

Introduction and Context

In 2019, the UK Government amended the Climate Change Act 2008 by introducing a target of at least a 100% reduction in the net UK territorial carbon account by 2050. This is otherwise known as the 'Net Zero' target.

As environmental and GHG emissions considerations feature in the aspects of delivery of most public contracts, there are opportunities for Contracting Authorities to take steps to support the Net Zero commitment and reduce GHG emissions through public procurement.

PPN 01/24 introduces an optional standard carbon reduction contract schedule that can be included in contracts where it is both relevant to the subject matter of the contract and proportionate to its value and objectives.

This schedule was developed with the intention that the individual Terms can be used in isolation, or in combination with others. The use of the Terms in this schedule is not mandatory, and terms should be included where relevant to the subject matter of the contract and proportionate, taking account of buyer/supplier maturity and readiness.

Before using this schedule, consideration should be given to:

- The Authority's understanding of carbon reduction initiatives and how to apply and monitor these; Authorities have a range of maturity when it comes to GHG emissions reporting and carbon reduction initiatives. Does the Authority understand the additional requirements and can they support the Supplier to deliver decarbonisation through the T&Cs?
- The Supplier's understanding and ability to introduce effective measures; Suppliers also have a range of maturity when it comes to GHG emissions reporting and carbon reduction initiatives. Authorities should consider the maturity of the category and supply chain when applying these T&Cs, and assess how burdensome any optional requirements might be. Whilst there is an opportunity to increase GHG emissions reduction by cascading requirements down the supply chain, there may also be a burden to SME and VCSE Suppliers in doing so and these should be well-understood before proceeding.
- The value and estimated carbon GHG emissions linked to the contract; high-value contracts are likely to demand additional resources, time and assets in contract delivery which could be associated with higher GHG emissions. It may not be proportionate to apply these T&Cs to low value contracts.
- The criticality of the contract; As with high value contracts, high criticality contracts may require more resources and produce higher GHG emissions. Low criticality contracts are often delivered by SME and VCSE Suppliers, who may be less able to provide contract specific GHG emissions data.

Guidance Notes

Please ensure that the Carbon Reduction Schedule is checked for accuracy before sending to the Supplier, that there is no overlap with other standard terms and that all referencing is adjusted appropriately.

Carbon Reduction Schedule Guidance

The Schedule has optional sector specific paragraphs included such as for technology, facilities management, construction, etc. The options selected will depend on the nature of the contract.

Please note that these paragraphs might need to be modified and adapted to fit with the way your organisation operates. These paragraphs have been reviewed and approved by CO legal advisers, however, authorities may wish to seek their own legal advice prior to including these, or other, optional schedules.

Which paragraphs are appropriate to my contract?

The paragraphs in this Schedule are optional and should be included where relevant to the subject matter of the contract and proportionate to do so. It may not be appropriate to include the T&Cs in all contracts. We encourage Authorities to test acceptability of these T&Cs with the market as soon as possible through pre-market discussions/considerations to ensure Suppliers are aware of any potential additional requirements at the earliest opportunity.

Schedule Section	High Value*/ High GHG emissions	Low Value/ High GHG emissions	Authority has Mature Understanding	Market has Mature Understanding
Net Zero Obligation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Net Zero Commitment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Net Zero Contractual Commitments	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Gain-share (Optional)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Net Zero Modification (Optional)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Rectification Plan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fuel GHG emissions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Net Zero Supply Chain Cascade (Optional)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Optional and Sector Specific paragraphs (Optional)	Where relevant to the contract.			
GHG emissions Reporting (Optional)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Schedule Section Guidance

Set out below is a list of guidance on the intention and envisaged usage of each section of the Schedule. This guidance document is intended to be read alongside the Carbon Reduction Schedule.

- [Net Zero Obligation](#)
Ensuring supplier commitment to Government or Authority Net Zero targets.
- [Net Zero Commitment](#)
Requires the supplier to have and maintain a Carbon Reduction Plan.
- [Net Zero Contractual Commitments](#)
Establishes contractual commitments, e.g. GHG emissions reduction targets or contract level carbon foot printing.
- [Reporting](#)
Sets out specific reporting requirements under the contract.
- [Gain-share](#)
A novel means of incentivising GHG emissions reductions over and above any established contractual requirements. (Based upon The Chancery Lane Project terms)
- [Net Zero Modification](#)
Modification paragraphs to support decarbonisation initiatives during the term of the contract (Based upon The Chancery Lane Project terms)
- [Rectification Plan](#)
Performance management paragraphs.
- [Fuel emissions](#)
Optional paragraphs that support the reduction in fuel use.
- [Net Zero Supply Chain Cascade](#)
Optional paragraphs that support the proportionate cascade of relevant requirements to key supply chain partners.
- [Optional and Sector Specific paragraphs](#)
Optional sector specific paragraphs.
- [GHG emissions Reporting](#)
paragraphs that support GHG emissions reporting and recording within the contract.

Net Zero Obligation

Paragraph 1 is intended to acknowledge the Government’s Net Zero target and to set the expectation that the Supplier will minimise the environmental impact associated with the delivery of the contract. This paragraph also provides the option to acknowledge the Authority’s Net Zero target and this should be included where the Authority’s target (where applicable) is different to the Government target of 2050.

Net Zero Commitment

This section is intended to require the Supplier to have a Carbon Reduction Plan (CRP) for the whole organisation and to maintain it for the life of the contract. There are two options for this paragraph 2:

<p>Option 1: Where PPN 06/21 was included in the Selection Questionnaire</p>	<p>Option 2: Where PPN 06/21 was not included in the Selection Questionnaire</p>
<p>This paragraph is intended to align the obligations of this Carbon Reduction Schedule with the existing obligations of PPN 06/21.</p> <p>As the contract is in scope of PPN 06/21 the Supplier will already have a CRP which it is obliged to maintain for the life of the contract.</p>	<p>Where the contract was not in scope of PPN 06/21 this option should be used to ensure that the Supplier sets an organisational Net Zero target and outlines the steps they are taking as an organisation to reduce their carbon footprint.</p> <p>There is also an optional paragraph which requires the Supplier to create CRP and to maintain it for the life of the contract.</p>
<p>Both options include optional paragraphs which require the Supplier to keep up to date full and complete records of GHG emissions Reporting activity as an organisation which should be provided to the Authority annually.</p> <p>It also gives the Authority the ability to request that the Supplier present their CRPS and progress toward achieving their Net Zero target and refresh their CRPs where requested.</p>	

Paragraph 3 gives the Authority the ability to support the Supplier to achieve their Net Zero target should it become apparent that the Supplier is not on track to meet it.

Net Zero Contractual Commitments

This section is intended to oblige the Supplier to set contract specific carbon reduction targets (as opposed to those set at an organisational level such as a Carbon Reduction Plan).

There are three options for paragraph 4:

<p>Option 1: Where PPN 06/21 was included in the Selection Questionnaire</p>	<p>Option 2: Where PPN 06/21 was not included in the Selection Questionnaire</p>	<p>Option 3: PPN 06/21 was not included in the Selection Questionnaire but a CRP was created in line with Paragraph 2</p>
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<p>This paragraph requires the Supplier to deliver the contract in a manner which supports the achievement of both the Government and Supplier's Net Zero target and also requires the Supplier to deliver the contract in alignment with their organisational CRP.</p>	<p>This paragraph requires the Supplier to deliver the contract in a manner which supports the achievement of both the Government and Supplier's Net Zero target</p>	<p>This paragraph requires the Supplier to deliver the contract in a manner which supports the achievement of both the Government and Supplier's Net Zero target and also requires the Supplier to deliver the contract in alignment with their organisational CRP.</p>
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Paragraph 5 requires the supplier to create a contract specific carbon footprint and to identify any GHG hotspots, i.e. aspects of delivery which are producing high carbon GHG emissions in relation to the rest of the contract. The Authority should discuss this with the Supplier and mutually agree the timeline for this initial assessment to be undertaken. Any hotspots identified should form the main focus on the GHG emissions reduction plan outlined at paragraph 7.

Paragraph 6 provides the standards which should be used by the Supplier when creating a contract specific carbon footprint, as required in paragraph 5. The Authority can include alternative standards where appropriate. The Authority should discuss and agree the level of assurance for the assessment with the Supplier, as well as the GHG emissions that should be included in the assessment. The Authority should consider how burdensome this will be for the Supplier and their maturity when setting these requirements.

Paragraph 7 requires the Supplier to develop an GHG emissions reduction plan for the contract, using [Table 2](#) in the GHG emissions Reporting section, and to set a reduction target which they should strive to achieve each year. The target should be discussed and mutually agreed between the Authority and Supplier. The hotspots identified in paragraph 5 should be the main focus, but further areas could be included depending on the Supplier's understanding and maturity. This plan should be updated and provided to the Authority annually.

Paragraph 8 gives the Authority assurance that the Supplier can deliver the contract in line with the reduction targets without any adverse effect on the quality of the deliverables or the relationship with the Authority.

Paragraph 9 gives the Authority the option to request that the contract specific carbon footprint is assessed and verified by an independent party. This can only be requested once every two contract years at most.

Reporting

Paragraph 10 sets out the reporting requirements for the Supplier. The Supplier is required to re-assess the contract level GHG emissions every year for the life of the contract, including any emerging hotspots that are identified and detailing key decarbonisation opportunities that the Supplier is considering implementing. [Table 1](#) in the GHG emissions Reporting section should be used to record this and report it back to the Authority.

Gain-share (*Optional*)

This section is optional and should only be considered for use where both the Authority and Supplier has a mature understanding of carbon reduction and where there is confidence that the contract level carbon footprint is accurately measurable.

These paragraphs are intended to incentivise the Supplier to reduce the contract carbon footprint beyond the annual reduction target set out in paragraph 5. The paragraphs and gain share mechanism have been adapted from [The Chancery Lane Project's Jess & Rory's paragraph](#).

Paragraphs 11-15 set out the parameters around gain share payments to ensure that both parties are aware of their responsibilities should this paragraph be included.

Net Zero Modification (*Optional*)

These paragraphs have been adapted from The Chancery Lane Project's [Luna's paragraph](#) and are intended to give both parties a mechanism to suggest and agree to a contract modification to support the reduction of the carbon footprint. An example of where this is envisaged to be used is where new methodology or technology becomes available that could reduce the GHG emissions associated with an identified GHG hotspot. The Authorities' existing contract change process should still be used to formalise any agreed modification.

Rectification Plan

This section is intended to hold the Supplier to account for any failures to meet their Net Zero Contractual Commitments and to oblige them to inform the Authority as soon as they become aware that they might not meet these commitments. The Authority should support the Supplier to implement an improvement plan where this is the case.

Fuel emissions

This is an optional paragraph that is intended to set the expectation that the Supplier will avoid fuel emissions wherever possible.

Net Zero Supply Chain Cascade (*Optional*)

This optional paragraph should be implemented where the Supplier has a mature knowledge and understanding of carbon reduction and the ability to introduce effective measures. They also need to have a good understanding of their supply chain and how burdensome implementation of these paragraphs will be, with particular consideration given to smaller suppliers (i.e. SMEs and VCSEs).

Optional and Sector Specific paragraphs (*Optional*)

Optional and sector specific paragraphs are provided in Annex A and should be included here where relevant and proportionate to the contract. When including these terms please ensure that there is no duplication with any paragraphs included in other contract schedules and be sure to check the numbering before issuing the terms.

GHG emissions Reporting (*Optional*)

These paragraphs are intended to provide a mechanism for reporting progress against the contract carbon footprint. These paragraphs are optional and both the paragraphs and the tables should be tailored to the specific needs of the contract. The inclusion and content of this section should be discussed as part of the pre-tender engagement with the market and should then be mutually agreed by both the Authority and Supplier before finalising the contract.

Table 1: GHG emissions Report requires the Supplier to retrospectively provide contract GHG emissions figures for each year of the contract, split into scopes 1, 2 and 3. Suppliers are also required to outline any new hotspots that have been identified while carrying out the contract and to detail any new decarbonisation opportunities that could be applied to the contract.

Table 2: GHG emissions Reduction Plan requires the Supplier to specify the GHG Hotspots and associated estimated GHG emissions identified by the Carbon footprint assessment at paragraph 5 and the GHG emissions reduction target set at paragraph 7. Suppliers should then record the actual GHG emissions incurred by that hotspot for each contract year and use this figure to calculate the actual % of GHG emissions reduction achieved. This can be used by the authority to track the Suppliers' progress and to assess if they are on track to meet their contractual GHG emissions reduction targets.