

With climate change at the forefront of the agenda at last week's G7 Summit, the UK government has reiterated its commitment to tackling climate change by announcing new measures requiring businesses to commit to net zero by 2050 as a condition of bidding for any major government contracts.

Procurement Policy Note (PPN) 06/21 states that the new measures will apply to all central government departments, their executive agencies and non-departmental public bodies ("**In-Scope Organisations**"). In-Scope Organisations must apply the new conditions when procuring goods, services or works with an anticipated contract value of over £5 million per annum. We expect local government and other public bodies such as the NHS to follow suit.

In relation to any procurements over £5 million advertised on or after 30 September 2021, all bidders will now be required to submit a clear and credible "Carbon Reduction Plan", detailing their organisational carbon footprint along with confirmation of their commitment to achieve net zero for their UK operations by 2050.

The PPN includes a template Carbon Reduction Plan for bidders to complete and provides guidance on their content. As well as confirming their commitment to achieving net zero, bidders must report their current emissions under Scope 1 and Scope 2 of the GHG Protocol (respectively, direct GHG emissions from sources controlled or owned by the bidder and indirect GHG emissions associated with the purchase of electricity, steam, heat or cooling), and some Scope 3 emissions (including travel and commuting, waste, and upstream and downstream transport).

The PPN is highly prescriptive, as all bidders must use the mandated Carbon Reduction Plan template. Businesses that include emission reductions in their corporate social responsibility (CSR) statements, or that follow schemes such as the Science Based Targets Initiative or Race to Zero, must still complete the Carbon Reduction Plan and cannot rely on other reports.

The new requirements will be applied at the selection stage of procurements, meaning that bidders that fail to comply risk being excluded from the process. However, compliant bidders' Carbon Reduction Plans will not be assessed qualitatively or scored against each other.

One important qualification is that the Carbon Reduction Plan must reflect the emissions and commitments of the specific entity that submits a bid. Thus, if a bidding entity is part of a wider group in which some companies generate higher emissions or are unable to commit to net zero, it should not be disadvantaged.

In-Scope Organisations will be required to apply the new measures unless doing so "would not be related and proportionate to the contract." However, the PPN anticipates that Carbon Reduction Plans will be required in the majority of cases and the scope for claiming that a contract will give rise to no environmental considerations appears limited. Any contracts that require staff to use buildings, require goods or people to be transported, or require the use of any natural resources would be covered.

Speaking on World Environment Day, Lord Agnew has praised the new measures:

"Requiring companies to report and commit to reducing their carbon emissions before bidding for public work is a key part of our world-leading approach. These measures will help green our economy, while not overly burdening businesses, particularly SMEs."

The September 2021 deadline gives businesses and their bid teams – as well as public authorities that must implement the PPN – limited time to prepare for the new rules. We can advise on what companies must do to comply and how they can present their green credentials favourably.

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