



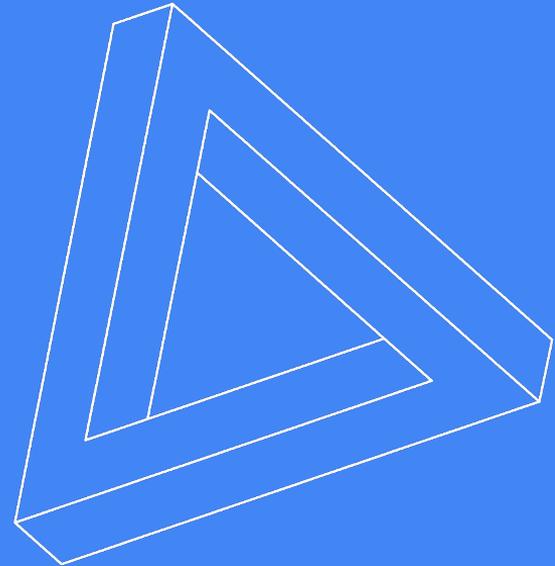
Government
Commercial
Function

PPN: 06/21

Bringing environmental commitments into the commercial process

David Brambley-Crawshaw, Senior Policy Advisor
Cabinet Office

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Net Zero - Where does it fit?

- The impacts of Climate Change will be felt across all sectors of the economy in the UK and across the globe
- Mitigating the impacts of Climate Change is a key priority for the UK Government, and follows substantial commitments made in the Climate Change Act to achieve Net Zero by 2050
- This will require significant decarbonisation in all sectors of the economy.
- Time is running out, we are now further away from 1990 than 2050 and decarbonisation is not happening fast enough
- More and more, we will be asked to consider the climate impact of the goods and services we are buying, and the manner in which we and our suppliers are operating



Net Zero - Where does it fit?

- Climate Change and Net Zero are complex subjects, with responsibility split between a number of departments:
 - Department for Environment, Food & Rural Affairs - Environmental policy leads
 - Department for Business, Energy & Industrial Strategy - Net Zero policy leads
 - COP26 Unit - International engagement, COP26 preparation
- Work is underway across the UK Government, with buying standards already in place and a number of key commitments and strategies already published
- In the UK, we spend £290 billion on procurement in the public sector. About £50 billion of that is Central Government spend (*\$493/85 billion CAD, \$398/69 billion USD*)
- The Committee on Climate Change views procurement policy as a 'key enabler' in driving best practice and behavioural change
- So, as the commercial policy lead, Cabinet Office has been collaborating with Departments to develop effective policy approaches



PPN: 06/21 - Key facts

- In June this year, Cabinet Office published PPN: 06/21 which introduces a new selection criteria for major government contracts.
- The measure is now live, and is being applied to in-scope procurements which commenced on or after 30th September 2021
- The measure applies to all Central Government Departments, their Executive Agencies and Non Departmental Public Bodies
- Where relevant and proportionate to do so, the measure applies to contracts of £5m p/a or above. It also applies to Frameworks and DPS procurements.
(\$8.5m CAD, \$6.9m USD)
- To comply with the measure, all bidding suppliers will need to provide a 'Carbon Reduction Plan' which has:
 - Been published on their website
 - Detailed the bidding organisation's GHG emissions in the UK
 - Confirmed the bidding organisation's commitment to achieving Net Zero by 2050
 - Detailed the environmental management measures they have in place



PPN: 06/21 - Scope and Emissions

- The measure requires suppliers to report their Scope 1 and Scope 2 emissions, and a subset of Scope 3 emissions (5 categories)
 - The source of greenhouse gasses have been classified by the Greenhouse Gas Protocol into three Scopes; Scope 1 emissions are incurred directly, and Scopes 2 and 3 are incurred indirectly through the manufacture, purchase, transport and disposal of products, goods and services.
 - Scope 1 and 2 emissions are the easiest to account for, but make up a comparatively small amount of the overall emissions. Large UK companies are already required to report their Scope 1 and Scope 2 emissions under the Streamlined Energy and Carbon Reporting (SECR)
 - Scope 3 emissions generally account for the majority of the overall emissions and incorporates the broadest number of categories. As such it is the most challenging to account for and report against.
- Commercial teams **are not** expected to assess or verify the emissions data suppliers are providing, and the measure **does not** compare one Supplier to another
- However, Suppliers will be deselected from the procurement process if they do not comply with the measure
- We have also published Guidance for commercial Teams, a Technical standard which sets out the requirements of the Carbon Reduction Plan, a template CRP for suppliers to use and FAQs

CO₂

CH₄

N₂O

HFCs

PFCs

SF₆

NF₃

Scope 2
INDIRECT

Scope 1
DIRECT

Scope 3
INDIRECT

Scope 3
INDIRECT



purchased goods and services



capital goods



fuel and energy related activities



transportation and distribution



waste generated in operations



business travel



employee commuting



leased assets



company facilities



company vehicles



transportation and distribution



processing of sold products



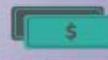
use of sold products



end-of-life treatment of sold products



leased assets



investments



franchises

Upstream activities

Reporting company

Downstream activities



What is the anticipated environmental impact?

- This is be the first measure to deselect suppliers based on their Net Zero commitments
- The measure applies to the bidding supplier at an organisational level, not just in the delivery of the contract. Furthermore, all suppliers wishing to bid need to comply, not just to the winning supplier.
- Broadest scope yet implemented - Scope 1, Scope 2 and a subset of Scope 3 emissions
- The measure will drive behavioural change for buyers and suppliers
- In the future, we hope to be able to evidence suppliers' progress to show meaningful carbon reduction and introduce further measures.