



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 2008<sup>1</sup> in 2019 by introducing a target of at least a 100% reduction in the net UK carbon account (i.e. reduction of greenhouse gas emissions<sup>2</sup>, 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 annum<sup>3</sup> (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

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<sup>1</sup> Climate Change Act 2008: [www.legislation.gov.uk/ukpga/2008/27/contents](http://www.legislation.gov.uk/ukpga/2008/27/contents)

<sup>2</sup> When the reporting of GHG emissions is measured, it is often done so in carbon dioxide equivalent units (CO<sub>2</sub>e). The use of CO<sub>2</sub>e allows for more accessible reporting and straightforward tracking and reporting of emissions over time. CO<sub>2</sub>e includes all of the greenhouse gases defined within the Kyoto protocol: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFC), perfluorocarbons (PFC), sulphur hexafluoride (SF<sub>6</sub>) and nitrogen trifluoride (NF<sub>3</sub>). 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 CO<sub>2</sub> and CO<sub>2</sub>e emissions and means net zero GHG rather than net zero CO<sub>2</sub>.

<sup>3</sup> 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 suppliers 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.

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.
- Providing emissions reporting in CO<sub>2</sub>e (Carbon Dioxide Equivalent) for the six greenhouse gases covered by the Kyoto Protocol<sup>4</sup>.
- 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.

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<sup>4</sup> Carbon dioxide (CO<sub>2</sub>), Methane (CH<sub>4</sub>), Nitrous Oxide (N<sub>2</sub>O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), and Sulphur Hexafluoride (SF<sub>6</sub>)

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 change<sup>5</sup>. 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 thirds<sup>6</sup>. 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 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.

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<sup>5</sup> 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>

<sup>6</sup> Clean Growth Strategy 2018: <https://www.gov.uk/government/publications/clean-growth-strategy/clean-growth-strategy-executive-summary>



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## **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 supplier entity 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 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 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: Identity Holdings Ltd

Publication date: 23/11/2021

## Commitment to achieving Net Zero

Identity Holdings Ltd is committed to achieving Net Zero emissions by 2050.

## 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.

<b>Baseline Year: September 2020 to August 2021</b>	
<b>Additional Details relating to the Baseline Emissions calculations.</b>	
Identity has been collecting data on our Scope 1 and 2 emissions since 2017. We have not previously had the specific in-house knowledge or dedicated resources to track our Scope 3 emissions. However, since 2021, Identity has invested in a full-time Sustainability and Social Value Manager to ensure our sustainability commitments are driven forward through a coordinated approach across our business activities. We have also formed relationships with expert environmental consultants to help us on our sustainability journey. This new approach will enable us to track Scope 3 emissions every year from now on. Our baseline year is <b>September 2020 to August 2021</b> , as this is the period in which we have the most accurate data for Identity's Scope 1, 2 and 3 emissions.	
<b>Baseline year emissions:</b>	
<b>EMISSIONS</b>	<b>TOTAL (tCO<sub>2</sub>e)</b>
Scope 1	1243
Scope 2	57
Scope 3 (Included Sources)	417: Upstream Transportation & Distribution: 88 Downstream Transportation & Distribution: Identity does not have any downstream activity Waste: 70 Business Travel: 214 Employee Commuting: 45

<b>Total Emissions</b>	<b>1717</b>
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## Current Emissions Reporting

Reporting Year: September 2020 to August 2021	
EMISSIONS	TOTAL (tCO <sub>2</sub> e)
Scope 1	1243
Scope 2	57
Scope 3 (Included Sources)	<b>417:</b> <b>Upstream Transportation &amp; Distribution: 88</b> <b>Downstream Transportation &amp; Distribution: Identity does not have any downstream activity</b> <b>Waste: 70</b> <b>Business Travel: 214</b> <b>Employee Commuting: 45</b>
<b>Total Emissions</b>	<b>1717</b>

### Emissions reduction targets

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

We have approved science-based targets for our Scope 1 and 2 emissions, having signed up to reduce these by 50% by 2030. To achieve this, our target will be a 4.2% minimum year-on-year reduction of absolute emissions compared to the base year emissions. By the year 2026, Scope 1 and 2 emissions would therefore need to be 21% lower than base year emissions and interim years leading up to 2026 will also need to meet the required reductions so as not to exceed the five-year carbon budget. This approach is consistent with the SBTi targets for 1.5°C climate change scenario.

For Scope 3 emissions, our target is yet to be formulated but will be consistent with the SBTi criteria. We will aim to set either:

- a 2.5% minimum year-on-year reduction target of **absolute emissions** compared to the base year emissions (covering at least two thirds of Scope 3 emissions)
- and/or:*
- **economic intensity targets** considering the growth we are anticipating for the business in the coming years

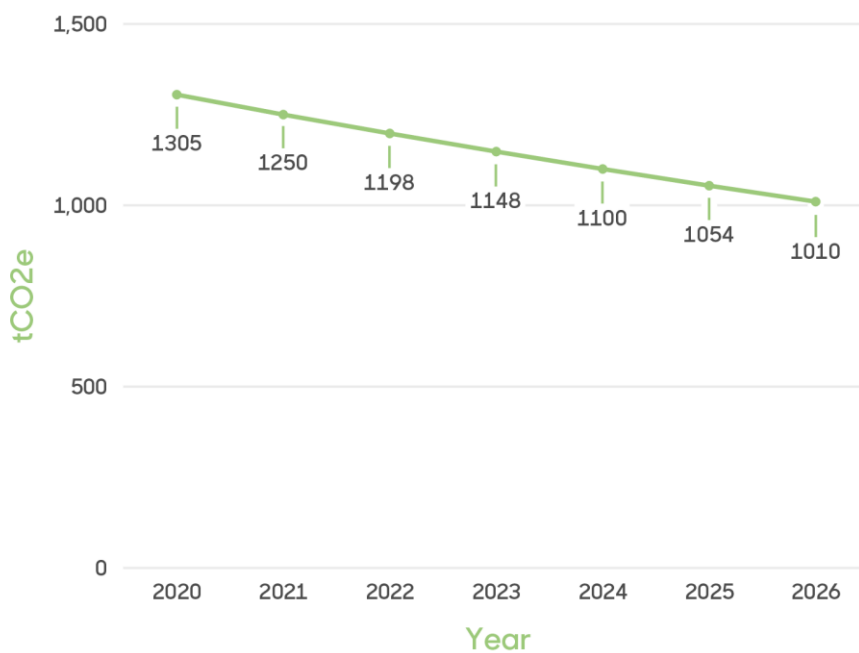
If we can target absolute reductions, then by 2026, Scope 3 will be lower than the equivalent base year emissions by at least 6% for the relevant categories included in the target. If we set economic intensity targets, they will comprise a minimum 7% year-on-year reduction of emissions, expressed

in intensity terms (kgCO<sub>2</sub>e/GEVA<sup>1</sup>).

We project that Identity's total carbon emissions will decrease over the next five years to 1462 tCO<sub>2</sub>e by 2026 – a reduction of 15%. This estimate is based on Scope 1 and 2 reductions only as no estimates have been made for Scope 3 due to the level of uncertainty around these carbon emissions and the reduction caused by potential initiatives being implemented.

Progress against these targets is shown by the graph below:

### Estimated reductions (Scope 1 & 2 only)



<sup>1</sup>SBTi defines GEVA as follows: Greenhouse Gas Emissions per Value Added (GEVA) is a method for setting economic intensity targets using the contraction of economic intensity. Targets set using the GEVA method are formulated by an intensity reduction of tCO<sub>2</sub>e/\$ value added. Under the GEVA method, companies are required to reduce their GEVA by 7% per year (compounded).



## Carbon Reduction Projects

### Completed Carbon Reduction Initiatives

Identity has undertaken a range of environmental management measures and projects. Since 2019, we have:

- completed ISO 14001 certification
- signed up to SBTi to reduce our carbon emissions by 50% by 2030
- invested in a full-time Sustainability and Social Value Manager whose responsibilities include monitoring and reporting on our carbon footprint
- formed partnerships with sustainability consultants
- developed a sustainability and environmental policy to use across the business
- decommissioned many of our petrol/diesel vehicles and switched to electric and hybrid
- switched to green energy at our main office
- invested in adapting the sustainability tool Tracker+ to begin tracking all our emissions for our events and to improve data collection in the events industry

The carbon emission reductions achieved by these schemes have not been determined yet, but Identity plans on recording these carbon savings in the future.

As an industry leader working with an extensive supply chain, Identity is committed to ensuring our suppliers meet high standards for sustainability. We have therefore set the following supplier engagement targets:

- By 2025, all of Identity's current and potential suppliers for our events will be vetted through our supplier engagement programme. They will be required to report on the specific measures they are taking to reduce their environmental impact including in relation to carbon, energy and water. All suppliers will need to achieve at least the minimum target score to be approved as a supply chain partner.
- By 2030, all suppliers for our events will need to have science-based targets or achieve the maximum possible rating of our supplier engagement programme.

Identity will set quantitative Scope 3 intensity targets (in tCO<sub>2</sub>e/£100k) for suppliers once our Scope 3 emissions baseline is established.

In addition to the measures outlined above, Identity's targets are that we will:

- implement the Tracker+ sustainability tool on all our projects
- achieve ISO 20121 accreditation
- have a 100% fully electric fleet of cars
- implement robust processes to ensure no waste from any of our projects goes to landfill

## 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 standard<sup>7</sup> and uses the appropriate Government emission conversion factors for greenhouse gas company reporting<sup>8</sup>.

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) Standard<sup>9</sup>.

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:



Paul Fitzpatrick  
Operations Director  
23/11/2021

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<sup>7</sup> <https://ghgprotocol.org/corporate-standard>

<sup>8</sup> <https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>

<sup>9</sup> <https://ghgprotocol.org/standards/scope-3-standard>