



# Net Zero: Reducing Scope 3 emissions through procurement

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# World Bank research on Procurement Net Zero Practice

- Effective measurement of GHG emissions is key to setting targets and achieving reductions, though capacity is low, even for contractors from the highest-income countries
- Scope 3 emissions are very difficult to measure, as it requires collecting data from manufactures several tiers down the supply chain, often from lower to middle income countries
- There are several commonly used tools to report emissions, but lobal methodology or standard not emerged
- Similarly, there are few procurement tools for measuring potential emissions reductions, and none that have been deployed in a low-income country setting
- Capacity for smaller suppliers and SMEs to measure GHG emissions or initiate climate actions is limited, and often based on national government initiatives to support climate literacy
- Lifecycle assessment is used in some industries as an alternative to GHG emissions reporting to identify and address emission hot spots
- Financial thresholds are typically set so that reporting requirements are focused on higher-value contracts e.g., see United States of America, United Kingdom models

# Global public sector examples

## US Government

- **Federal Supplier Climate Risks and Resilience Rule**
- The proposed rule sets a **targeted, risk-based** approach
- Focus on primarily **Federal suppliers**
- Requirements based on **size of annual Federal contracts** receiving:
  1. Receiving **>\$50m: disclose scope 1, 2 and relevant categories of scope 3 emissions** + climate-related financial risks + set science-based emissions reduction targets
  2. Receiving **between \$7.5m and \$50m: report scope 1 and scope 2 emissions only**
  3. Receiving **<\$7.5m: exempt** from the Rule

## China

- Government policy states that **purchasers must buy from sellers who are certified by the state accredited energy-saving product certification agencies** (or at least give priority to those items included in the national product list)
- The **green enterprises legislation encourages businesses to formulate and implement a practicable green procurement plan**, and have the plan adjusted and improved on a timely basis.
- The Chinese government is currently developing a set of **mandatory specifications** with a particular focus on **building and construction materials** and products

## UK Government

From Sept 30 2021 all **bidders for contracts for public goods >GBP5M** (excluding VAT) required to:

- produce a **Carbon Reduction Plan (CRP)** using set template
- **declare** that they are **taking steps to reduce GHG emissions** and have publicly committed to being net zero by 2050
- The **CRP published** on the bidders UK website
- **Exclusions:** if the market is distorted / narrowed /struggling to such an extent that delivery of public services would be put at risk or VfM severely compromised; or if there is a civil emergency

## Canadian Government

- March 2023 **published Emissions Reduction Plan 2030**
- Established **new standards for disclosing GHG emissions** and reduction targets
- From **1 April 2023 Government of Canada suppliers must disclose their GHG emissions and set reduction targets**
- An **\$8bn Net-Zero Accelerator Fund** assists large business emitters in reducing their GHG emissions.
- Suppliers can also participate in the **Net-Zero challenge program** to access funds e.g., can benefit from fifty percent (50%) of corporate tax rate reduction to develop and implement plans to showcase compliance with net-zero emissions requirements.

# Potential role for procurement in reducing carbon emissions

- Scale of public procurement (15-20% of GDP) makes it a **significant lever to shape markets**, and **enhance country approaches** to achieving net zero
- The **majority** of emissions (>75%) for an average business are **generated by their supply chains**, but measurement practices are still maturing globally
- Public procurement is a **significant consumer** of goods, materials and services from many sectors, including several **carbon intensive** sectors
- Heavy industry (cement, steel, plastics) and heavy-duty transport (road, shipping and aviation) make up **30%** of annual **global carbon emissions**
- Procurement can **incentivize businesses** to build capacity in **measuring** and **reducing** emissions, and support **domestic industries** to transition to low-carbon or energy efficient alternatives
- Encourages **suppliers** to build capacity in net zero so they can maintain/increase market share (expect to see future qualification criteria at some point on Net Zero)



# The 'What' and the 'How' of Net Zero Procurement

What net zero-focused procurement can achieve

Procurement can **help to accelerate carbon reduction** in the supply chain by:

- 1: Reducing demand for carbon-intensive products and services by: *buying less*
- 2: Encouraging industries to improve energy efficiency by: *buying things that are manufactured efficiently*
- 3: Supporting deployment of decarbonization technologies by: *buying different, low-carbon products and materials*



Thank You

