



Essex County Council

SMEs Public Sector Procurement – A Focus on Climate

June 2024

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Introduction

Essex County Council (ECC) is committed to delivering its Everyone's Essex Strategy and the Levelling Up Agenda. Climate change is affecting businesses of all sizes. Through this document we aim to offer guidance to Small and Medium Enterprises (SMEs) to better understand how they can commit and deliver action to drive climate change through public sector tenders which actively supports these agendas.

Why is Climate important?

In 2015, the UK and 195 other countries agreed in Paris to an international agreement. The goal is to keep global warming well below 2 degrees Celsius, ideally at 1.5 degrees, compared to the temperatures before the industrial revolution. Every five years, each country needs to submit a plan detailing their efforts to combat climate change.

The UK has promised to achieve 'Net Zero' greenhouse gas emissions by 2050. 'Net Zero' means that the country will remove as much climate-changing gases, like carbon dioxide, from the atmosphere as it emits.

ECC aims to achieve Net Zero by 2030. Their services are expected to help reduce carbon emissions while still improving their main services. By 2050, the goal is for the entire county of Essex to be Net Zero. They expect their suppliers to strive towards making their businesses and services Net Zero, in accordance with government expectations.

As the impacts of climate change become more apparent in our county, it's a crucial time for the authority to work towards the 2050 U.K Net Zero goal. This will require a clear and coordinated effort across all supply chains, and it's vital that everyone commits to creating a sustainable future.

Why is Climate Change important to your business?

In 2021 central government made it mandatory for all organisations who are bidding for contracts over £5 million per annum to include a Carbon Reduction Plan as part of their tender response. ECC has adapted this requirement to suit smaller contracts and therefore businesses. ECC now consider climate in all tenders over £100,000 and this will typically take the form of a Carbon Reduction Plan.

To help you bid for public sector contracts you will need to start measuring certain elements of your carbon footprint and thinking of ways that you can reduce the impact of your business on the environment.

Beyond the benefit to our environment and the potential of winning future public sector contracts, adopting a climate change target can benefit businesses in many important commercial ways, whether that is through unlocking funding or creating competitive advantage – read on to find out more.

Reputation and Brand

Customers are increasingly concerned about environmental issues. By demonstrating a commitment to climate change, you can enhance your brand image and reputation.

Employee Satisfaction

Many employees now look for purpose-driven work environments and are more likely to stay with employers who show their commitment to climate change.

Customer Attraction

Investing in sustainable practices can attract environmentally conscious customers who are more likely to support and remain loyal to eco-friendly companies.

Cost Reduction

By implementing energy-efficient practices, reducing waste, and adopting sustainable supply chain strategies, SMEs can lower their operational expenses, resulting in cost savings.

Resilience & Adaptability

Climate action helps SMEs adapt to a changing world by reducing emissions and adopting sustainable practices, SMEs can future-proof their operations and remain competitive.

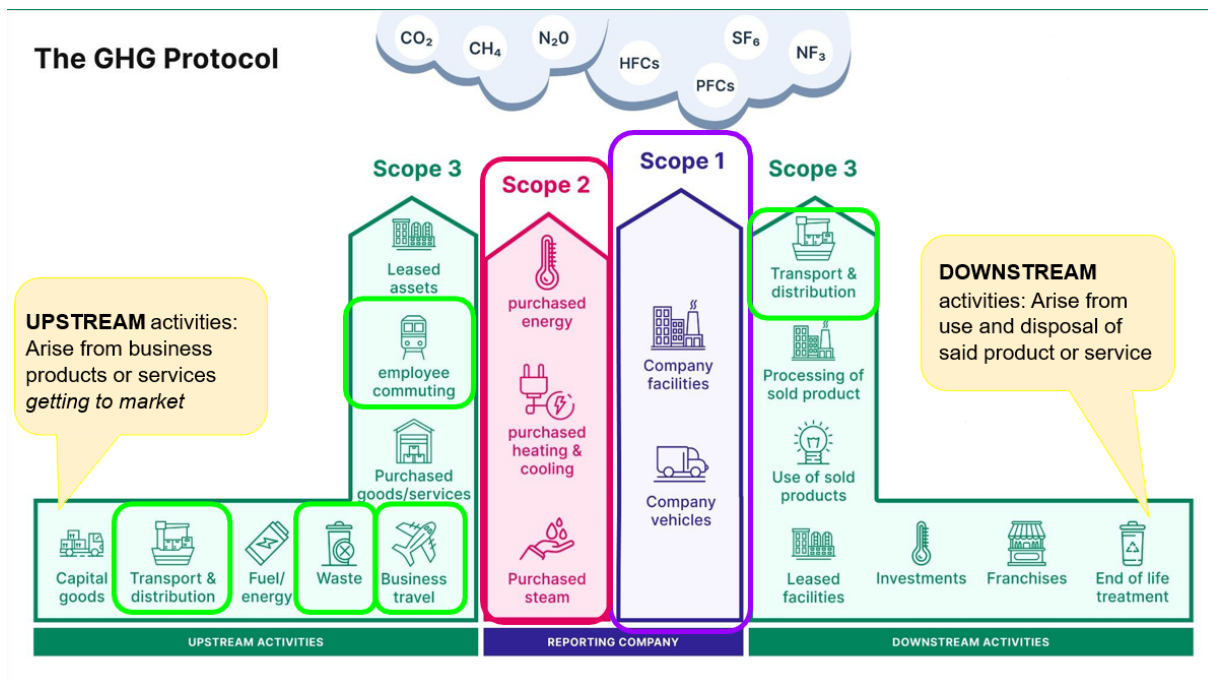
Access to Resources

Climate awareness empowers SMEs to tap into the green market and seize opportunities for innovation. Initiatives like the UK Business Climate Hub provide practical tools and advice.

Where to start

We have established why climate change is important but what about the how? Getting started can feel daunting. However, many small and medium-sized businesses, social enterprises and community and voluntary organisations already have all the information they need to make this assessment.

Understanding the differences between Scope 1, 2 and 3 emissions (explained below) provides clarity on where a company's carbon footprint originates and where the greatest opportunities for reductions exist.



1

Carbon footprint refers to the amount of greenhouse gas emissions caused directly or indirectly by an individual, organisation, service or product. It is increasingly used as an indicator of an entity’s contribution to climate change. The Greenhouse Gas (GHG) Protocol delineates carbon footprint into three categories based on emission source:

- **Scope 1** – Direct emissions from owned or controlled operations of a company.

Examples –

- A delivery fleet of petrol or diesel-powered company vehicles
- On-site natural gas and electricity consumption
- Refrigeration, fire protection and air conditioning equipment
- Emissions from company machinery and equipment

Monitoring fuel and energy use from owned equipment offers insight into a business’ carbon Scope 1 hotspots.

- **Scope 2** – Indirect emissions from purchased energy

Examples –

- A manufacturer that purchases electricity to power machinery and equipment would count the emissions associated with generating that electricity as Scope 2.

¹ Figure 1: Scope 1, 2, 3 emissions. Source GHG Protocol (Circularise)

- An office-based company that pays an energy provider to heat/cool their building would need to calculate emissions from their heating fuel usage as Scope 2.
- A retailer that uses electricity to light and heat their stores must factor those indirect emissions under Scope 2 when reporting total carbon output.

Understanding scope 2 (emissions released during the production phase, even though the SME itself does not directly emit the GHGs on-site) is key for SMEs in assessing the impact of their purchased energy usage. It also helps identify opportunities to switch to renewable energy sources.

- **Scope 3** – All other indirect emissions from the supply chain

Examples –

- Purchased Goods & Services: Emissions from extracting raw materials and manufacturing products SMEs procure. For example, emissions from cotton farming and clothing production for a retail store.
- Transportation & Distribution: Emissions from transportation, storage, and distribution of sold products between an SME's Tier 1 suppliers through to end consumers. For example, emissions from parcel delivery for an e-commerce company.
- Waste Disposal: Emissions from waste generated from operations, including product disposal by consumers at end-of-life. For example, emissions from customers discarding packaging from an SME's products.

Scope 3 provides a more complete picture of an organisation's carbon impact. By assessing Scope 3, SMEs can identify emission hotspots to target for reduction and address significant emissions.

Clear understanding of the above categories is an important step for businesses looking to measure and report on all three scopes. This gives companies a complete view of their carbon footprint to set informed reduction targets. Integrating carbon footprint scope 1 2 3 tracking into business processes is key for organisations on the path to Net Zero emissions.

A “net-zero” target refers to reaching net-zero carbon emissions by a selected date. The focus on any Net Zero target is on reducing emissions. It can be achieved through a combination of emission reduction and emission removal.

1 First, identify which parts of the business emit greenhouse gases

Review the main activities from your business operation which release carbon emissions as outlined above - this could include electricity or gas use, waste disposal and recycling, business travel, vehicles that you own or control, employee travel, staff commuting and the products and services you buy. This knowledge is essential for assessing current impact and setting meaningful reduction goals. Conducting an emissions audit can also uncover reduction opportunities and identify areas for improvement.



[SME Climate Hub](#) Climate Fit is a free online training course to help SMEs reduce their carbon emissions and join the collective race to Net Zero.

2 Data collection

You should already have most of the information you need. This involves gathering data across the three scopes of emissions and using it to calculate a comprehensive carbon footprint baseline such as total kilowatt hours from energy bills, total water supplied from water bills, litres of fuel bought from invoices and receipts or mileage from logbooks, travel requests and tonnes of waste sent for disposal via your waste contractor and other relevant metrics. Organising this energy data by type, source locations, and usage periods facilitates the emissions calculations. Record data for a 12 month period in a spreadsheet. This data collection provides a baseline assessment and a reference point for comparison.



[SME Climate Hub](#) calculator is offered for free. Use it to estimate your organisation's full carbon footprint and find quick-win actions to reduce emissions.

3 Set your target

With emissions assessed and reduction opportunities mapped, SMEs must convert plans into actions. Your data will help you understand where your biggest impact lies, be it travel, office energy use or things that you buy for your operation. This should help you set clear objectives, define specific, measurable, time-bound climate goals and develop a strategy to meet that target and track progress. For example, a commitment to halve emissions by 2030, achieve Net Zero by 2050, aim to reduce energy consumption through efficiency measures or promote circular practices by minimising waste and maximising resource use and report on progress annually.

Tracking carbon footprint enables quantification of emissions over time, serving as a benchmark for setting and achieving emissions reduction targets. It provides further substantiated proof of progress to stakeholders seeking evidence of climate responsibility.





[SME Climate Hub](#) Provides Action Guides which outline how SMEs can take action to reduce their emissions by making commitments and setting targets.

Carbon Reduction

Following steps 1, 2 and 3 above will aid you in making a Net zero commitment. A Net Zero commitment is a public pledge to achieve Net zero by 2050 or earlier, and a confirmation that your organisation is taking steps to reduce their GHG emissions over time. An example of a Net Zero commitment can be found in the “Commitment to achieving Net Zero” section of central government’s PPN 06/21 Carbon Reduction Plan (CRP) template. The Net Zero commitment requirements are a subset of the CRP requirements, therefore an entity already complying with the CRP requirements is also complying with the Net Zero commitment requirements.

Producing a compliant CRP is a requirement of public contracts. The assessment confirms whether a CRP meets the minimum requirements as indicated in the below table.

 Compliant CRP	 Non-Compliant CRP
Commitment to Net Zero	Neutrality certificate
Scope 1,2 and 3 emissions for baseline and current year	Commitment to neutrality or the lack of it
Emission reduction targets	Non specified baseline or current reporting periods
Start and end months of reporting periods	Not available publicly
Published on your website	Lack of emission reduction targets or projects
Projects and ambitions that will get you to Net Zero	Lack of narrative for ‘not applicable’ or zero emissions
Complete declaration and sign off	ESG or sustainability report
	Incomplete declaration and sign off

Reporting

Reporting on climate change plays a crucial role in our collective efforts to address the challenge. Reporting can accelerate decarbonisation and identify opportunities for value creation and continuous improvement on changes that need to be made. Climate reporting increases transparency, stakeholder trust, encourages climate action and contributes to a more climate-resilient future.



[SME Climate Hub](#) The SME Reporting Tool helps committed SMEs to report on their emissions.

Conclusion

To achieve Net Zero target by 2050 and create a more sustainable future, it is crucial for companies and organisations of all sizes to embrace the journey by integrating it into their business strategies, taking a holistic approach through targeting emissions across scopes, tracking efforts and working with stakeholders. By doing so, SMEs can effectively progress on their sustainability journey and mitigate the effects on our climate for future generations.

Further Help and Support

- [Home - SME Climate Hub](#)
- [The UK Business Climate Hub](#)
- [Social Value Catalogue](#)
- [Climate Action Business Advice Pack \(\[essexclimate.org.uk\]\(https://essexclimate.org.uk\)\)](#)
- [Carbon Reduction Plan Guidance](#)
- [Taking-account-of-Carbon-Reduction-Plans-Jan22_1_.pdf](#)
- [PPN-0621-frequently-asked-questions](#)
- [Carbon-Reduction-Plan-Template](#)

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