



Cabinet Office

Frequently Asked Questions

PPN 06/21: Taking Account of Carbon Reduction Plans in the procurement of major government contracts

Who does the policy and guidance apply to?

The Procurement Policy Note (PPN) applies to all Central Government Departments, their Executive Agencies and Non Departmental Public Bodies in conducting procurement procedures regulated by the Public Contracts Regulations 2015.

They are referred to in the PPN and associated guidance as 'In-scope Organisations'.

When should this PPN be applied?

PPN 06/21 applies to all Central Government Departments, their Executive Agencies and Non Departmental Public Bodies, they are referred to in the PPN as "In Scope" organisations.

PPN 06/21 was published on 5th June 2021, and will come into effect for new procurements launched from 30th September 2021.

In-Scope Organisations should take action to apply PPN 06/21 when procuring goods and/or services and/or works which are subject to the Public Contracts Regulations 2015, where there is an anticipated contract value of £5 million per annum and above (excluding VAT) unless it is not related and proportionate to the contract.

PPN 06/21 applies to the procurement of framework agreements and dynamic purchasing systems only where it is related and proportionate, and where it is anticipated that the individual value of any contract to be awarded under the framework agreement or dynamic purchasing system is £5 million per annum and above (ex VAT).

Should PPN 06/21 be applied by Devolved Administrations?

PPN 06/21 is not mandatory for Devolved Administrations, however it can be adopted on a voluntary basis.

Is PPN 06/21 applied to call offs from frameworks or Dynamic Purchasing Systems?

PPN 06/21 applies to the procurement of framework agreements and dynamic purchasing systems only where it is related and proportionate, and where it is anticipated that the individual value of any contract to be awarded under the framework agreement or dynamic purchasing system is £5 million per annum and above (ex VAT).

Where a call off is being made from a framework agreement or dynamic purchasing system which included PPN 06/21, the contracting authority may verify that the supplier continues to meet the Carbon Reduction Plan requirements prior to entering into contract.

Does PPN 06/21 apply to contracts that were started before 30th September 2021?

No, the effective date for the PPN is 30th September 2021, meaning that it should be applied to relevant procurements which have commenced on or after that date.

How do I determine if PPN 06/21 is related and proportionate to the procurement I am undertaking?

Environmental considerations and carbon reduction will be a factor in the delivery of most, if not all, contracts and therefore it is expected that in the majority of cases for contracts with a value exceeding £5 million per annum, PPN 06/21 will be related and proportionate to assess whether the supplier has the necessary technical ability to perform the contract, taking into account such factors.

This may include, but is not limited to:

- Contracts which have a direct impact on the environment in the delivery of the contract;
- Contracts which require the use of buildings by staff engaged in the delivery of the contract;
- Contracts which require the transportation of goods or people used in the delivery of the contract;
- Contracts which require the use of natural resources in the delivery of the contract.

How should PPN 06/21 be applied in the commercial process?

PPN 06/21 introduces new criteria at the selection stage of the procurement, and requires bidding suppliers to detail their commitment to achieving Net Zero through the publication of a Carbon Reduction Plan (CRP).

Further guidance on selection questions and how to apply them and assess supplier responses can be found in the *Guidance on adopting and applying the Carbon Exclusion Measure in the procurement of major contracts*

How should we assess supplier responses?

PPN 06/21 is applied at the selection stage of the procurement.

Suppliers' Carbon Reduction Plans should not be scored' or compared against each other and assessment takes the form of a check that they meet the requirements of the measure.

Example:

Supplier A and Supplier B have both submitted Carbon Reduction Plans which meet the requirements of the measure. Supplier A has committed to achieving Net Zero by 2050. Supplier B has committed to achieving Net Zero by 2030. In this instance both will pass, and neither scores higher or has any other advantage over the other.

Further guidance on selection questions and how to apply them and assess supplier responses can be found in the *Guidance on adopting and applying the Carbon Exclusion Measure in the procurement of major contracts*

What should the Carbon Reduction Plan contain?

Commercial teams should satisfy themselves that suppliers have provided a published Carbon Reduction Plan which:

- Has been published on the supplier's website
- Has been signed off at an appropriate level within 12 months of the date of the procurement
- Confirms the supplier's commitment to achieving Net Zero by 2050 (at the latest)
- Details the supplier's Greenhouse Gas emissions
- Details the environmental management measures that can be applied in the delivery of the contract.

Full details of the reporting requirements for Carbon Reduction Plans can be found in the *Technical standard for Completion of Carbon Reduction Plans*

Further guidance on selection questions and how to apply them and assess supplier responses can be found in the *Guidance on adopting and applying the Carbon Exclusion Measure in the procurement of major contracts*

Can I accept suppliers' corporate social responsibility (CSR) statements, policies and/or case studies as proof instead of a Carbon Reduction Plan?

The Carbon Reduction Plan template outlined in PPN 06/21 should be completed by all suppliers.

The Carbon Reduction Plan template has been created to collate the required information in one place for ease of use for commercial teams, and to minimise the burden placed upon suppliers, particularly start-ups, SMEs and VCSEs. Suppliers will only require one Carbon Reduction Plan, which can be used for all procurements where the measure is adopted.

Can I accept commitments under the Science Based Targets Initiative (SBTI) or Race to Zero as evidence of compliance with PPN 06/21?

The Race to Zero and the SBTI are fantastic schemes for suppliers to demonstrate their commitment to reducing emissions over time. However, these schemes do not align with the requirements of PPN 06/21 and a Carbon Reduction Plan based on the template outlined in PPN 06/21 is required.

Suppliers may detail their membership of schemes such as SBTI or Race to Zero within their Carbon Reduction Plan as an example of the environmental management measures they have in place.

Why are you looking at emissions from the bidding entity and not entity's wider UK business emissions as a whole?

In order to determine whether the supplier has the necessary technical ability to deliver the contract requirements, the contracting authority is concerned about the organisation it is entering into contract with, i.e. the bidding entity.

Whilst many suppliers have different trading entities within their wider business which are used to bid for Government work, it is only the bidding entity that is relevant to be considered.

Where the bidding entity is different from the UK or global parent, Carbon Reduction Plans should reflect the commitments and emissions of the bidding entity.

Where a supplier has existing emissions reporting or commitments which do not align with the boundary of the bidding entity, suppliers should consider the *Technical standard for Completion of Carbon Reduction Plans* and adopt an appropriate methodology to account for emissions incurred by the bidding entity.

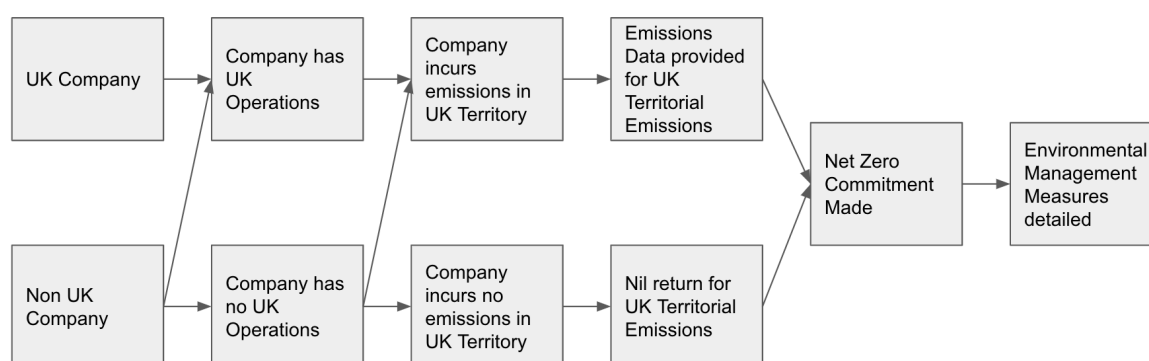
This may include a standalone assessment of the bidding entity's emissions; or an approximation based upon equity share, where emissions are accounted for from operations according to its share of equity in the operation. This model may be helpful where emissions are recorded centrally across a range of entities, e.g. recorded UK wide by the parent company rather than at the bidding entity level.

How should overseas suppliers account for their emissions?

The measure applies equally to overseas suppliers who are bidding for in-scope procurements.

Domestic and overseas suppliers are required to produce a Carbon Reduction Plan, which includes confirmation of their commitment to Net Zero for their UK operations, details their UK emissions and an indication of the environmental management measures they will be able to apply when performing the contract. If an overseas supplier does not currently carry out operations in the UK, it must not be disadvantaged by this. It can still comply with the measure if it does not have UK emissions data.

The following flow chart details how suppliers should complete their Carbon Reduction Plan, in particular their emissions reporting:



Any examples or information relating to environmental management measures are not required (for any supplier) to be based on measures undertaken by the supplier in the UK.

Further guidance on selection questions and how to apply them and assess supplier responses can be found in the *Guidance on adopting and applying the Carbon Exclusion Measure in the procurement of major contracts*

How does this measure interact with the Social Value Model?

The two measures are distinct from one another, as they are happening at different points in the commercial process.

The Social Value Model is applied at the later evaluation stage, where contracting authorities apply the model to the specific delivery of the contract and will choose themes which are most appropriate to the delivery of the contract (above and beyond the specified requirements - i.e. additional benefits). The Carbon Reduction Plan applies at the earlier selection stage of the procurement process.

More information on the Social Value Model and how it can be used within the procurement process can be found in the Guide to using the Social Value Model¹.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/940827/Guide-to-using-the-Social-Value-Model-Edn-1.1-3-Dec-20.pdf

What emissions should be reported in the Carbon Reduction Plan?

The Greenhouse Gas Protocol breaks emissions sources down into three categories or Scopes:

- Scope 1 emissions are direct greenhouse gas emissions that occur from sources that are controlled or owned by the reporting organization. e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles.
- Scope 2 emissions are indirect greenhouse gas emissions associated with the purchase of electricity, steam, heat, or cooling. They are accounted for by the reporting organization as they are a result of the organization's energy use.
- Scope 3 emissions include all sources not within an organization's scope 1 and 2 boundary. Scope 3 emissions often represent the majority of an organization's total greenhouse gas emissions.

Scope 3 emissions fall within 15 categories, though organisations may not incur emissions in all categories. Scope 3 emission sources include emissions both upstream and downstream of the organization's activities.

When completing your Carbon Reduction Plan you should include your UK emissions for Scope 1 and Scope 2, along with a subset of five Scope 3 emissions categories:

- Business travel
- Employee commuting
- Waste generated in operations
- Upstream transportation and distribution
- Downstream transportation and distribution.

Full details of the reporting requirements for Carbon Reduction Plans can be found in the *Technical standard for Completion of Carbon Reduction Plans*

Some emissions categories in the policy are not currently recorded by our organisation, is the application of a materiality threshold an acceptable explanation for not reporting some categories?

All relevant emissions sources specified in the Technical Standard must be accounted for to demonstrate compliance with the policy measure (as reflected in PPN 06/21).

We are aware that some emissions reporting schemes allow suppliers to define a minimum emissions accounting threshold (often referred to as a materiality threshold) stating that a source not exceeding a certain size can be omitted from the inventory.

In order to utilize a materiality threshold approach, the emissions from a particular source or activity would have to be quantified to ensure they were under the threshold. Once emissions are quantified, those emissions could be included in the Carbon Reduction Plan. In any event, the implementation of such a materiality threshold is not compatible with the requirements of the policy and the PPN, which require reporting against the scope 1, 2 and 3 emissions specified in the Technical Standard in the template Carbon Reduction Plan.

Furthermore, a materiality threshold approach allows a variance in the emissions categories suppliers are reporting, which sets unjustifiably different requirements for different

suppliers. Suppliers submitting Carbon Reduction Plans are required to report the same emissions categories to maintain the principles of fairness, non-discrimination and transparency within the procurement process.

With respect to what constitutes an "acceptable explanation", that is a matter for the Contracting Authority to determine, taking into account the particular circumstances at the time.

Will there be any other training or support that will be given to assist suppliers and commercial teams?

Cabinet Office will be working alongside partners such as Crown Commercial Service and the Confederation of British Industry to host webinars and round tables on the policy measure during the implementation period.

Further information on supplier webinars hosted by Crown Commercial Service, and sessions hosted by the CBI will be made available on their websites.

Can in-scope organisations go further than what is set out in the PPN if desired?

In scope organisations with a more ambitious target for achieving Net Zero may wish to go further than the PPN, however they **may not** amend the Selection Criteria requirements established by PPN 06/21, or the requirements of the Carbon Reduction Plan.

Any contract specific requirements may be introduced in the evaluation stage of the procurement and through the use of the Social Value model. For example, they may develop evaluation questions and criteria which relate to policy outcomes which are specific to that organisation and the delivery of the contract.

More information on the Social Value model and how it can be used within the procurement process can be found in the Guide to using the Social Value Model².

What support is available for businesses in calculating their Carbon Footprint?

A number of private sector organisations offer support and tools for businesses wanting to calculate their carbon footprint. Some of these services are available for free for SME and VCSE suppliers, others may charge.

The following list is not exhaustive and is not officially endorsed by government but may prove useful to suppliers:

- Carbon Trust: <http://www.carbontrust.com/>

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/940827/Guide-to-using-the-Social-Value-Model-Edn-1.1-3-Dec-20.pdf

- Carbon Trust: SME Carbon Footprint Calculator:
<https://www.carbontrust.com/resources/sme-carbon-footprint-calculator>
- Carbon footprint: <http://www.carbonfootprint.com/>
- Carbon Footprint: Small Business Calculator:
https://www.carbonfootprint.com/small_business_calculator.html
- Carbon Smart: <http://www.carbonsmart.co.uk/>
- Ricardo-AEA: <http://www.ricardo-aea.com/cms/greenhouse-gas-footprinting-and-reporting-services-2/?stage=Live>
- CDP partners: <https://www.cdp.net/en>
- Waste Resources Action Programme (WRAP): <http://www.wrap.org.uk/>
- Greenstone: <http://www.greenstoneplus.com/services/>
- Ecometrica: <http://ecometrica.com/>
- Anthesis Group: <https://www.anthesisgroup.com/>
- IEMA: <http://www.iema.net/>
- Vercoglobal: <http://www.vercoglobal.com/>
- Loreus: <http://www.loreus.com/>
- WS Group: <http://www.wspgroup.com/en/WSP-UK/>