

Divisions Affected - All

**CABINET
20 JUNE 2023**

Policy on Supply Chain Emissions

Report by Director of Finance

RECOMMENDATION

1. The Cabinet is RECOMMENDED to

Approve the proposed policy position for the Council on supply chain (Scope 3) emissions as set out in Annex 1.

Executive Summary

2. Supply chain emissions (sometimes described as 'Scope 3' emissions) make up around 90% of Oxfordshire County Council's (OCC) overall emissions.
3. OCC is already working with some of its contractors to reduce carbon emissions, both through the social value policy and direct engagement with some contracts.
4. The council's reporting of contractor emissions however is currently very limited. The attached policy is designed to create a robust and prioritised approach to addressing supply chain emissions.
5. The proposed policy position on achieving the decarbonisation of the supply chain includes expanded engagement with the OCC supplier base, expanded supply chain emission reporting and a commitment to incorporate low carbon specification requirements in supplier contracts.

Background Information

6. Through the Climate Action Framework and 9 priorities of the Corporate Strategy, OCC has committed to working with suppliers to reduce the emissions associated with delivery of council contracts.
7. Oxfordshire County Council spends around £650 million per annum on the procurement of goods, services and works. A recent study estimated the

emissions from this spending are potentially as high as 150,000 tonnes per annum or around 90% of OCC's total carbon footprint. Around 80 per cent of these emissions were from purchased goods and services, including outsourced council services. A further 17 per cent of the estimated emissions were as a result of large infrastructure projects and other capital goods.

8. To date OCC's work with suppliers has been largely through applying the Social Value Policy, which applies to contracts over £100,000 and weights social value at between 12% and 16% depending on the total contract value. Contractors can demonstrate social value across a range of categories, with carbon reduction prioritised as a form of social value. Through the policy, a supplier's social value commitments will be influential in determining the winning bidder.
9. However, as emissions reduction is only one theme under which suppliers can demonstrate social value contractors, the policy does not guarantee that our contractors will make commitments in line with our net zero commitments.
10. OCC has additionally been working directly with suppliers in some of its major contracts including Highways and Supported Transport Services.
11. OCC already has a well-established approach for annually reporting its scope 1 and scope 2 emissions (see Table 1 for definition). Reporting of scope 3 emissions is currently very limited.

12. **Table 1: Definition of GHGP scopes:**

The Greenhouse Gas Protocol Corporate Standard (GHGP) is the global standard for emissions reporting by companies and other organisations. To allow organisations to distinguish between direct and indirect emissions, the GHGP defines three emissions scopes

- (a) **Scope 1:** These direct Greenhouse Gas (GHG) emissions arise from operations that are owned and controlled by the reporting organisation.
- (b) **Scope 2:** Emissions associated with the generation of purchased/used of grid-supplied electricity, heat, steam and/or cooling by the reporting organisation.
- (c) **Scope 3:** Indirect GHG emissions including for example staff commuting, or supply chain emissions

13. The UK Government has recently started incorporating carbon emission reporting requirements into contracts for central government valued over £5million. These reporting requirements are expected to become more demanding over time and give an indication as to the direction of travel with regard to requirements of large suppliers.
14. The attached policy aims to take a methodical and robust approach to addressing OCC's supply chain emissions in line with OCC's net zero ambitions. This includes deepening our understanding of suppliers' current decarbonisation trajectory, expanded scope 3 greenhouse gas (GHG) reporting and identifying low carbon principles to embed in future OCC contracts.

15. OCC had over 3500 suppliers in 2020. A relatively small number of suppliers – circa 20 - represent a large proportion of OCC's procurement expenditure (40%). It is expected that these suppliers will also be responsible for more than 40 per cent of total supply chain emissions.
16. The Supply Chain Emissions policy aims to deliver the following business benefits:
 - Develop OCC's industry knowledge through improved understanding of the carbon reduction measures and targets implemented or planned by contractors.
 - Enable baselining and tracking of scope 3 emissions in the council's GHG report for improved transparency on the council's wider emissions footprint and to measure progress on carbon reduction.
 - Identify opportunities to collaborate with our suppliers in bidding for external funding or knowledge transfer.
 - Identify opportunities to work with organisations procuring similar goods and services on developing ambitious specifications that drive the market towards low carbon solutions.
17. Where existing contracts do not yet have requirements on emissions data reporting or carbon reduction, OCC will not be able to mandate the provision of this information but will seek to work in partnership with suppliers where possible.

Corporate Policies and Priorities

18. This Policy will support the objective to put actions to address the climate emergency at the heart of our work. Through ongoing work with suppliers via contracts and in the tendering process itself, this will ensure that scope 3 emissions are included in the Council's reporting processes.

Financial Implications

19. There are no financial implications to this report.

Comments checked by:

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Legal Implications

20. There are no legal implications to this report.

Comments checked by:

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Staff Implications

21. Funding for a new officer position has been approved in the budget for 23/24 to monitor the scope 3 emissions and to develop and manage a programme of engagement and development for suppliers, particularly SMEs, to ensure that this policy is fully embedded within the supply chain.

Sustainability Implications

22. This will support the Council's Climate Action objectives.

Lorna Baxter
Director of Finance

Annex: Annex 1: Policy position on Oxfordshire County Council's Supply Chain Emissions

Background papers: Nil

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