



Cabinet Office

Procurement Policy Note – Taking Account of Carbon Reduction Plans in the procurement of major government contracts

Action Note PPN 06/21

05/06/2021

Issue

1. The UK Government amended the Climate Change Act 2008¹ in 2019 by introducing a target of at least a 100% reduction in the net UK carbon account (i.e. reduction of greenhouse gas emissions², compared to 1990 levels) by 2050. This is otherwise known as the 'Net Zero' target. This Procurement Policy Note (PPN) sets out how to take account of suppliers' Net Zero Carbon Reduction Plans in the procurement of major Government contracts.

Dissemination and Scope

2. This PPN applies to all Central Government Departments, their Executive Agencies and Non Departmental Public Bodies. These organisations are referred to in this PPN as 'In-Scope Organisations'. Please circulate this PPN within your organisation, drawing it to the attention of those with a commercial and procurement role.

3. In-Scope Organisations should take action to apply this PPN when procuring goods and/or services and/or works with an anticipated contract value above £5 million per annum³ (excluding VAT) which are subject to the Public Contracts Regulations 2015 save where it would not be related and proportionate to the contract.

4. This PPN applies to framework agreements and dynamic purchasing systems only where it is anticipated that the individual value of any contract to be awarded under the

¹ Climate Change Act 2008: www.legislation.gov.uk/ukpga/2008/27/contents

² When the reporting of GHG emissions is measured, it is often done so in carbon dioxide equivalent units (CO₂e). The use of CO₂e allows for more accessible reporting and straightforward tracking and reporting of emissions over time. CO₂e includes all of the greenhouse gases defined within the Kyoto protocol: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFC), perfluorocarbons (PFC), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). Each of these greenhouse gasses have a conversion factor as published by DEFRA:

<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020> When the phrase 'Net Zero Carbon' is used, it is referring to both CO₂ and CO₂e emissions and means net zero GHG rather than net zero CO₂.

³ Based on advertised contract value, averaged over the life of the contract, e.g. a contract with a 4 year term with a total contract value of £21m would be in scope, even if the value in the first year was under £5m.

framework agreement or dynamic purchasing system is greater than £5 million per annum (excluding VAT).

5. Contracting Authorities may verify that the supplier remains committed to achieving Net Zero prior to entering into any contract awarded under a framework agreement.

Timing

6. In-Scope Organisations must apply the provisions of this PPN to relevant procurements advertised on or after 30 September 2021.

Action

7. As part of assessing a supplier's technical and professional ability, In-Scope Organisations should include, as a selection criterion, a requirement for bidding suppliers⁴ to provide a Carbon Reduction Plan (using the template at Annex A) confirming the supplier's commitment to achieving Net Zero by 2050 in the UK, and setting out the environmental management measures that they have in place and which will be in effect and utilised during the performance of the contract. The CRP should be specific to the bidding entity, or, provided certain criteria are met, may cover the bidding entity and its parent organisation. In order to ensure the CRP remains relevant, a CRP covering the bidding entity and its parent organisation is only permissible where the detailed requirements of the CRP are met in full, as set out in the Technical Standard⁵ and Guidance⁶, and all of the following criteria are met:

- The bidding entity is wholly owned by the parent;
- The commitment to achieving net zero by 2050 for UK operations is set out in the CRP for the parent and is supported and adopted by the bidding entity, demonstrated by the inclusion in the CRP of a statement that this will apply to the bidding entity;
- The environmental measures set out are stated to be able to be applied by the bidding entity when performing the relevant contract; and
- The CRP is published on the bidding entity's website.

Bidding entities must take steps to ensure they have their own CRP as soon as reasonably practicable and should note that the ability to rely on a parent organisation's Carbon Reduction Plan may only be a temporary measure under this selection criterion.

8. Carbon Reduction Plans must meet the required standard as set out by the supporting guidance to this PPN. This includes, but is not limited to:

- Confirming the bidding supplier's commitment to achieving Net Zero by 2050 for their UK operations.
- Providing the supplier's current emissions for the sources included in Scope 1 and 2 of the GHG Protocol, and a defined subset of Scope 3 emissions.

⁴ Bidding supplier or 'bidding entity' means the organisation with whom the contracting authority will enter into a contract if it is successful.

⁵ Technical Standard can be found at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/991625/PPN_0621_Technical_standard_for_the_Completion_of_Carbon_Reduction_Plans__2_.pdf

⁶ Guidance can be found at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/991623/Guidance_on_adopting_and_applying_PPN_06_21__Selection_Criteria__3_.pdf

- Providing emissions reporting in CO₂e (Carbon Dioxide Equivalent) for the six greenhouse gases covered by the Kyoto Protocol⁷.
- Setting out the environmental management measures in effect, including certification schemes or specific carbon reduction measures you have adopted, and that you will be able to apply when performing the contract and that support achieving Net Zero by 2050.
- Publication of the CRP on the supplier's website.

9. Environmental considerations and carbon reduction will be a factor in most, if not all, contracts and therefore it is expected that in the majority of cases, the application of this PPN will be relevant. 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.

10. In-Scope Organisations should make their own assessment of the measure's applicability on a case by case basis.

11. When applying the contents of this PPN, In-Scope Organisations must ensure they act transparently and in accordance with the principles of equal treatment and non-discrimination.

Background

12. The UK has a proud record of global leadership in tackling climate change and supporting clean growth. In 2006, the UK published the first global review into the economics of climate change⁸. This led to the Climate Change Act 2008, which established a comprehensive legal framework for delivering emission reductions in the UK, including a 2050 carbon reduction target and the introduction of carbon budgets.

13. Between 1990 and 2017, the UK reduced its emissions by 42% while growing the economy by more than two thirds⁹. In 2019 the UK Government amended the Climate Change Act 2008 by increasing the target for reducing greenhouse gas emissions in the UK to at least 100% lower than 1990 levels by 2050. This is otherwise known as the Net Zero target. The UK became the first major economy to set this target.

14. The UK's 2050 Net Zero target is one of the most ambitious in the world and was recommended by the Committee on Climate Change, the UK's independent climate advisory

⁷ Carbon dioxide (CO₂), Methane (CH₄), Nitrous Oxide (N₂O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), and Sulphur Hexafluoride (SF₆)

⁸ HM Treasury's review into funding the transition to a net zero greenhouse gas economy:

<https://www.gov.uk/government/publications/net-zero-review-terms-of-reference/hm-treasurys-review-into-funding-the-transition-to-a-net-zero-greenhouse-gas-economy-terms-of-reference>

⁹ Clean Growth Strategy 2018:

<https://www.gov.uk/government/publications/clean-growth-strategy/clean-growth-strategy-executive-summary>

body. Net Zero requires a reduction in emissions and (if necessary) that any emissions generated are balanced by schemes to offset an equivalent amount of greenhouse gases from the atmosphere, such as planting trees or using technology like carbon capture and storage.

15. BEIS instituted a reporting regime in 2018 that requires quoted companies, large unquoted companies (including charitable companies) and large Limited Liability Partnerships (LLPs) to self-declare their Scope 1 and 2 emissions under the Streamlined Energy and Carbon Reporting from 1st April 2019. This measure therefore does not require any changes to the data companies are already submitting under SECR or to current procurement regulations.

16. The government is committed to continuing its efforts to reduce greenhouse gas emissions and deliver on its carbon budget commitments, while keeping costs down for consumers and supporting the creation of good jobs and growing the economy. As environmental and carbon considerations feature in the aspects of delivery of most public contracts, this is an opportunity for us to take steps to support that commitment and reduce emissions through public procurement.



CARBON REDUCTION PLAN GUIDANCE

Notes for Completion

Where an In-Scope Organisation has determined that the measure applies to the procurement, suppliers wishing to bid for that contract are required at the selection stage to submit a Carbon Reduction Plan which details their organisational carbon footprint and confirms their commitment to achieving Net Zero by 2050.

Carbon Reduction Plans are to be completed by the bidding supplier¹⁰ and must meet the reporting requirements set out in supporting guidance, and include the supplier's current carbon footprint and its commitment to reducing emissions to achieve Net Zero emissions by 2050.

The CRP should be specific to the bidding entity, or, provided certain criteria are met, may cover the bidding entity and its parent organisation. In order to ensure the CRP remains relevant, a Carbon Reduction Plan covering the bidding entity and its parent organisation is only permissible where the detailed requirements of the CRP are met in full, as set out in the Technical Standard¹¹ and Guidance¹², and all of the following criteria are met:

- The bidding entity is wholly owned by the parent;
- The commitment to achieving net zero by 2050 for UK operations is set out in the CRP for the parent and is supported and adopted by the bidding entity, demonstrated by the inclusion in the CRP of a statement that this will apply to the bidding entity;
- The environmental measures set out are stated to be able to be applied by the bidding entity when performing the relevant contract; and
- The CRP is published on the bidding entity's website.

Bidding entities must take steps to ensure they have their own CRP as soon as reasonably practicable and should note that the ability to rely on a parent organisation's Carbon Reduction Plan may only be a temporary measure under this selection criterion.

The Carbon Reduction Plan should be updated regularly (at least annually) and published and clearly signposted on the supplier's UK website. It should be approved by a director (or equivalent senior leadership) within the supplier's organisation to demonstrate a clear

¹⁰ Bidding supplier or 'bidding entity' means the organisation with whom the contracting authority will enter into a contract if it is successful.

¹¹ Technical Standard can be found at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/991625/PPN_0621_Technical_standard_for_the_Completion_of_Carbon_Reduction_Plans__2_.pdf

¹² Guidance can be found at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/991623/Guidance_on_adopting_and_applying_PPN_06_21__Selection_Criteria__3_.pdf

commitment to emissions reduction at the highest level. Suppliers may wish to adopt the key objectives of the Carbon Reduction Plan within their strategic plans.

A template for the Carbon Reduction Plan is set out below. Please complete and publish your Carbon Reduction Plan in accordance with the reporting standard published alongside this PPN.

Carbon Reduction Plan Template

Supplier name:

Publication date:

Commitment to achieving Net Zero

[Supplier name] is committed to achieving Net Zero emissions by 20**XX**.

Baseline Emissions Footprint

Baseline emissions are a record of the greenhouse gases that have been produced in the past and were produced prior to the introduction of any strategies to reduce emissions. Baseline emissions are the reference point against which emissions reduction can be measured.

[Instructions to Suppliers:

Please provide details of your organisation's baseline emissions below. If your organisation has not previously assessed or reported emissions, please detail this below and use your first reporting period as your Baseline.]

Baseline Year: **20XX**

Additional Details relating to the Baseline Emissions calculations.

[Instructions to Suppliers:

Add commentary regarding your Baseline Emissions as required: e.g. historic baseline which deviates from the requirements under this measure (e.g. no prior Scope 3 emissions reporting), where there is no previous reporting and the creation of a new baseline due to substantial organisational change or restructuring]

Baseline year emissions:

EMISSIONS	TOTAL (tCO ₂ e)
Scope 1	XX
Scope 2	XX
Scope 3 (Included Sources)	XX
Total Emissions	XX

Current Emissions Reporting

Reporting Year: 20XX	
EMISSIONS	TOTAL (tCO ₂ e)
Scope 1	XX
Scope 2	XX
Scope 3 (Included Sources)	XX
Total Emissions	XX

Emissions reduction targets

[Instructions to Suppliers:

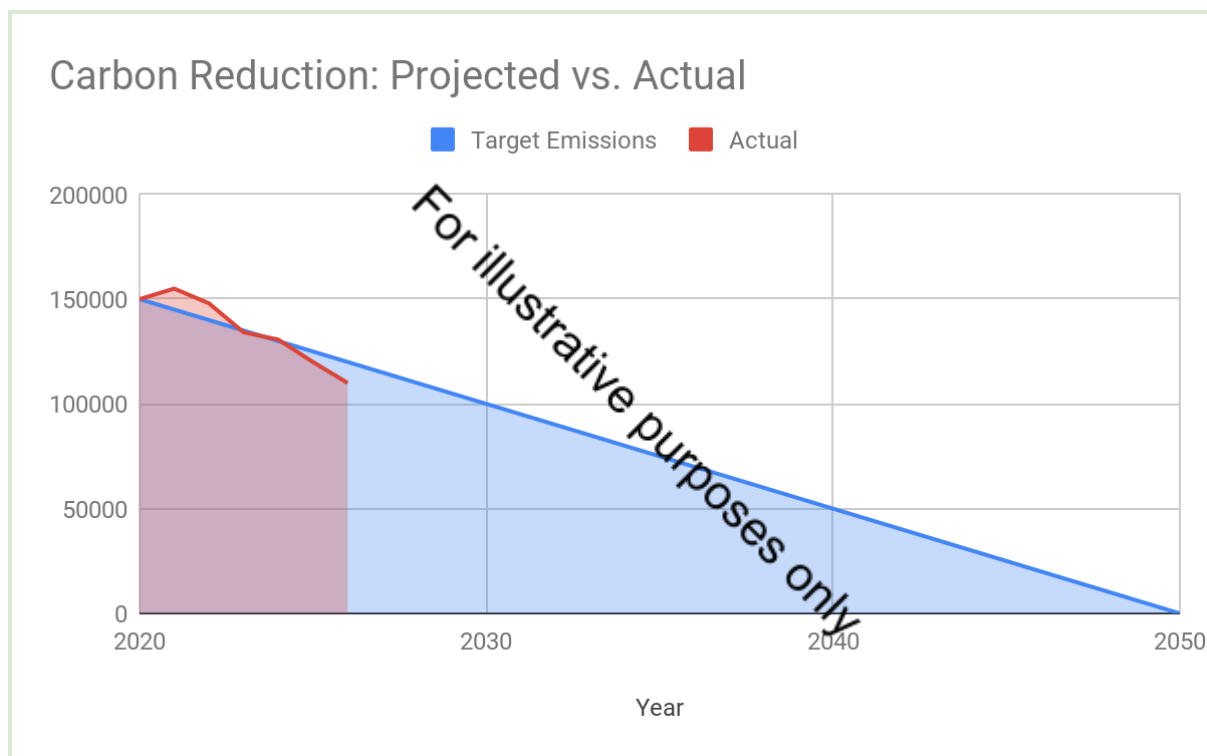
If existing emissions reduction targets are in place for your organisation, please provide details below.

If you have no previous emissions reduction commitment, or if this is your organisation's first carbon footprint, please provide targets for your organisation]

In order to continue our progress to achieving Net Zero, we have adopted the following carbon reduction targets.

We project that carbon emissions will decrease over the next five years to XX tCO₂e by 20XX. This is a reduction of XX%

Progress against these targets can be seen in the graph below:



Carbon Reduction Projects

Completed Carbon Reduction Initiatives

The following environmental management measures and projects have been completed or implemented since the 20XX baseline. The carbon emission reduction achieved by these schemes equate to XX tCO₂e, a XX%ge reduction against the 20XX baseline and the measures will be in effect when performing the contract

[Instructions to Suppliers:

Briefly provide details of some of your completed carbon reduction projects. This is for information only.

This may include environmental management measures such as certification schemes like ISO14001 or PAS 2060, signing up to SBTi or specific measures you have taken such as; the adoption of LED/PIR lighting controls, changes to policy resulting in a reduction in company travel and flights or the electrification of the company fleet.]

In the future we hope to implement further measures such as:

[Instructions to Suppliers:

Briefly provide details of some of any likely/proposed future carbon reduction projects. This is for information only.]

Declaration and Sign Off

This Carbon Reduction Plan has been completed in accordance with PPN 06/21 and associated guidance and reporting standard for Carbon Reduction Plans.

Emissions have been reported and recorded in accordance with the published reporting standard for Carbon Reduction Plans and the GHG Reporting Protocol corporate standard¹³ and uses the appropriate Government emission conversion factors for greenhouse gas company reporting¹⁴.

Scope 1 and Scope 2 emissions have been reported in accordance with SECR requirements, and the required subset of Scope 3 emissions have been reported in accordance with the published reporting standard for Carbon Reduction Plans and the Corporate Value Chain (Scope 3) Standard¹⁵.

This Carbon Reduction Plan has been reviewed and signed off by the board of directors (or equivalent management body).

Signed on behalf of the Supplier:

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Date:

¹³ <https://ghgprotocol.org/corporate-standard>

¹⁴ <https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>

¹⁵ <https://ghgprotocol.org/standards/scope-3-standard>