**LUPC Approach to Net Zero with Suppliers**

1. **Introduction**

The UK Climate Change Act 2008 was amended in 2019[[1]](#footnote-2), introducing a target of at least a 100% reduction in the net UK carbon account (i.e. reduction of greenhouse gas emissions, compared to 1990 levels) by 2050, otherwise known as the UK ‘Net Zero’ target.

A Procurement Policy Note (PPN 06/21) has also been published, which requires suppliers bidding for major government contracts greater than £5 million per annum (excluding VAT) to commit to achieving Net Zero by 2050 and to publish a Carbon Reduction Plan (CRP) detailing how they will achieve the target.

PPN 06/21 is issued with:

* [Procurement Policy Note](https://assets.publishing.service.gov.uk/media/62066d5ae90e077f7dec749e/PPN-0621-Taking-account-of-Carbon-Reduction-Plans-Jan22__1_.pdf) – Taking Account of Carbon Reduction Plans in the procurement of major government contracts
* [Guidance](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1148143/Guidance-on-adopting-and-applying-PPN-06_21-_-Selection-Criteria-April-23.pdf) on adopting and applying the PPN 06/21 – selection criteria
* [Technical standard](https://assets.publishing.service.gov.uk/media/60ba4d208fa8f57ce980b5b7/PPN_0621_Technical_standard_for_the_Completion_of_Carbon_Reduction_Plans__2_.pdf) for Completion of Carbon Reduction Plans
* [Carbon Reduction Schedule](https://assets.publishing.service.gov.uk/media/65f80b818112257381579f49/2024-02-15_Carbon_Reduction_Schedule.pdf)

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| While LUPC and the vast majority of members are not officially ‘in-scope’ organisations in terms of the legislation, the guidance provides a solid framework for mobilising suppliers towards achieving the UK Net Zero target. With more than 70% of emissions typically being scope 3 emissions in an organisation’s value chain[[2]](#footnote-3), suppliers are in a unique position to support their customers to effectively measure their carbon footrprint. Having validated Net Zero targets at organisational level, with detail on scope 3 emissions provided to the customer, ideally down to product/service level, is fast becoming what sets suppliers apart. |

Engagement with suppliers and potential suppliers will provide insight into understanding risk, highest impact opportunity and the level of support suppliers require in implementing CRPs.

Highest impact suppliers can be determined by, inter alia:

* + Categories of spend with the highest emissions
  + Supplier size, complexity of the supply chain
  + Supplier readiness to track and provide accurate data
  + Value and criticality of spend

This guidance aims to provide implementation steps and associated stages, particularly towards completion of actions:

* Require all priority suppliers to provide details of their own GHG emissions and reduction activities at least annually
* Through supplier engagement, encourage suppliers to begin measuring and increasingly provide actual scope 3 emissions, beginning with the first subset of 5 categories, as per PPN 06/21 and increasingly to include all 15 scope 3 emissions as per the GHG Protocol[[3]](#footnote-4)

Salient points are summarised in this document to facilitate easy implementation of the steps required in reducing emissions.

1. **Supplier Carbon Reduction Plan**

PPN 06/21 provides a supplier **Carbon Reduction Plan (CRP) template[[4]](#footnote-5)** forsuppliers to:

* Confirm their commitment to achieving Net Zero by 2050
* Confirm external validation of their target, or outline processes in place to work towards this, including support required
* Provide reliable baseline carbon emissions data and whether it has been assured
* Provide reliable current emissions data and whether it has been assured
* Outline plans for achieving carbon reductions and whether these have been validated

In the case of members who are ‘out of scope’ an adaptation of the PPN 06/21 template can be used to guide suppliers in their overall company CRP rather than be limited to commitments and measures tied to a particular contract. An adapted template is included as **Annex A** for ease of use.

*2.1 Guidance on Scopes 1, 2 and 3*

The Greenhouse Gas Protocol breaks emissions sources down into three categories or Scopes. All Scope 1 and Scope 2 emissions should be included when completing the CRP, along with a minimum subset of Scope 3 emissions, as prescribed by PPN 06/21. This subset includes 5 of the 15[[5]](#footnote-6) Scope 3 emissions defined in the GHG Protocol – the lowest hanging fruit. This is a good starting point for suppliers, who should also be encouraged to show meaningful progress towards measuring all 15 scope 3 emissions detailed in the GHG Protocol over time, as appropriate.

Guidance for PPN 06/21 further includes recommendation that CRPs should be completed in line with the latest environmental reporting guidance[[6]](#footnote-7) for Scope 1 and Scope 2 emissions, and the reporting of Scope 3 emissions should be in line with best industry practice and technical guidance[[7]](#footnote-8).

*2.2 Scope 3 priority subset (numbered according to the GHG Protocol)*

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| **Scope 3 Category** | **Category description** | **Minimum boundary** |
| 4. Upstream transportation and distribution[[8]](#footnote-9) | Transportation and distribution of products purchased by the reporting company in the reporting year between a company’s tier 1 suppliers and its own operations (in vehicles and facilities not owned or controlled by the reporting company) Transportation and distribution services purchased by the reporting company in the reporting year, including inbound logistics, outbound logistics (e.g., of sold products), and transportation and distribution between a company’s own facilities (in vehicles and facilities not owned or controlled by the reporting company) | The scope 1 and scope 2 emissions of transportation and distribution providers that occur during use of vehicles and facilities (e.g., from energy use) Optional: The life cycle emissions associated with manufacturing vehicles, facilities, or infrastructure |
| 5. Waste generated in operations | Disposal and treatment of waste generated in the reporting company’s operations in the reporting year (in facilities not owned or controlled by the reporting company) | The scope 1 and scope 2 emissions of waste management suppliers that occur during disposal or treatment Optional: Emissions from transportation of waste |
| 6. Business travel | Transportation of employees for business-related activities during the reporting year (in vehicles not owned or operated by the reporting company) | The scope 1 and scope 2 emissions of transportation carriers that occur during use of vehicles (e.g., from energy use) Optional: The life cycle emissions associated with manufacturing vehicles or infrastructure |
| 7. Employee commuting[[9]](#footnote-10) | Transportation of employees between their homes and their worksites during the reporting year (in vehicles not owned or operated by the reporting company) | The scope 1 and scope 2 emissions of employees and transportation providers that occur during use of vehicles (e.g., from energy use) Optional: Emissions from employee teleworking |
| 9. Downstream transportation and distribution[[10]](#footnote-11) | Transportation and distribution of products sold by the reporting company in the reporting year between the reporting company’s operations and the end consumer (if not paid for by the reporting company), including retail and storage (in vehicles and facilities not owned or controlled by the reporting company | The scope 1 and scope 2 emissions of transportation providers, distributors, and retailers that occur during use of vehicles and facilities (e.g., from energy use) Optional: The life cycle emissions associated with manufacturing vehicles, facilities, or infrastructure |

*2.2 Remaining Scope 3 emissions (numbered according to the GHG Protocol)*

Suppliers should be encouraged to expand their Carbon Reduction Plans over time beyond minimum boundaries for scope 3 emissions, to include the remaining Scope 3 emissions set out in the GHG Protocol. Priority should be given to “1. Purchased goods and services”:

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| **Remaining Scope 3 categories** | **Description** |
| 1. Purchased goods and services | Upstream (i.e., cradle-to-gate) emissions from the production of products purchased or acquired by the reporting company in the reporting year. Products include both goods (tangible products) and services (intangible products). Category 1 includes emissions from all purchased goods and services not otherwise included in the other categories of upstream scope 3 emissions (i.e., category 2 to 8). Specific categories of upstream emissions are separately reported in category 2 to 8 to enhance the transparency and consistency of scope 3 reports. Emissions from the transportation of purchased products from a tier one (direct) supplier to the reporting company (in vehicles not owned or controlled by the reporting company) are accounted for in category 4 (Upstream transportation and distribution). |
| 1. Capital goods | Upstream (i.e., cradle-to-gate) emissions from the production of capital goods purchased or acquired by the reporting company in the reporting year. Emissions from the use of capital goods by the reporting company are accounted for in either scope 1 (e.g., for fuel use) or scope 2 (e.g., for electricity use), rather than in scope 3. Capital goods are final products that have an extended life and are used by the company to manufacture a product; provide a service; or sell, store, and deliver merchandise. In financial accounting, capital goods are treated as fixed assets or as plant, property, and equipment (PP&E). Examples of capital goods include equipment, machinery, buildings, facilities, and vehicles. In certain cases, there may be ambiguity over whether a particular purchased product is a capital good (to be reported in category 2) or a purchased good (to be reported in category 1). Companies should follow their own financial accounting procedures to determine whether to account for a purchased product as a capital good in this category or as a purchased good or service in category 1. Companies should not double count emissions between category 1 and category 2 |
| 1. Fuel and energy-related activities | Emissions related to the production of fuels and energy purchased and consumed by the reporting company in the reporting year that are not included in scope 1 or scope 2, including A. Upstream emissions of purchased fuels (applicable to end users of fuels) B. Upstream emissions of purchased electricity (applicable to end users of electricity, steam, heating and cooling C. Transmission and distribution (T&D) losses (applicable to end users of electricity, steam, heating and cooling) D. Generation of purchased electricity that is sold to end users (applicable to utility companies and energy retailers, including companies selling excess power to the grid) |
| 8. Upstream leased assets | Emissions from the operation of assets that are leased by the reporting company in the reporting year and not already included in the reporting company’s scope 1 or scope 2 inventories. This category is applicable only to companies that operate leased assets (i.e., lessees). For companies that own and lease assets to others (i.e., lessors), see category 13 (Downstream leased assets). |
| 10. Processing of sold products | emissions from processing of sold intermediate products by third parties (e.g., manufacturers) subsequent to sale by the reporting company. Intermediate products are products that require further processing, transformation, or inclusion in another product before use and therefore result in emissions from processing subsequent to sale by the reporting company and before use by the end consumer. Emissions from processing should be allocated to the intermediate product. |
| 11. Use of sold products | Direct use-phase emissions and indirect use-phase emissions from the (total expected lifetime emissions) from the use of goods and services sold by the reporting company in the reporting year. A reporting company’s scope 3 emissions from use of sold products include the scope 1 and scope 2 emissions of end users. End users include both consumers and business customers that use final products. |
| 12. End-of-life treatment of sold products | Emissions from the waste disposal and treatment of products sold by the reporting company (in the reporting year) at the end of their life. This category includes the total expected end-of-life emissions from all products sold in the reporting year. |
| 13. Downstream leased assets | Emissions from the operation of assets that are owned by the reporting company (acting as lessor) and leased to other entities in the reporting year that are not already included in scope 1 or scope 2. This category is applicable to lessors (i.e., companies that receive payments from lessees). Companies that operate leased assets (i.e., lessees) should refer to category 8 (Upstream leased assets). |
| 14. Franchises | Emissions from the operation of franchises not included in scope 1 or scope 2. A franchise is a business operating under a license to sell or distribute another company’s goods or services within a certain location. This category is applicable to franchisors (i.e., companies that grant licenses to other entities to sell or distribute its goods or services in return for payments, such as royalties for the use of trademarks and other services). Franchisors should account for emissions that occur from the operation of franchises (i.e., the scope 1 and scope 2 emissions of franchisees) in this category. |
| 15. Investments | emissions associated with the reporting company’s investments in the reporting year, not already included in scope 1 or scope 2. This category is applicable to investors (i.e., companies that make an investment with the objective of making a profit) and companies that provide financial services. This category also applies to investors that are not profit driven (e.g. multilateral development banks), and the same calculation methods should be used. Investments are categorized as a downstream scope 3 category because providing capital or financing is a service provided by the reporting company. |

* 1. *Carbon Offsetting*

Organisations can take initial steps to Net Zero by becoming Carbon Neutral. Carbon neutrality involves offsetting those emissions you are not yet able to reduce in the short-term. Organisations who stop at Carbon Neutrality, and do not push through with plans to meet Net Zero targets, are often accused of “greenwashing”. It is therefore important to ensure that supplier CRPs show an intention to reduce offsetting over time, as they increase their emissions reduction and to use credible offsetting schemes. The LUPC Carbon Offsetting Framework Agreement provides support for members.[[11]](#footnote-12)

1. **Public commitment**

Asking suppliers to make public commitment to their Net Zero Targets and publishing their CRP on their website is encouraged as a means of ensuring accountability.

1. **External validation**

External validation of Net Zero Targets (which includes baseline and plan to reach Net Zero) is strongly recommended. Initiatives such as the Science-based Targets Initiative (SBTi) can be explored.

1. **CRP Annual Review**

Suppliers’ CRPs should provide updates annually to reflect changes in organisational structure and to take account of the efforts made to reduce their emissions over time. It is important to ensure that the same reporting period is used annually – financial year is suggested with provision of reports within 6 months of the organisation’s financial year-end.

1. **Evaluation of CRPs and Annual Reviews**

A template attached as **Annex B** can be used to evaluate CRPs submitted by suppliers.

1. [Climate Change Act 2008 (legislation.gov.uk)](https://www.legislation.gov.uk/ukpga/2008/27/contents) [↑](#footnote-ref-2)
2. <https://www.unglobalcompact.org.uk/scope-3-emissions/> [↑](#footnote-ref-3)
3. <https://ghgprotocol.org/scope-3-calculation-guidance-2> [↑](#footnote-ref-4)
4. [PPN 0621 Taking account of Carbon Reduction Plans Jan22.docx (publishing.service.gov.uk)](https://assets.publishing.service.gov.uk/media/62066d5ae90e077f7dec749e/PPN-0621-Taking-account-of-Carbon-Reduction-Plans-Jan22__1_.pdf) [↑](#footnote-ref-5)
5. [Microsoft Word - PPN 0621 Technical standard for the Completion of Carbon Reduction Plans.docx (publishing.service.gov.uk)](https://assets.publishing.service.gov.uk/media/60ba4d208fa8f57ce980b5b7/PPN_0621_Technical_standard_for_the_Completion_of_Carbon_Reduction_Plans__2_.pdf) [↑](#footnote-ref-6)
6. [Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting requirements - GOV.UK (www.gov.uk)](https://www.gov.uk/government/publications/environmental-reporting-guidelines-including-mandatory-greenhouse-gas-emissions-reporting-guidance) [↑](#footnote-ref-7)
7. [Scope3\_Calculation\_Guidance\_0.pdf (ghgprotocol.org)](https://ghgprotocol.org/sites/default/files/standards/Scope3_Calculation_Guidance_0.pdf) [↑](#footnote-ref-8)
8. The government provides specific guidance for freight transport operators and for companies wishing to report emissions from their work-related travel: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\_data/file/218 574/ghg-freight-guide.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/218%20574/ghg-freight-guide.pdf) [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\_data/file/218 576/lct-steering-group-carbon-em.xls](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/218%20576/lct-steering-group-carbon-em.xls) [↑](#footnote-ref-9)
9. The Department for Transport’s work-related travel guidance helps organisations in the UK measure and manage the greenhouse gas emissions from commuter journeys and business travel: [[ARCHIVED CONTENT] (nationalarchives.gov.uk)](https://webarchive.nationalarchives.gov.uk/ukgwa/20140720032654/http:/assets.dft.gov.uk/publications/pgr-sustainable-greenhousegasemissions-pdf/greenhousegasemissions.pdf) [↑](#footnote-ref-10)
10. The government provides specific guidance for freight transport operators and for companies wishing to report emissions from their work-related travel: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\_data/file/218 574/ghg-freight-guide.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/218%20574/ghg-freight-guide.pdf) [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\_data/file/218 576/lct-steering-group-carbon-em.xls](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/218%20576/lct-steering-group-carbon-em.xls) [↑](#footnote-ref-11)
11. [Carbon Offsetting and Validation Services](https://www.hecontracts.co.uk/agreements/1072) [↑](#footnote-ref-12)