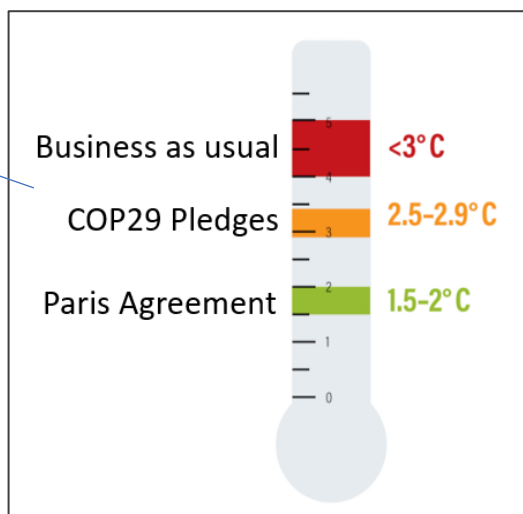




Net-Zero Procurement (includes Circular Procurement) Helps Win the GHG Reduction Trifecta

Why we need Net-Zero Procurement (NZP)

- Governments' COP29 pledges are insufficient and unfulfilled.
- Most businesses are sitting on the sidelines waiting for others / governments to fix climate change.
- That's not working



- **Businesses account for 80% of GHG emissions.**
- **Unless businesses are actively engaged in reducing their GHGs, the climate emergency will get worse.**
- **All businesses are suppliers.**

The Net-Zero Procurement (NZP) Solution

Use the *buying power* of customers as a *market force* to mobilize suppliers / businesses in the race to a decarbonized, circular economy.



Definition of Net-Zero Procurement (NZP)

Net-Zero Procurement ensures that buyers...

- ...obtain the **best value** for money when purchasing...
- ...the **most low-carbon and circular goods and services**...
- ...from **suppliers who are most committed to science-based net-zero targets and to circularity** ...
- ...in support of the buyer's purpose and strategic goals.

Net-Zero Procurement (NZP) Toolkit

Expedites the integration of NZP into any procurement process. The tools are add-ons to current processes, not replacements.



1. **NZP product specifications:** Sample generic and product category-specific specs that are used to score **products** on their low-carbon and circularity quality.
2. **NZP supplier assessment tool:** A sample Net-Zero Ambition Assessment Tool (NZAAT) questionnaire by which to score **suppliers** on their commitment to reducing their GHGs and their use of circular design. (See Panel 3 for a sample NZAAT scores dashboard)
3. **NZP bid appraisal template:** A sample Bid Appraisal Template that includes criteria for the above product and supplier scores, and **weights them heavily enough to matter**. That is, the template allocates at least 10% of the points to those two scores. ***This is the signature feature of an NZP system.*** (See Panel 4 for a sample template)
4. **NZP contract terms and conditions:** Adds penalty and bonus Ts & Cs that ensure suppliers follow through on their improvement plans.

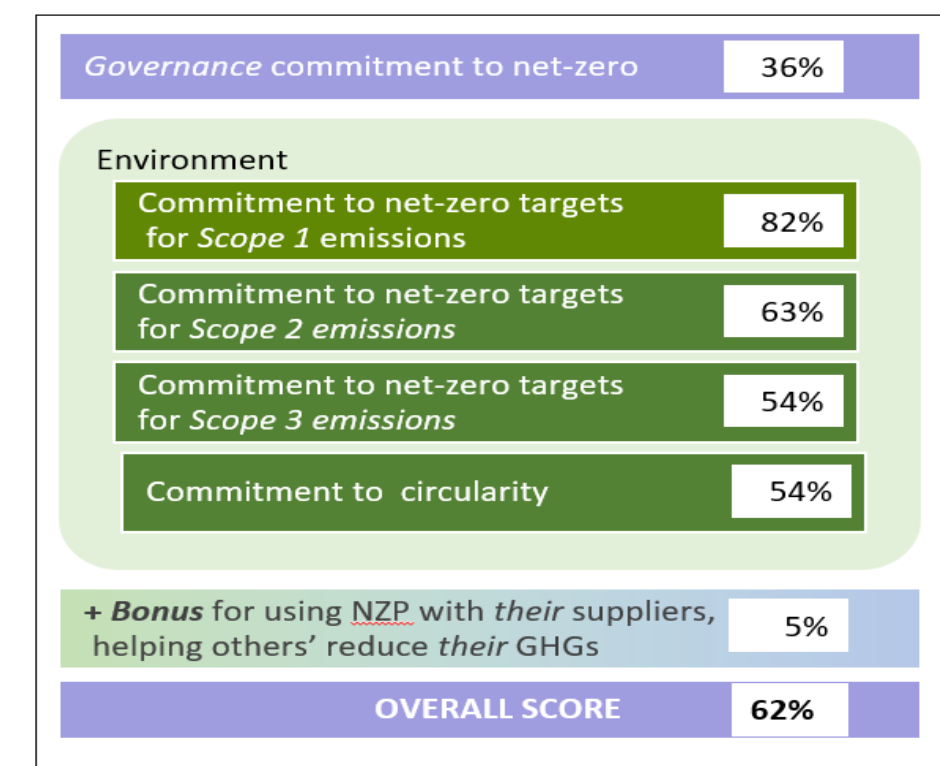
The open-source Net-Zero Procurement (NZP)Toolkit is freely available from <https://sustainabilityadvantage.com/sp/net-zero/>

Use a Signal-Prefer-Require approach to deploy the NZP Toolkit to win the GHG reduction trifecta (See Panel 5)

Signal – *immediately, independent of any tender activity:*

The buyer sends the supplier assessment tool (i.e., NZAAT or an online equivalent) to **all** its suppliers. The buyer explains why they are doing this, and how the suppliers' scores will be weighted in bid appraisals. The buyer requests that all suppliers answer the questionnaire **now**, as a diagnostic to explore opportunities for collaborative and innovative relationships that accelerate supplier GHG reduction and circularity efforts. It's voluntary, but the supplier is given a zero score if they don't respond. Suppliers can update their answers / scores at any time, including at tender time.

Sample NZAAT supplier scores



NZAAT and a comparison of equivalent online tools are freely available from <https://sustainabilityadvantage.com/sp/net-zero/>

Prefer and Require steps (See panel 4)



Prefer / Weight – at tender and bid appraisal time:

At tender time, the buyer requires that all bidding suppliers – regardless of size, sector, or location – respond to the Tool, or update their previous response to the Tool. In the bid appraisal, the buyer **significantly weights product scores and supplier scores** in the Bid Appraisal Template by allocating at least 10% of the points to each line item.

This is how NZP incentivizes suppliers to improve their product and company scores, so that they earn more points than their competitors and win more bids.

Sample bid appraisal template

Weight (% of Points)	NZP Bid Appraisal Criteria	Score (0-100%)	Weighted Score
30%	Product quality – performance, durability	Score	Weighted score
10%	Product low-carbon and circularity quality – meets priority low-carbon and circularity specs	Score	Weighted score
10%	Supplier quality – reliability, capacity, experience	Score	Weighted score
10%	Supplier net-zero and circularity quality – commits to reducing GHGs and to circularity	Score	Weighted score
40%	Price / Total Cost of Ownership (TCO)	Score	Weighted score
(100%)	Bid with the best value = Bid with the highest total	Total	

Require – at contract time:

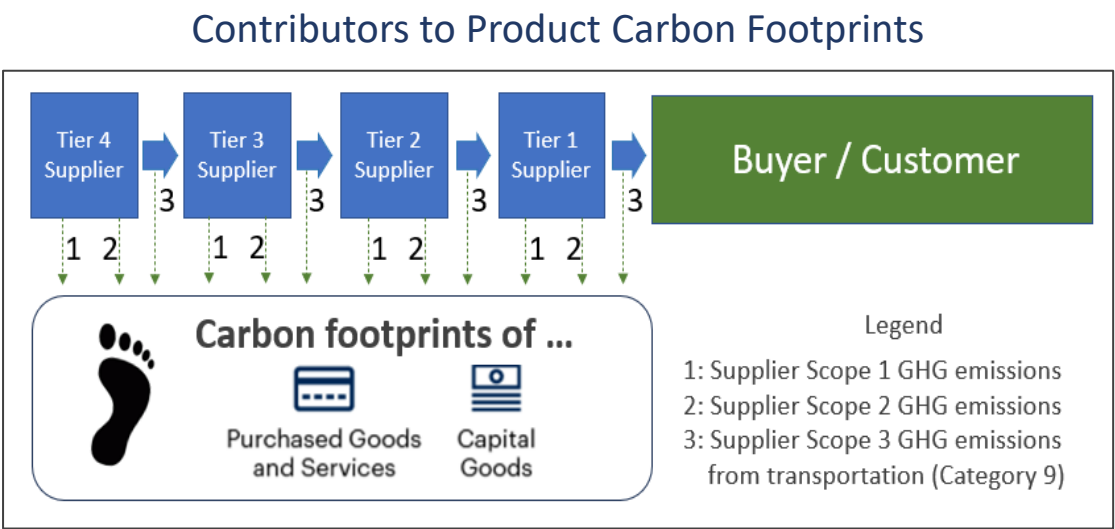
The buyer’s contract with the winning supplier includes an appropriate combination of Ts & Cs with **incentives, financial penalties, and conditions** that require the supplier to follow through on their pledged plans to reach their net-zero targets and on their commitment to circular design. The Ts & Cs may include verification of their questionnaire responses, public communication of their plans, and tying CEO compensation to meeting short-term GHG reduction targets.

Winning the GHG Reduction Trifecta

If we deploy NZP with speed and scale, we can win the GHG reduction trifecta by 2050 or sooner:

1. Reduce product carbon footprints to net-zero

NZP incentivizes suppliers to reduce their products’ carbon footprints, as well as to lower their Scope 1, 2, and 3 GHGs. If suppliers’ Scope 1 & 2 GHG emissions are net-zero, their products’ carbon footprints are net-zero. (Plus, see Panel 6 for how circularity reduces or eliminates product carbon footprints)



2. Reduce businesses’ GHG emissions to net-zero

All businesses are suppliers. Deploying NZP with speed and scale, globally, motivates all businesses to take action to reduce their GHGs to net-zero by 2050 or sooner.

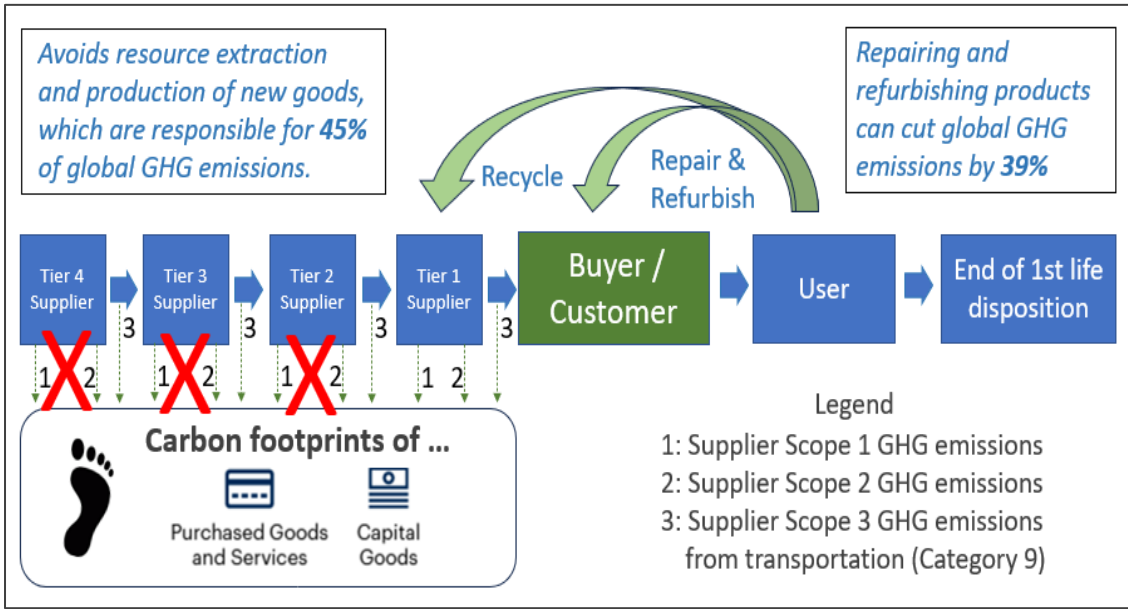
3. Mitigate the global climate crisis

NZP can be used by buyers in all sectors (public, private, academic) worldwide to reward their suppliers for reducing their GHG emissions. The ubiquitous use of NZP unleashes a \$9 trillion market force to incentivize a critical mass of suppliers / businesses to reduce their GHGs to net zero by 2050 or sooner.

Circularity reduces or eliminates carbon footprints

A. Circularity reduces product carbon footprints

Circularity reduces carbon footprints by eliminating GHG contributions from Tier 2, 3, and 4 suppliers.



“The most low-carbon products are the ones you don’t buy.”

B. Circularity eliminates product carbon footprints

Carbon footprints only need to be accounted for on **new, purchased** products, in the year they are bought. These alternate acquisition approaches eliminate that requirement because the products are not **purchased** or are not **new**.

- *Use Product-as-a-Service (PaaS):* It’s not purchased.
- *Lease or rent the product:* It’s not purchased.
- *Use a pay-for-use service:* It’s not purchased.
- *Buy a used / pre-owned product:* It’s not new. Its carbon footprint has already been, or should have been, accounted for by its previous owner. Avoids double accounting.

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