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SPP Carbon Pricing for Procurement Initiative

Guiding Principles for Integrating Carbon Pricing into Tenders

Version 1 co-created by the SPP Community

This document outlines basic principles for companies to introduce carbon pricing in tenders for selecting suppliers. These principles maintain flexibility while encouraging fairness, transparency, and impact.

Goal

This model encourages suppliers to track and reduce their carbon emissions. By demonstrating a low carbon footprint and sharing it openly, suppliers will improve their competitiveness. This not only benefits the environment but also helps adopting companies to reduce their own carbon footprint (scope 3 emissions) by choosing the more eco-friendly suppliers.

Scope

Applicable to tenders issued by participating companies for goods, services, or works procured across diverse industries.

Carbon Pricing Mechanism

- Basic mechanism: Participants will request the carbon footprint of each supplier during a tender. This will take the form of a product carbon footprint for materials, and a carbon footprint associated with services so the Supplier carbon footprint associated with the tender can be calculated. The commercial evaluation will be based on the supplier's price plus their cost of carbon:

$$\text{Total Cost} = \text{Supplier Price} + (\text{Supplier carbon footprint} \times \text{Carbon Price})$$

- This will form part of the overall evaluation of the tender using whatever assessment model the company usually uses, such as the AQSCI(R) model.
- Carbon Price: Participants agree to use a carbon price of at least €50 per ton of CO₂ equivalents. Recommended to align to EU ETS on a global basis as this shows a degree of independence and is likely to increase over time, incentivizing more action. This will create a strong incentive to drive decarbonization without exposing businesses to excessive inflation.
- Suppliers should follow the guidelines defined by [PACT Pathfinder Framework](#) or [Together for Sustainability](#) when deciding what to include in their Product Carbon Footprint. For indirect categories, ISO 14000 series should be followed, specifically ISO 14064 and 14040 or use the GLEC Framework for Logistics.

Implementation

- It is recommended to select the high emitting procurement categories, and the higher value tenders within these categories. Start with a pilot to build knowledge and confidence in the procurement team.
- Early Communication: Announce intention to utilize carbon pricing to suppliers to incentivize action before implementation date. Facilitate dialogue and capacity building for suppliers to understand the system and identify decarbonization opportunities. Clearly explain that this is intended to incentivize suppliers to fund decarbonization in order to enhance their competitiveness.
- Transparency: Clearly communicate the methodology for calculating carbon impact and applying the carbon price throughout the tender process.
- Phased Integration: Start with pilot projects on specific high emitting categories progressively expanding based on experience and feedback.
- Model the potential cost, firstly calculating the total carbon footprint of the in-scope procurement categories and multiplying this by the EU ETS cost of carbon. Secondly, Assess the percentage of the abatement levers that cost less than the current EU ETS carbon price (this is less than 50% in most categories in 2024). Thirdly, if you can assess the value of those abatement levers, as not all will cost as much as the EU ETS price (e.g. Renewable Electricity costs 0 to €20 per ton of CO₂e). Fourthly, it is unlikely that carbon pricing alone will unlock more than 10% of in scope emissions per year, and so divide this figure by 10 to see the maximum that it could cost you per year.

Carbon Footprint Assessment

- Lay out a simple carbon footprint data request, aligned to the scope of work of the tender, explaining required boundaries, methodologies, and data transparency required.
- A cradle to gate approach is to be used to avoid complex assumptions in the end of life phase.
- Provide a template for the suppliers to complete that will allow the recipient to validate the approach is broadly consistent, following up on any significant differences between suppliers to understand why.
- Biogenic emissions should be itemized to ensure that they are not integrated into the carbon footprint to be factored.
- Offsets and insets shall not be allowed in the submitted carbon footprint (with the exception of EAC's / RECs) unless specifically stated. However carbon capture can be recorded in the avoided emission section.
- Peer reviewed carbon footprints will not be a requirement in the first few years of the program, but once the maturity of the supplier's analysis of their footprints has improved, this may be introduced in categories where all suppliers make the product already.

- If a supplier is unable to provide their carbon footprint, or it is judged to be untrustworthy, then the industry standard emission factor +50% will be used. This will incentivise baselining and provide sufficient explanation to demonstrate understanding and accuracy. If a reliable industry average is not available, then the worst of any other bidder can be used.

Below is the proposed template for Raw Materials. Alternative templates will need to be developed for other categories:

	Scope 1 and 2	Scope 3	Biogenic CO2e (if relevant)	Total
Biomass carbon removal and storage in plants	N/A	N/A	-	
Carbon stored in the product as it enters commerce	N/A	N/A	+	
Emissions associated with purchased raw materials and packaging components	N/A			
Direct emissions from use of fuels or processes on site		N/A		
Emissions associated with purchased or sold electricity and steam*		N/A		
Transport-related emissions (where not covered in purchased goods)				
Emissions attributable to end-of-life management of products	N/A	N/A	N/A	N/A
Avoided emissions (sales of renewable power, incineration of board etc.)	N/A			N/A
Net Total Emissions or removals				

Evaluation and Awards

- The financial elements of the award will be based on the cost and carbon footprint of the suppliers at the time of tender (Total Cost) along with the other normal evaluation factors.
- Promises of future reductions may be an evolution of the approach in future years.
- Life-cycle approach: Consider carbon emissions throughout the product or service lifecycle, not just supplier operations. So in categories like capital purchases the spares and energy usage of the equipment should be considered.

Governance and Monitoring

- Buyers should state publicly to their suppliers that they are implementing a carbon pricing mechanism for supplier selection and tenders. However, a control mechanism will not be implemented for controlling adherence.
- Contract Clauses:
 - 1) It is recommended to draft clauses that will define the penalties if suppliers falsely claim low carbon emissions that are proven to be incorrect during the life of the

contract. This could include paying for the excess emissions calculated using the carbon price through to termination rights.

- 2) Suppliers should be expected to deliver product carbon footprints associated with the materials they are supplying every year. These should be peer-reviewed after a certain date.
- 3) 3) Expectations of carbon reductions can be added if you have targets.

These principles act as a foundation for collaboration and provide a framework for implementing carbon pricing in tenders while respecting diverse company needs and perspectives. Open dialogue, flexibility, and a shared commitment to sustainability will be key to success.

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About the Sustainable Procurement Pledge

The Sustainable Procurement Pledge (SPP) is an international grassroots and non-profit organization for procurement professionals, academics, and practitioners, driving awareness and knowledge on responsible sourcing practices and empowering people in procurement. With more than 16,000 committed ambassadors, SPP fosters the positive impact of procurement. The Pledge is based on the United Nations Global Compact and the Sustainable Development Goals and centers around five key principles of which the pledge comprises. These SPP principles set the frame and the tone for our way of collaboration, and how we collectively drive and thrive towards our vision that all individuals acting within global supply chains across the world will apply Sustainable Procurement practices by 2030. Learn more at spp.earth or [LinkedIn](#).

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