



Taking Account of Climate and Circular Economy Considerations in Public Procurement

Purpose

1. This policy note clarifies expectations with respect to climate and circular economy considerations, aligning recently strengthened climate change reporting duties and current procurement policy and legislation which already requires public bodies to consider and act on opportunities to improve environmental wellbeing. It highlights that public bodies should use their public procurement spend to support climate and circular economy ambitions.

Key Points:

2. The key points are:
 - The global climate emergency is a strategic national priority and forms a central tenet of a green recovery;
 - New regulations introduced in November 2020 require Scottish public bodies to report on, where applicable, “*targets for reducing indirect emissions of greenhouse gases*” by 2022;
 - Public bodies should demonstrate in their organisational Procurement Strategies how their organisation will prioritise and take account of climate and circular economy in their procurement activity and, reporting ongoing progress against these commitments in their annual procurement reports, demonstrating how they are using procurement to support Scotland’s response to the global climate emergency;
 - The Scottish Government’s [Sustainable Procurement Tools](#) are available to all public bodies and include indicators and guidance to support Scottish public

sector buyers to consider and act on a number of climate change considerations;

- While this SPPN focusses on public procurement, cross-functional working will be required to align corporate commitments and timelines to climate change commitments; and
- We would encourage public bodies to focus their energies on effecting change with reduced emissions.

Background

3. The global climate emergency is a strategic national priority, recognised by the Scottish Government, COSLA, and public bodies across Scotland. As part of the national endeavour to achieve net zero greenhouse gas emissions by 2045, the Scottish Government's Programme for Government 2020-21 commits to action on the climate impact of the £12.6 billion of annual public procurement. The leadership that procurement professionals can show in influencing emissions reductions is now at the forefront of government policy on the public sector and climate change.
4. There is a social, moral, economic and legal obligation to tackle the global climate emergency. The consequences of doing nothing will be catastrophic for all and will have the greatest impact on the most disadvantaged. Public bodies must take accountability and respond appropriately ensuring that action is fair and equitable, taking account of existing social vulnerabilities. The public sector must lead by example and act as enablers through our response to the global climate emergency. This guidance complements recent guidance on social impact and procurement ([SPPN 10/2020](#)), and provides practical advice and examples to support buyers. References to 'public bodies' and 'public sector' in this Note means contracting authorities subject to the Procurement Reform (Scotland) Act 2014.
5. Any action should comply with public bodies' sustainable procurement duty obligations to consider and act on opportunities to improve economic, social and environmental wellbeing in the course of their procurement activity, including ensuring a minimum burden on suppliers.
6. The Scottish Government is committed to leveraging its substantial spend through public procurement to contribute to the transition to a more resource efficient, lower carbon economy, as reflected in the Programme for Government and

through our climate change legislation. This SPPN outlines the call to action to maximise opportunities associated with climate change and procurement, equipping individuals with the knowledge to lead and make informed decisions that enable optimal procurement outcomes.

Roles and Responsibilities

7. To boost a green recovery, just transition, and longer-term climate ambitions, public sector senior leaders are required to use their organisation's influence to stimulate action in public sector supply chains. By leveraging buying power when buying goods, services or works, public bodies can champion innovative, future-proofed solutions; enabling businesses and the Third Sector to engage in supporting our climate ambitions to deliver against our climate targets. By working with markets, public bodies can stimulate the development of circular economy and low emission supply chains and solutions.
8. Senior leaders are well placed to influence whether, what, how and how much their organisations buy. They can enable traction and make the best use of scarce resources by ensuring that their teams are working collaboratively across traditional functional and professional boundaries to align climate-related policies, targets, milestones and supporting activities.
9. Procurement professionals have a responsibility to be climate literate¹ and to have an appreciation of how contracting activity can support net-zero aims for their organisation and Scotland as a whole. The role of procurement is well placed to use professional skills to capture and drive opportunities to contribute to climate change ambitions through procurement activity.
10. Public bodies, senior leaders and procurement professionals have a responsibility regarding:
 - **Whether to buy:** This involves revisiting the need and may result in an overhaul in requirements for goods and services, or more minor re-thinks. Perhaps what an organisation currently has is good enough, can be used for longer or can be reused, refurbished or repaired.
 - **What to buy:** Specifications must consider Scotland's climate ambitions, and an organisation's early engagement with its procurement professionals and other relevant stakeholders provides the best chance of maximising the

¹ [Sustainable Procurement \(sustainableprocurementtools.scot\)](https://www.sustainableprocurementtools.scot)

contribution that procurement can make. Organisations should consider whether they can buy refurbished, repaired or pre-used rather than new, and consider options to improve use of service models. They should also consider buying future-proofed solutions that are designed to be refurbished and repaired.

- **How to buy:** Within an organisation, the procurement team's customers must understand and actively support a strong focus on climate considerations, helping to achieve a balance of economic, social and environmental outcomes in procurement decisions. Additional focus must be placed upon life cycle impacts which includes evaluating impacts of raw materials, delivery and end-of-life.
- **How much to buy:** Organisations should review their corporate appetite, governance and influence to support climate and circular economy outcomes, including through improved demand management for goods and services. Targeted spend controls or restricting choices through contracts could avoid the purchase of high carbon impact goods such as cement; glass; iron, steel and aluminium; paper and pulp and food and drink.

Public Sector Obligations on Greenhouse Gas Emissions

11. On 16 December 2020 the Scottish Government published its Climate Change Plan Update to support Scotland's green recovery and help deliver a just transition to net zero greenhouse gas emissions by 2045. Since 2009, public bodies have been under a legal duty to contribute to the delivery of Scotland's national emissions reduction targets. Consultation in 2019 saw strong support for public bodies being required to set targets for reducing indirect emissions. New Regulations², which came into force on 9 November 2020, require Scottish public bodies to report on, where applicable, "*targets for reducing indirect emissions of greenhouse gases*". Indirect emissions include supply chain emissions. The Regulations also require bodies to report on how they align spending plans and use of resources to reducing emissions in their annual statutory climate reports.

Complying with Public Bodies' Statutory Climate Change Obligations

12. [The Procurement Reform \(Scotland\) Act 2014 \(the Act\)](#) introduced the [Sustainable Procurement Duty](#) requiring public bodies to consider how they can improve the

² [The Climate Change \(Duties of Public Bodies: Reporting Requirements\) \(Scotland\) Amendment Order 2020 \(legislation.gov.uk\)](#)

economic, social and environmental wellbeing of their constituency, and act in a way to secure improvements identified. Public bodies should set out in their Annual Procurement Strategy how they will use procurement to contribute to the global climate emergency - and report progress in their annual Procurement reports. This is required to explicitly address climate change and circular economy obligations.

13. Public bodies must also comply with climate change annual reporting duties. To date, reporting has largely focused on “Scope 1” direct operational emissions (arising from owned or controlled sources e.g. combustion of fuel in facilities and owned vehicles) and “Scope 2” indirect emissions from purchased energy (e.g. purchased electricity, heating and cooling)³.
14. The new requirement to report on, where applicable, targets for reducing indirect emissions covers Scope 2 emissions from purchased electricity and heat and all other indirect Scope 3 emissions in the organisation’s value chain e.g. procurement of goods and services, business travel, staff commuting, water and waste. On average, 60% of an organisation’s climate impact may relate to Scope 3 emissions. It is recognised that indirect emissions are not directly within public sector bodies’ control so it is recommended that each organisation works with their key stakeholders across their organisations and within their supply chains to set stretching targets, with dates, for the extent to which they intend and are able to use their influence to reduce these.

Current Activity - Climate and Procurement Forum

15. The Scottish Government has established a Climate and Procurement Forum with representative bodies from across the public sector in Scotland, to provide leadership and direction to enable traction against the commitments described in the [2019-20 Programme for Government](#).
16. The Forum and associated work streams aim to identify and commission targeted activities that will help influence and empower buyers, suppliers and key stakeholder communities. The work streams are focussed on:
 - **Strategy and Objectives** - Focusing on high level messaging and ensuring the Forum maintains a line of sight to related Scottish Government policy. This work stream also maintains links with other relevant Forums.

³ [Sustainable Procurement \(sustainableprocurementtools.scot\)](https://www.scotland.gov.uk/Information/Policy/Procurement/ProcurementTools)

- **People and Capability** - The initial focus of this work stream is to produce Climate Literacy Training for procurers. It will also be involved developing existing sustainable procurement tools & guidance.
- **Supplier and Market Engagement** - Focusing on prioritising supplier engagement in terms of risk and opportunity to affect change as well as developing consistent wording for use in engagement with business and business sectors. The work stream will develop consistent wording for use in procurements that will be reflected in tendering platforms and the Procurement Journey.
- **Operational Procurement** - Focusing on a review of spend for demand management as well as review and prioritisation of organisations' forward plans. The work stream are also looking to influence customers and specifications, looking at quick wins and Key Performance Indicators in procurement documentation. This will include a focus on point of use guidance materials and templates to facilitate progress.
- **Monitoring and Reporting** - Focusing on appropriate use of life cycle and whole life costing as well as agreeing approaches for monitoring and reporting through the Annual Procurement Reporting and Climate Change Reporting processes.

Use of Sustainable Procurement Tools

17. The Scottish Government's [National Performance Framework](#) consists of 'National Outcomes' which reflect Scotland's values and aspirations and is aligned to the 17 United Nations, [Sustainable Development Goals](#).
18. Based on the National Performance Framework, The Scottish Government's [Sustainable Procurement Tools](#) are available to all public bodies and include indicators and guidance to support Scottish public sector buyers to consider and act on a number of climate change considerations. This includes the Sustainable Public Procurement Prioritisation Tool designed to assist strategic planning and prioritisation of economic, environmental and social wellbeing considerations in public procurements to ensure an appropriate focus within organisational and category/commodity planning.
19. To ensure an appropriate focus on climate and circular economy obligations, a refresh of tool content was developed and tested in consultation with public bodies, and was published in June 2020 on an updated [platform](#). Further development of

content will be informed by work across the public sector and will be fed in through the Climate and Procurement Forum.

Monitoring and Reporting and Why Supply Chain Factors Based on Expenditure are Inadequate for Procurement Decision Making

20. In the absence of any suitable recognised and/or widely adopted international scheme to measure and record the precise environmental impact of procuring many goods, works and services, it is not possible to apply a universal measure to public procurement at present.
21. Currently there are situations where clear measures are available, for example energy saved and subsequent reductions in climate emissions, in other instances there will be a narrative element to reporting.^{4 5 6}
22. We would encourage public bodies to focus their energies on effecting change with reduced emissions.
23. Carbon reporting relies on using activity data (e.g. kWh of gas used) and emission factors to estimate direct and indirect emissions resulting from the activity.
24. Accounting for the consumption of goods is complex because of the huge variety of materials, manufacturing processes, transport distances and modes that contribute to the emissions profile of each product. Similarly, services vary in the way that they are delivered, e.g. social care can be delivered at home or in a care home setting, which has an impact on the resulting emissions.
25. While spend-based supply chain factors can provide an overall macro level estimate of emissions, they are of limited use for supporting procurement decision-making about climate change impact for several reasons:
 - (i) The categories are broad and allow for little discrimination between different product options and services within a category e.g. they cannot be used to choose a lower carbon option for delivering social care services because the one category covers all the options available to deliver care.
 - (ii) Relationships between spend and carbon emissions are complex; for materials and simple products, the relationships are likely to be reasonably

⁴ [Non-domestic energy efficiency framework over £1m projects 2020-2024 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/non-domestic-energy-efficiency-framework-over-1m-projects-2020-2024/pages/introduction/)

⁵ [Non Domestic Energy Efficiency \(NDEE\) - sub £1 million projects: guidance - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/non-domestic-energy-efficiency-framework-over-1m-projects-2020-2024/pages/guidance/)

⁶ [Non domestic energy efficiency project support unit: 2020 to 2024 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/non-domestic-energy-efficiency-framework-over-1m-projects-2020-2024/pages/support-unit/)

accurate because energy and transport make up a larger proportion of the cost; however, for complex products and services, it is likely that each category represents a much larger range of actual emissions.

- (iii) Different factor sets use different boundaries for the supply chain and different cost basis, for example some are basic price, not including retail mark up, taxes and duties whereas others are full consumer price. These differences mean it is not possible to pick and choose factors from different sets to create a more complete picture.
- (iv) An organisation that has included emissions from their supply chain for goods and services as a Scope 3 carbon by calculating the emissions based on their spend can only reduce this footprint by reducing spend or by switching spend to a different lower carbon category. Therefore, this part of their footprint remains unamenable to reduction.
- (v) These factors are designed to look at the upstream Scope 3 emissions of goods and services but some purchasing decisions will also have potential impacts on the Scope 1 and 2 emissions of the organisation e.g. energy use by IT equipment or significant downstream scope 3 emissions e.g. non-reusable products going to landfill. These carbon/unit of spend factors do not enable easy understanding of these additional emissions.

26. Therefore, to support monitoring and reporting, a more dynamic approach is required, enabling procurers to identify probable hotspots of carbon emissions within their supply chain (which might be related to the spend, or high carbon categories, or volume of materials) but then using a more collaborate approach with suppliers to identify both key sources of emissions within the specific product or service, and opportunities for reducing these and reporting savings.

27. Working with climate policy experts, it is in the remit of the Climate and Procurement Forum to make progress in providing guidance on how climate considerations should be reflected in reporting.

Action Required

28. Procurement officials should:

- (i) share knowledge and work to secure agreement from senior leaders and budget holders to take action on their shared accountability to engage procurement

teams early in the planning and development stages of projects and to make and enable decisions on whether to buy, what to buy, how to buy, and how much to buy.

(ii) work across functions to align corporate commitments and timelines to climate change commitments, including assisting their organisation to transition to lower emission solutions, including supply chains. This includes, for example, transitioning to ultra-low emission fleets, renewable energy and heat, and low emission building materials.

(iii) assist with creating a culture and ways of working that support a circular economy and promote strategic decisions on demand management and procuring for re-use, re-design and remanufacture. Use the national tools to identify priorities where an impact can be made. Develop longer term plans for a transition to net zero for these supply chains wherever possible.

(iv) reflect this call to action in their organisational procurement strategies demonstrating how the organisation will prioritise and take account of climate and circular economy in its procurement activity and report ongoing progress against these commitments in the public body's annual procurement reports, demonstrating how it is using procurement to support Scotland's response to the global climate emergency.

Dissemination

29. Please bring this SPPN to the attention of all relevant staff, including those in Agencies, Non-Departmental Public Bodies and other sponsored public bodies within your area of responsibility.

Contact:

30. Enquiries about this SPPN should be addressed to Scottish Procurement:
Scottishprocurement@gov.scot