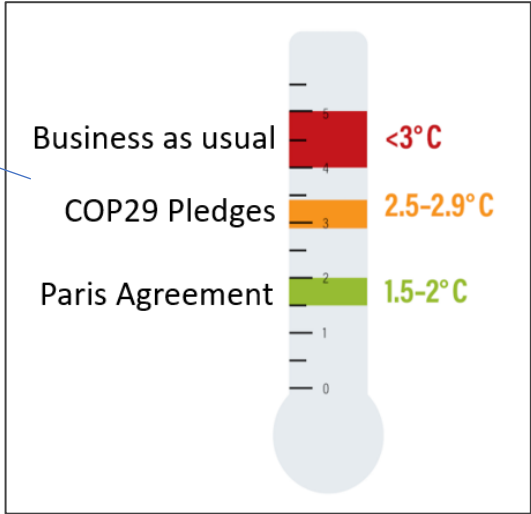


How Net-Zero Procurement Helps Win the GHG Reduction Trifecta



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.**
- **By definition, all businesses are suppliers.**

The Net-Zero Procurement (NZP) Solution

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



Definition of Net-Zero Procurement (NZP)

Net-Zero Procurement ensures that buyers...

- ...obtain the **best value** for money when purchasing...
- ...the best and **most low-carbon and circular goods and services**...
- ...from the best and **most low-carbon and circular suppliers** ...
- ...in support of the buyer’s purpose and strategic goals.

Net-Zero Procurement (NZP) Toolkit

The free, open-source NZP Toolkit expedites the integration of NZP into any procurement process. The tools are plug-and-play add-ons to any current procurement process, 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.
3. **NZP bid appraisal template:** A sample Bid Appraisal Template that **weights** the above product and supplier scores **heavily enough to matter** (i.e., it allocates at least 10% of the points to each of those two scores). **This is the signature feature of an NZP system.**
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

Signal – immediately, independent of any tender activity:

The buyer sends the supplier assessment tool (i.e., NZAAT or equivalent) to **all** its suppliers. The buyer explains why they will use the questionnaire in all tenders from now on, and how the suppliers’ scores will be weighted in bid appraisals. This gives suppliers, especially SMEs, an opportunity to answer the questionnaire before the pressure of a tender situation, as a dry run and a diagnostic. It’s voluntary, but the supplier does not receive help if they don’t respond. Suppliers can update their baseline answers at any time, including at tender time.

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 supplier assessment questionnaire, or update their previous baseline response if they submitted one. Suppliers earn bonus points if they use NZP with *their* suppliers, causing a “Ripple Effect” throughout the supply chain. In the bid appraisal, the buyer **significantly weights** supplier scores.

Require – at contract time:

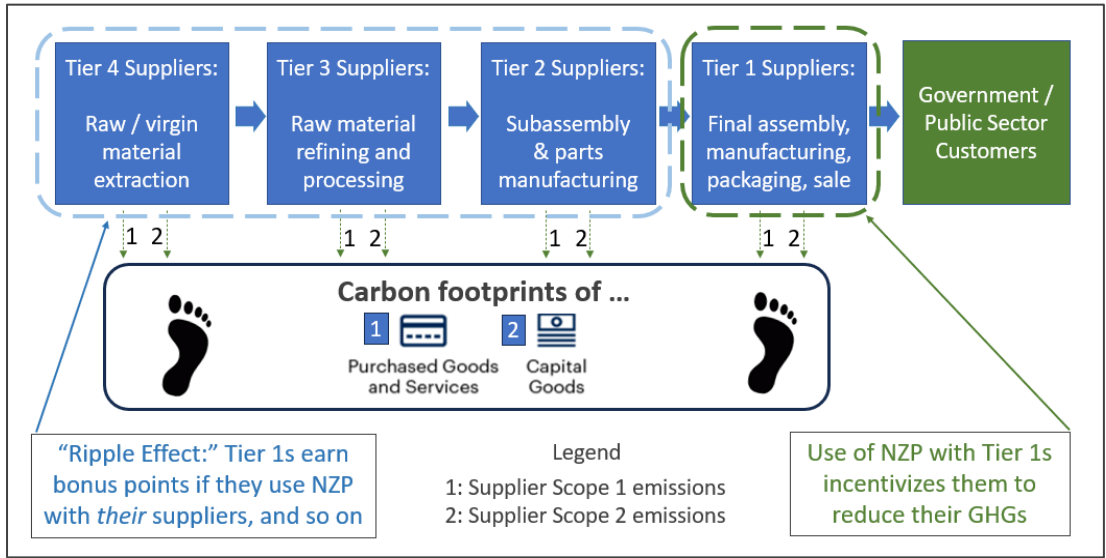
The buyer’s contract with the winning supplier includes an appropriate combination of Ts & Cs with **incentives, financial penalties, and conditions** that require the supplier to follow through on their pledged plans to reach their net-zero targets and on their commitment to circular design. The Ts & 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

Deploying NZP with speed and scale, wins the GHG trifecta.

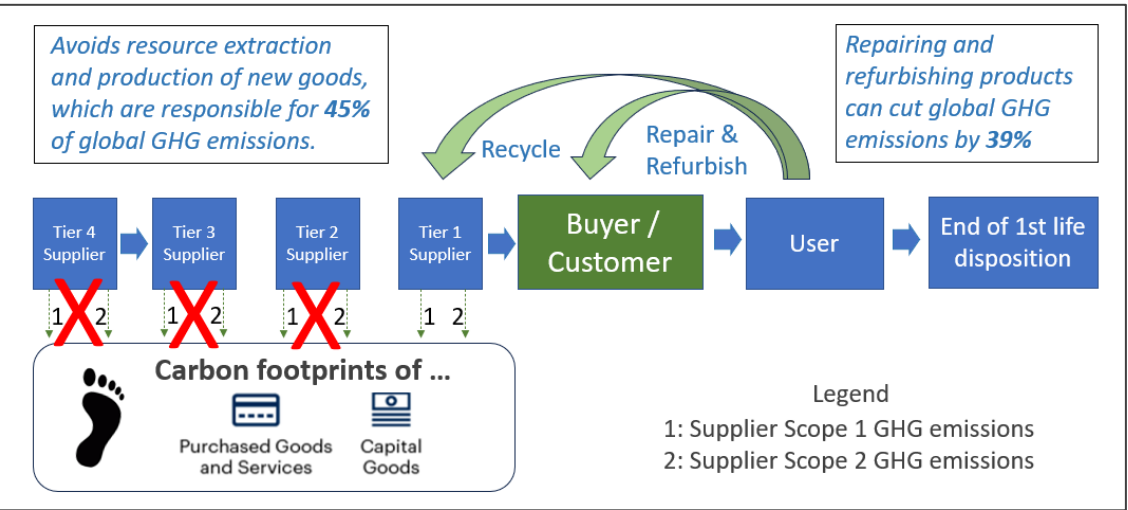
1. NZP reduces product carbon footprints to net-zero

NZP incentivizes suppliers to lower their Scope 1 and 2 GHGs to net zero. If suppliers’ Scope 1 & 2 GHG emissions are net-zero, their products’ carbon footprints are net-zero. The “Ripple Effect” motivates private sector suppliers, to reduce their contributions to product carbon footprints.



2. NZP reduce businesses’ GHG emissions to net-zero

The above dynamic incentivizes suppliers / businesses to reduce their GHG emissions to net-zero. So does circular procurement, which is included in Net-Zero Procurement.



3. Public sector use of NZP mitigates the global climate crisis

Governments are usually the biggest buyers / purchasers / customers in any justification. Government use of NZP is politically neutral because the government is acting as a customer, not a regulator. Also, the supplier questionnaire is requested, not required. It is voluntary – if a supplier chooses not to respond, its score is zero on the questionnaire, but it can still respond to the tender. The supplier questionnaire is self-scoring, reducing the burden on procurement staff and increasing its educational value for suppliers.

This example uses Canada as the country / jurisdiction, but it could be any country.

- The Government of Canada (GC) uses Net-Zero Procurement in all of its annual procurement spend. This unleashes an annual **\$37 billion market force** to engage all GC suppliers in the race to net zero. Plus, the “Ripple Effect” encourages private sector businesses / suppliers to use NZP with their suppliers, amplifying NZP’s market force throughout the private sector.
- The GC supports and incentivizes the deployment of NZP in all provinces, territories, and municipalities. This unleashes an annual **\$200 billion market force** to directly or indirectly engage all private sector suppliers / businesses in Canada in the race to net zero.
- However, only 1.4% of global GHG emissions are from Canada. If Canada helps commit all COP signatories to the use of NZP in their jurisdictions, the annual **market force grows to \$13 trillion**. This improves the possibility of meeting Paris Agreement targets.

