preferred Option:

5.4.1 The preferred option for bulk fuel provision is to procure a contracted supply of Hydrotreated Vegetable Oil as a road fuel and also as a rebated Gas Oil (red diesel).

5.4.2 Acknowledging that HVO is relatively new to the UK market and supply chains may not be as robust as conventional diesel it is prudent to have a back-up fuel should HVO supply chains break down - see section on risks. Therefore, the Corporate Fleet Manager is recommending 'Gas To Liquid' (GTL) as a back up fuel.

5.4.3 GTL is chemically identical to HVO and therefore has the same environmental advantages as HVO post combustion ie up to 12% CO₂ and 69% NO_x reductions at the tailpipe (depending on duty cycle).

5.4.4 However, whereas HVO is made from waste and is more than 80% CO efficient pre-combustion, GTL is made from natural gas (a fossil fuel) and therefore has zero pre-combustion benefits. That said, accepting that Hydrogen, Hydrogen Fuel

Cell and Liquid Air fuels are not practically available at this moment in time, GTL is the most environmentally friendly fuel after electric and HVO respectively, is readily available and only marginally more expensive than standard diesel.

5.4.5 The Corporate Fleet Manager is recommending:

Lot 1: Hydrotreated Vegetable Oil (HVO) as a road fuel meeting EN15940 quality standards. Note we will be specifying that our HVO is manufactured from waste and contains no virgin palm oil.

Lot 2: Hydrotreated Vegetable Oil (HVO) as a rebated Gas Oil meeting EN15940 quality standards.

Gas Oil from HVO is essentially the same as standard HVO road fuel except it is designed exclusively for 'Non Road Mobile Machinery' such as agricultural or construction plant. The fuel duty applied to gas oil is substantially less than that of normal road fuel and means the purchase price is less than half the price of road diesel. As such it is illegal to use in normal road going vehicles or road going plant. The fuel includes a tracing dye which if found in normal road going vehicles will attract severe penalties.

Lot 3: Gas To Liquid (GTL) as a road fuel meeting EN15940 quality standards.

Lot 4: Gas To Liquid (GTL) as a rebated Gas Oil meeting EN15940 quality standards.

Gas Oil from GTL is essentially the same as standard GTL road fuel except it is designed exclusively for 'Non Road Mobile Machinery' such as agricultural or construction plant. The fuel duty applied to gas oil is substantially less than that of normal road fuel and means the purchase price is less than half the price. As such it is illegal to use in normal road going vehicles or road going plant. The fuel includes a tracing dye which if found in normal road going vehicles will attract severe penalties.

5.5 ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)

5.5.1 The Council continually assesses various alternative fuels through participation in technical workshops; campaigns & programmes; networking with other proactive fleet operators; ride & drive events and actual vehicle trials within our own operations.

5.5.2 The Corporate Fleet Manager has attempted to provide a brief overview of other alternative fuels currently available but rejected.

5.5.3 Compressed Natural Gas

Compressed Natural Gas (CNG) is a fossil fuel predominantly from methane. Methane is a potent greenhouse gas which has a much higher global warming impact than Carbon Dioxide (CO₂). CNG vehicles used in high density urban environments emit worse emissions than Euro VI diesel vehicles. CNG as a road fuel is only better than Euro VI diesel when the engine can be operated for long periods at its optimal engine speed and therefore may be environmentally beneficial when used in static generators or for long distance motorway vehicles but certainly not for city municipal vehicles whose duty cycles are predominantly stop/start. Gas engines produce lower noise levels than diesel engines.

5.5.4 CNG is stored at high pressure, 3,000 to 3,600 pounds per square inch (21 to 25 MPa). The vehicle fuel tank is larger and heavier impacting negatively on available payload and more costly than a conventional fuel tank.

5.5.5 Depot based CNG refueling stations are very expensive to install and take up substantial space compared to normal liquid fuel storage tanks. The refuelling station also requires high levels of energy (and therefore carbon inefficient) as the gas has to be stored at high pressure to enable fast refuelling of numerous vehicles in quick succession. Fast-fill stations may still require over 10 to 15 minutes to fill an HGV size vehicle tank.

5.5.6 Liquid Natural Gas

Liquid Natural Gas (LNG) is natural gas that has been cooled to cryogenic temperatures to turn it into a liquid. Because of its cryogenic nature, it is stored in specially designed insulated tanks. These tanks operate at fairly low pressures (about 70-150 psi) compared to CNG. A vaporizer is mounted in the fuel system that turns the LNG into a gas (which may simply be considered low pressure CNG).

5.5.7 LNG has similar environmental properties to CNG when used as a vehicle fuel but has the advantage of increased mileage range by volume because of its denser nature but has the major disadvantage of having to be stored and handled at cryogenic temperatures.

5.5.8 LNG is not popular as a road fuel because it has a number of safety related difficulties which do not make for a practical alternative fuel. The operation of LNG exposes personnel to cryogenic temperatures. Workers can receive cryogenic burns from direct body contact with cryogenic liquids, metals and cold gas, although the risk of cryogenic burns through accidental exposure can be reduced by the use of appropriate PPE. Another unusual hazard associated with LNG is in the unlikely event of a large spill of LNG onto water. The hazard is known as a rapid-phase transition (RPT), which is a rapid transformation from the liquid phase to vapour. If significant vaporisation occurs in a short time period the process resembles an explosion.

5.5.9 Both CNG and LNG will expand within the vehicle fuel systems after periods of warm weather which if internal pressures reach critical levels must be 'vented off'

via a pressure relief system to prevent the fuel system bursting. Under these conditions methane will be vented to the atmosphere which is highly damaging from an environmental point of view.

5.5.10 Biogas

It should be noted that both CNG and LNG can be provided as a biogas which is a mixture of gases produced by the breakdown of organic matter in the absence of oxygen. Biogas can be produced from raw materials such as agricultural waste, manure, municipal waste, plant material, sewage, green waste and food waste.

5.5.11 Biogas is produced by anaerobic digestion or fermentation of some forms of biodegradable materials as described above. Biogas is primarily methane and carbon dioxide which can be combusted or oxidized with oxygen. This energy release allows biogas to be used as a vehicle fuel.

5.5.12 Biogas like biodiesel is a renewable energy source which is highly CO₂ efficient before combustion in an internal combustion engine but has few post combustion benefits as described in paragraph 5.5.3.

5.5.13 Liquid Petroleum Gas

Liquefied Petroleum Gas (LPG) is a mixture of propane 93% and butane 7%, which occurs naturally in gas fields, where it is usually flared off during natural gas extraction, and is also produced during the oil refining process. LPG is a gas at room temperature but is stored under pressure as a liquid in order to achieve higher fuel densities.

5.5.14 Apart from the fuel storage and delivery mechanisms, LPG engines are very similar to petrol engines, and deliver similar performance. Most LPG conversions are to cars or light commercial vehicles - not being particularly suitable for heavy duty engines. Almost all LPG vehicles sold in the UK can operate as dual-fuel vehicles – enabling changing over to operate on petrol at the flick of a switch.

5.5.15 Fuel is delivered to the engine as a gas from separate fuel tanks, controlled by a regulator. LPG liquefies readily under light pressure, so fuel tanks and supply hoses are not exposed to the very high pressures associated with other compressed fuels.

5.5.16 Emissions vary depending on the quality of the LPG system used. In the 1990's air quality benefits were promoted over petrol and diesel engines but with developments in traditional ICE technology, the environmental benefits of LPG have been substantially reduced and are generally considered worse than standard Euro 6 petrol and diesel.

5.5.17 The fuel infrastructure for gas as a road fuel has never been good. LPG is available from nearly 1500 high street forecourts nationally but none in Hackney.

5.5.18 Hydrogen and the Dearman Engine

Hydrogen is a versatile fuel that can be used in either adapted internal combustion engines or fuel cell vehicles. Direct use in an internal combustion engine would emit only a small amount of NO_x and no CO₂ at all. Hydrogen powered vehicles are credited with the potential to eliminate toxic emissions, greenhouse gases and noise pollution, with the only emission from the tailpipe being water vapour.

5.5.19 Unfortunately, whilst hydrogen is an extremely clean fuel it is highly energy intensive and costly to create. When measured on a 'well to wheel' basis hydrogen may not be any cleaner than standard Euro 6 petrol / diesel as a road fuel. There is lots of research taking place to identify alternative processes to make hydrogen but these are unlikely to be commercially viable for many years. Availability of suitable vehicles and refuelling infrastructure are both not commercially ready for market yet.

5.5.20 The technical principles of the Dearman engine are also very attractive with zero emissions produced at the tailpipe. In a similar process to LNG, air is frozen to cryogenic temperatures whereby the Oxygen boils off early leaving Nitrogen in liquid form. This is injected into an engine, similar in design to an internal combustion engine, at ambient temperature. The difference in temperature between the injected cryogenic Nitrogen and the ambient engine causes an explosion similar in expansion to the physical properties of internal combustion.

5.5.21 Unfortunately, whilst the Dearman engine is extremely emissions clean the creation and storage of cryogenic Nitrogen is extremely expensive and the engine is not yet commercially available for mainstream vehicles.

5.6 Success Criteria/Key Drivers/Indicators:

5.6.1 There are no statutory targets for the provision or use of bulk road fuels. However, the Council does have its own target of 45% CO₂ reduction (from its combined activities) by 2030 and these recommended road fuels will make a sizable contribution to that target.

5.6.2 The Corporate Fleet Manager is aiming to increase the number of vehicles using HVO renewable fuel and therefore improve CO₂, NO_x and PM savings.

5.6.3 For logistical reasons some fleet vehicles are still refuelling at high street forecourts through the use of fuel cards. Subject to the reaction of residents near Millfields depot we will be working towards all non electric fleet vehicles refuelling at the depot to capitalise on the emissions benefits of the recommended fuels.

5.6.4 With depot/site restructures there may be scope to install bulk fuel storage tanks at any new long term operating depots.

5.6.5 The Council still operate a small number of petrol and petrol electric hybrid vehicles. Excluding these, if all other non electric vehicles migrate to HVO renewable fuel then we can promote our fleet as 'diesel free'. Once the petrol element has gone through natural fleet replacement we can promote our fleet as totally 'fossil fuel free'.

5.7 Whole Life Costing/Budgets:

5.7.1 Although biodiesel, including HVO is not related to standard diesel pricing (because it is affected by the cost of waste organic materials such as cooking oil) market testing is suggesting HVO is being priced using standard diesel as a baseline benchmark ie HVO will cost a fixed price relative to standard fuel and will fluctuate accordingly.

5.7.2 The price of standard road fuel can vary considerably due to influences such as fuel duty, market pressures and wider global events, particularly more recently being affected by trade tariffs, currency exchange, international political tensions and the global commerce desire to migrate to alternative energy sources.

5.7.3 The actual prices charged will reflect market prices at the time orders are placed. At the time of writing, road fuels are currently priced at approximately £1.03/litre + vat. (Gas Oil £0.56/litre + vat). Market testing is suggesting HVO will be approximately £0.20/litre more expensive than standard fuel.

5.7.4 The annual bulk fuel demand from Millfields depot is approximately 1.030million litres (used by Waste, Parks & Hygiene services). A further 0.235 million litres is used by numerous services via high street forecourts. Therefore, HVO could increase the Councils road fuel expenditure by an additional £206k for Millfields depot and if all fuel card users diverted to Millfields (or other onsite storage facility for HVO) would add a further £47k.

5.7.5 The Framework will be made available to all London Boroughs and it will be a requirement of the tender process that suppliers offer a discounted unit rate when new Boroughs join the Framework.

5.8 Policy Context:

5.8.1 This procurement supports various Hackney Councils policies and emissions reduction targets that cover improvement to local air quality and best value principles such as the Local Implementation Plan 2019 - 2022 that builds on from

the Transport Strategy 2015 -2025 and the Air Quality Action Plan (AQAP), specifically AQAP action points 27 and 32.

5.8.2 It also supports London centric policies for air quality, in particular the forthcoming Emissions Reduction (Local Authorities in London) Bill [HL] 2019-20

5.9 Consultation/Stakeholders:

5.9.1 The main stakeholder for the use of bulk fuels is Waste Services who has been fully consulted on the renewal of the bulk fuels contract and the desire to extend the use of renewable biofuel with the aim of reducing CO2 from fleet vehicles. There are no TUPE issues associated with this procurement.

5.10 Risk Assessment/Management:

5.10.1 Acknowledging HVO is not well known in the UK and will still take some years to become established the Corporate Fleet Manager is suggesting a reserve fuel supplier in the unlikely situation of supply chain failure utilising a fuel called ‘Gas To Liquid’ (GTL) which is chemically identical to HVO and therefore has the same post combustion emission benefits ie upto 12% CO2 reduction and 69% NOx reduction. However, it is made from natural gas and therefore has no pre-combustion emission benefits and technically is still a fossil fuel.

5.10.2 Used cooking oil (UCO) is widely used as one of the core feedstocks for renewable biodiesel which is acknowledged as a green fuel source. However, there are supply chain uncertainties suggesting virgin palm oil may be used instead of waste.

5.10.3 To mitigate this risk the Council will endeavour to question/challenge the bidders certification and/or traceability of their supply chains for the fuels raw materials and feedstocks during the tender process. The core fuel specification will require Renewable Energy Directive 2009/28/EC superseded by Renewable Energy Directive II 2018/2001/EU and the Fuel Quality Directive 2009/30/EC standards to be met - a summary of which are provided at Appendix A.

Risk	Likelihood	Impact	Overall	Action to avoid or mitigate risk
L – Low; M – Medium; H - High				

Supply failure due to availability of primary fuel choice.	M	L	L	Ensure a reserve fuel type with good environmental qualities is available.
Quantities of virgin palm oil are used as a source feedstock in HVO.	L	L	L	Fuel specification will request only waste products to be used in the HVO. Request suppliers provide certification and/or traceability of their supply chains for the fuels raw materials and feedstocks.
Price variations throughout the contract period due to global market fluctuations.	H	H	H	Identify provisions to support budgets if required.
Price variations throughout the contract period due to supplier margin fluctuations.	L	M	L	Contract T&C's to fix supplier margins.
Insufficient interest from suppliers.	M	M	M	Advertise EU wide
Inconsistent blend or quality of fuel.	L	M	M	Ensure fuel is consistent with EU standards EN15940.
Decrease in requirements (volumes) of the fuel types.	L	L	L	The contracts will be for 24 months initially, with the option to extend twice, for 12 months at a time.

5.11 Market Testing (Lessons Learnt/Bench Marking):

- 5.11.1 Market testing suggests that whilst HVO is well established in mainland Europe and the USA it is not widely known or sought in the UK and therefore the market supply for HVO is narrow with only a handful of suppliers likely to bid.
- 5.11.2 Crown Commercial Services have a cost effective framework for standard road diesel but no scope for provision of HVO or GTL.

5.12 Savings:

- 5.12.1 No specific financial savings will arise through this procurement. The approach that will be adopted is to ensure the most cost effective supplier, i.e. the supplier that provides the lowest margin and also able to meet Hackney's ordering delivery processes.
- 5.12.2 The use of renewable HVO fuel will provide very high levels of CO₂ and NO_x savings relative to standard fossil fuels with the potential to save over 3000 tonnes of CO₂ if all vehicles operate on this fuel.

6. SUSTAINABILITY ISSUES

6.1 Procuring Green

- 6.1.1 CO₂ emissions from using HVO in Council vehicles will be assessed every month as part of CO₂ monitoring. The CO₂ saved by using HVO in vehicles that usually refuel from Millfields bulk storage tanks should be in the region of 2500 tonnes. If all vehicles currently using fuel cards were to operate on HVO a further 570 tonnes of CO₂ could be saved.

6.2 Procuring for a Better Society

- 6.2.1 There are no local economic issues. However fuel purchases are made at the average market price at the time of order. The contract will deliver prices using standard road fuel as the benchmark plus the supplier's margin. It means that fuel prices received will vary with wholesale price movements throughout the course of the contract.

6.3 Procuring Fair Delivery

- 6.3.1 There are no specific equalities issues with this procurement.

6.4 Equality Impact Assessment and Equality Issues

6.4.1 There are no specific equalities issues with this procurement.

7. PROPOSED PROCUREMENT ARRANGEMENTS

7.1 Procurement Route and EU Implications:

7.1.1 A number of routes were considered for this contract, but it was determined that procuring a Framework via an Open EU process would lead to the best outcome. The market for alternative fuel suppliers is reasonably limited, making an open procedure a viable option.

7.1.2 The use of an external Framework considered, however there was not a Framework available which met the Council's needs in terms of the types of fuel required.

7.1.3 A stand alone tendering process was considered however, the service requires a back up option should the Council's appointed supplier become unavailable. The use of Framework with a number of lots allows us to appoint a number of suppliers which can meet all requirements.

7.1.4 Allowing other London Boroughs and City of London (all will be named on the OJEU notice) to access the Framework will support the environmental agendas highlighted in this report and provide financial benefits through economies of scale. The higher volume of fuel required by multiple Boroughs will result in a reduced per unit cost. The value of the Framework as required to be included on the OJEU notice will be calculated based on information from Boroughs and City of London on their current fuel requirements, combined with an assessment of Hackney's current use, to forecast demand over the possible four year period. This will form part of the tender process with bidders asked to state how their unit costs will be reduced if new Boroughs and City of London join the Framework. Questions will also address how suppliers will manage increased demand and ensure supply is consistent and reliable for all Framework users.

7.1.4 Detailed specification documents and clear Call-Off processes are being developed and will be confirmed with Legal and all stakeholders prior to tender launch.

7.2 Resources, Project Management and Key Milestones:

7.2.1 A project team will be put together incorporating representatives from Fleet Management, Procurement and Finance to conduct an effective evaluation process. Key stakeholders such as Waste services and Housing will be involved in

the review of the specifications and where relevant the terms and conditions of the contract.

Key Milestones	
CPC Meeting Date	11th March 2020
OJEU Advert placed	12th March
Invitation to Tender Launched	16th March
Closing date for Tenders	20th April
Evaluation	22nd April - 6th May
Contract Award Report considered at CPC	July 2020
Standstill Period	Approx 15th - 25th July
Contract start	Approx 1st August 2020

7.3 Contract Documents: Anticipated contract type

7.3.1 The following contract documents are currently being developed by the project team, in partnership with Legal: the Invitation to Tender, OJEU Notice, Tender Response Form, Pricing Schedule and Specification. A Framework Agreement incorporating a Call Off contract will be drawn up and will form the Terms and Conditions. These documents will clearly set out the requirements, the KPIs and the monitoring regime of the service.

7.3.2 The Legal team will also be requested to draw up the legal documentation to allow other Boroughs to access the Framework. It is preferred that the Council's role in the management of this element is minimal and so contractual arrangements will

be between the customer Borough and the supplier, with Hackney responsible for the overarching Framework Agreement only.

7.4 Contract Management:

- 7.4.1 The contract will be managed by the Fleet Management Unit (FMU), led by the Fleet Manager. Support regarding the operation of the Framework will be provided, if needed, by Procurement (the Finance and Resources Category team) and Legal.
- 7.4.2 The FMU will hold regular meetings with the suppliers in order to manage and monitor performance, in line with the targets set out in section 7.5 below.
- 7.4.3 As stated in 7.3.2 above, the Council will manage its own Call-Off contracts and the overarching Agreement but will not be involved in the contract and relationship management between other Boroughs using the Framework and suppliers.

7.5 Key Performance Indicators:

Main KPI Targets Set	Monitoring
1. Deliveries are full quantities ordered	Monitored by the ordering officers and reported by default.
2. Deliveries arrive at agreed date and time	
3. Deliveries are made in full compliance with Health and Safety requirements and any breaches are reported	Monitored by ordering officers and reported by default. Delivery points monitored by supplier and defects reported to contract administrator.
4. Fuel meets EU quality standards	Periodic independent testing of fuel managed by Fleet Management Unit.

5. Invoices are rendered in a timely and accurate fashion.	Monitored by the ordering officers and reported by default.
6. Invoices are paid within 30 days of receipt.	Monitored by central finance as part of the Council's payment performance.
7. Customer complaints/issues dealt with in an efficient and effective manner in accordance with agreed procedure and timescales.	Monitored by the supplier.

8. COMMENTS OF THE GROUP DIRECTOR FINANCE AND CORPORATE RESOURCES

8.1 This report requests approval to proceed with the procurement of a Framework, open to Hackney and other London Boroughs, to identify and engage providers for the fuels required.

8.2 The current cost incurred on fuel for the councils fleet of vehicles is approximately £1.25m, a combination of usage of Millfields bulk storage tanks and also via use of Fuel purchase cards. This cost is recharged to Service area's monthly based on usage.

8.3 The council is committed to reducing emissions and air pollution for the benefit of all of its residents and also in order to contribute to tackling the wider climate emergency. The procuring of a HVO fuel as proposed will cost around 20%/£250k more annually than a conventional fuel purchase but will clearly contribute significantly towards reducing our carbon footprint and use of fossil fuels.

8.4 The Framework will be open to other London Boroughs and there is a possibility of reducing unit costs if other boroughs join but it is not clear how much this will reduce the overall cost.

8.5 Final costs should be reviewed with Finance once the Procurement has taken place before selection of the supplier is finalised.

9. VAT Implications on Land & Property Transactions

- 9.1 As London Borough of Hackney will be buying fuel from a supplier, the onus is upon the supplier to determine the VAT liability of supply.
If the Council were to sell on fuel that it had purchased to anyone then this would be standard rated for VAT purposes. This Framework will not sell on fuel; the interactions will all be directly between the supplier(s) and the respective Borough / City of London.

10. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

- 10.1 The procurement process in this report has been assessed as High Risk and therefore pursuant to paragraph 2.7.10 of Contract Standing Orders the approval to progress to market will be with the Cabinet Procurement Committee.
- 10.2 The value of the goods in this Report is above the current threshold of £189,330 under Regulation 5 of the Public Contracts Regulations 2015 and therefore it will be necessary to publish an OJEU notice in respect of the supply of such goods.
- 10.3 It is proposed to establish a framework agreement for the supply of bulk fuels which can be used by all other London Boroughs in addition to the Council. Such arrangements would be subject to the provisions of Regulation 37 of the Public Contracts Regulations 2015 which permits a contracting authority to act as a centralised purchasing body to allow the provision of supplies to other parties. All such other parties will need to be clearly identified in the OJEU notice and tender documentation, pursuant to Regulation 33(5) of such Regulations, and the scope and estimated value of the framework agreement will also need to be included in such documents to ensure the Council complies with the principle of transparency.
- 10.4 The Council intends that in the event of other London Boroughs placing an order for supplies under the framework agreement such London Borough will contract directly with the supplier rather than involve the Council in the contractual arrangement.

11. COMMENTS OF THE PROCUREMENT CATEGORY LEAD

- 11.1 The requirement for the contracted supply of bulk road fuels, specifically renewable high blend biofuel and rebated gas oil (red diesel) for an initial 24 month period commencing 1st August 2020 with the option of two further extensions, each for a 12-month period is supported. The use of this fuel in existing internal combustion

engined vehicles will not only greatly contribute to our carbon reduction targets but also improve local air quality. This initiative will assist with one of Hackney's strategic priorities is to achieve 45% CO2 reduction by 2030 from its combined activities. It is agreed that procuring a Framework via an Open EU process would lead to the best outcome.

APPENDICES

Appendix A - Directives Summary (Public)

EXEMPT

Not Applicable

CONFIDENTIAL

Not Applicable

BACKGROUND PAPERS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required

Description of document (or None)

None

Report Author	Norman Harding Corporate Fleet Manager norman.harding@hackney.gov.uk Tel: 020 8356 3613
----------------------	---

Comments for and on behalf of the Group Director Finance and Corporate Resources	Dawn Seers Group Accountant Dawn.Seers@hackney.gov.uk Tel: 020 8356
Comments for and on behalf of the Director of Legal and Governance	Patrick Rodger Senior Lawyer, Legal Services Patrick.Rodger@hackney.gov.uk Tel: (020) 8356 6187
Comments of the Procurement Category Lead	Judith Hughes Category Lead - Corporate Services Judith.Hughes@hackney.gov.uk Tel: 020 8356 2258