# How to Mobilize the Business Community in the Race to Net-Zero:Use *Net-Zero Procurement* as a Ubiquitous Market Force

**Purpose**

The purpose of this briefing note is to present options and a recommendation on how the Government of Canada (GC) can mobilize its suppliers and the larger business community in the race to [net-zero](https://sciencebasedtargets.org/).

**Background context**

All GC mandate letters require Government ministries to implement measures to attain the GC’s legislated 2030 climate goals and achieve net zero emissions by 2050. *However, without help from the business community, the GC cannot meet its climate-related pledges*. There are basically three options open to the GC to mobilize the business community in the race to net-zero, with sufficient speed and scale.

**How the GC can mobilize businesses in the race to net-zero**

*Option 1*: Introduce *regulations* mandating that all businesses disclose their GHG performance, net-zero targets, and their GHG reduction plans.

* The advantage of this option is that it levels the playing field for all companies and sends a strong signal that the GC is serious about meeting its climate pledges.
* The disadvantages of this option are that it would be challenging to enforce; penalties for non-compliance would be problematic; it could raise jurisdictional issues; any new “mandate” could be politically challenging; and there is little downside for poor performance, so it may not stimulate the required aggressive action by the businesses to meet their science-based net-zero GHG emission reduction targets. And it takes too long to scale. We need immediate action on the climate crisis.

*Option 2*: Provide *incentives* to all businesses to disclose their GHG performance, net-zero targets, and their GHG reduction plans.

* The advantage of this option is that incentive-carrots are more attractive to the business community than regulation-sticks.
* The disadvantages of this option are the expense of incentives / funds for a cash-strapped government; the cost of administering the program and auditing recipient companies’ use of the incentives; uncertainty about whether a critical mass of companies would voluntarily disclose their GHG performance and adopt net-zero targets; and uncertainty about whether companies would really follow through on their pledged GHG reduction plans, in time. Plus, it takes too long to scale. We need immediate action on the climate crisis.

***Option 3*:** **Use Net-Zero Procurement with all suppliers**

*Net-Zero Procurement (NZP)* is defined as obtaining the best value for money when purchasing the most climate-beneficial goods and services **from suppliers who are most committed to science-based targets (SBTs)**, in support of the buyer’s / GC’s strategic GHG net-zero goals. The [Sustainable Purchasing Leadership Council (SPLC](https://www.sustainablepurchasing.org/)) encourages Signal-Prefer-Require approaches when buyers embed sustainability factors into their procurement processes. Use those approaches when implementing Net-Zero Procurement.

* **Signal:** Send all suppliers a short, SME-friendly questionnaire about their commitment to SBTs and their plans to reach those targets. A tailored version of the free, open-source [Net-Zero Ambition Assessment Questionnaire (NZAAT)](https://sustainabilityadvantage.com/assessments/nzat/) could be used with suppliers. Its self-scoring, multiple-choice questions are based on questions in the Net-Zero Challenge, CDP, the UN’s Race to Zero, and SBTi questionnaires. It gives credit to suppliers for their use of circular design, which is essential to GHG reduction efforts. NZAAT gives bonus points if the supplier’s products and services help others reduce their GHGs. Suppliers also earn bonus points if they use [Net-Zero Procurement](https://sustainabilityadvantage.com/sp/net-zero/) (NZP) with *their* suppliers, creating a ripple effect of commitment to net-zero GHG reductions throughout supply chains.

Explain why GC is doing this and that GC plans to make their scores matter in future RFx situations. Their scores become part of the suppliers’ profiles and can be updated at any time, including when suppliers respond to an RFx. New suppliers complete the assessment as part of their inclusion in the vendor database.
* **Prefer:** In bid appraisals, heavily weight supplier scores on the above questionnaire about their commitment to net-zero targets. That is, 10%-30% of the points – enough to matter – are allocated to how committed the supplier is to net-zero targets. This is the signature feature of an NZP system -- it incentivizes supplier ambition to meet SBTs because they earn more points if they have a high score.
* **Require:** Winning suppliers are required to have their answers to the questionnaire verified, and to participate in the NZC or equivalent, prior to the award of a contract.

After a period of experience with this **Prefer** approach, it will be appropriate to use the **Require** approach for *all bidding* suppliers, not just winning suppliers. The TBS GHG Disclosure Standard already uses this approach with major suppliers doing over $25 million of business with TGC annually. An analysis of the results of the NZAAT-like questionnaire used in the Signal and Prefer stages can be used as a diagnostic to assess SME suppliers’ readiness / capability for a similar approach.

The advantagesof Option 3 are:

* *It unleashes an instant, massive market force:* A significant number of businesses are directly or indirectly in GC supply chains – the GC purchases over $23 billion of goods and services annually. The government is acting as a *customer*, not as a regulator. Its buying power is a *market force*.
* *It is fair and voluntary:* This comprehensive approach is fair. All suppliers, regardless of size, location or sector, are requested to disclose their net-zero ambition. It is voluntary ‒ if suppliers opt not to disclose their commitment to SBTs, they simply score zero and will not earn any of the points allotted to supplier commitment to net-zero in bid appraisals. But they can still bid.
* *The questionnaire can be used as a diagnostic:* If most suppliers score low in particular areas, the GC could provide targeted resources to help all businesses in those areas
* *The GC NZP system can be packaged, tailored and shared with* *provinces / territories and municipalities* through the Canadian Collaborative Procurement Initiative. This unleashes their combined $200 billion / year of buying power to mobilize businesses in their collective supply chains in the race to net-zero.
* *Canada can share its NZP system with other countries.* Canada accounts for less than 2% of global emissions. By advocating for including NZP implementation by all countries in the final agreement at the next COP, Canada’s proven, tailorable NZP system will become ubiquitous. The World Bank estimates that global public procurement is a $9.5 trillion USD / year market force. Canadian leadership on NZP enables engaging businesses everywhere in the race to net-zero with the necessary speed and scale.

There are no disadvantages of Option 3.