

## PROCUREMENT DEEP DIVES



**Apple Headquarters in Cupertino, CA. Apple's Supplier Clean Energy Program, which has garnered over 4 gigawatts of commitments since 2015.**

# Integrating Low-Carbon Products into Requests for Proposals (RFPs)

As a company maps its carbon emissions footprint and establishes priorities, a robust strategy for the procurement of materials, products, and services can accelerate progress toward a company's emissions-reduction goals.

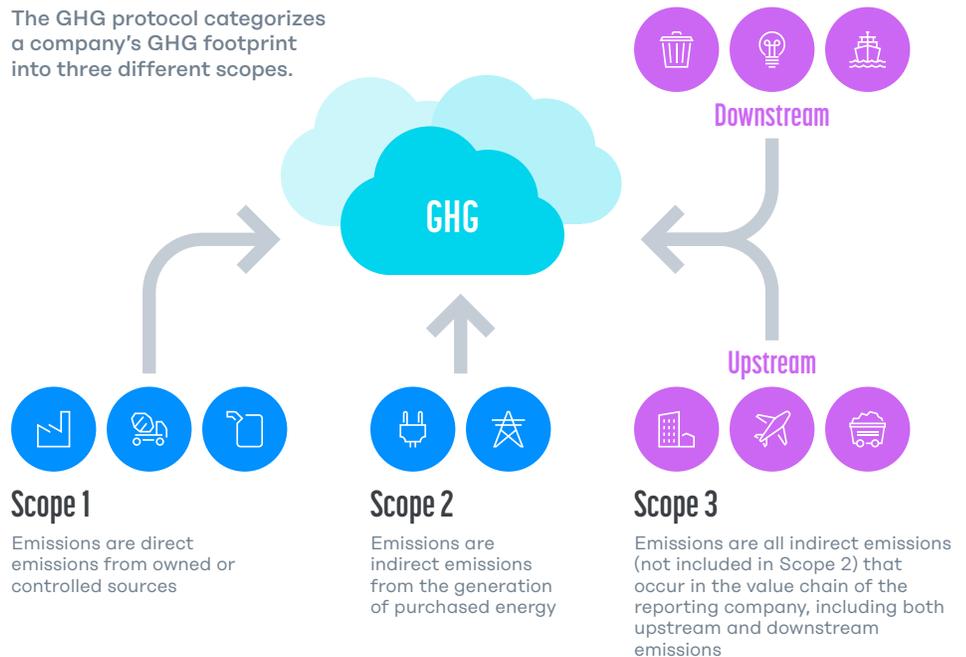
## Setting Corporate Baselines and Targets

First, a company should understand its carbon-emissions baseline and establish reduction targets. These targets should include all of a company's emissions: those from their own operations (Scope 1 and Scope 2) as well those across its value chain (Scope 3). (See Figure 1 below.) The Scope 3 emissions for many companies are more than five times larger than those under the company's Scope 1 and 2. While this playbook doesn't address setting baselines and targets, other organizations—including the World Resources Institute (who manages the [GHG Reporting Protocol](#)) and [Science Based Targets](#)—provide robust resources to tackle these challenges. It is critical that companies disclose their emissions through organizations like [CDP](#) and set targets that support the path toward net-zero emissions by midcentury. While there are many actions that can be taken to directly reduce emissions, companies should also support the development of critical climate technologies upstream and downstream of their operations (including the building materials used for corporate offices or the jet fuel used for business travel).

FIG. 1

## GHG Footprint Scopes

(Source)



Once baselines and emissions reduction targets are set, corporate procurement personnel can then move ahead with implementing appropriate procurement procedures and policies. These include:

- **Engaging Suppliers.** Companies should establish a process for engaging with existing and new suppliers and translate climate goals and priorities into language appropriate for the supplier base. For example, Skanska has created a Supplier Code of Conduct tailored by country, as well as a “Best Practices Guide for Responsible Sourcing.”
- **Establishing an Effective RFP Process.** Companies should evaluate where they can update internal processes for procurement to meet climate objectives.
- **Evaluating Impact and Cost.** Companies should establish what success looks like and how they will measure it, including appropriate baselines and benchmarks.

### Engaging Suppliers

To align suppliers with emission-reductions targets, companies should share their decarbonization commitments, priorities, frameworks, and processes with the existing supplier base. For example, a major centerpiece of Apple’s [Environmental Responsibility Report](#) is a diagram of its lifecycle carbon footprint. This report also shares information about Apple’s Supplier Clean Energy Program, which has garnered over 4 gigawatts of commitments since 2015.

Consistently sharing goals across communications channels in globally accepted language (Scope 1, 2, 3 emissions, for example) helps suppliers understand how

they can better position and deliver their products and services to help meet these goals. In addition, companies can host working sessions with suppliers (individually or in groups) to answer questions, get feedback, understand where each supplier is on its own emissions-reduction plan, access new products, and engage in pilots or demonstrations.

Companies may come to find that using new suppliers more committed to emissions reductions may help them reach their overall goals. The platforms and consortia in Table 1 can be helpful starting points to identify potential new suppliers and help define applicable performance criteria.

### Establishing an Effective Request for Proposals (RFP) Process

While a Request for Proposals (RFP) can take many forms depending on the industry and project, the document generally covers five areas:

- 1 Introduction and background information
- 2 Description of the opportunity/requirements
- 3 Structure of the response
- 4 Evaluation process and selection criteria
- 5 Timelines

TABLE 1

## Criteria for Identifying Potential New Suppliers

GRAND CHALLENGE	AREA OF INTEREST	CONSORTIA, PLATFORMS AND RESOURCES
Electricity	Onsite Electricity and Power Purchase Agreements (PPA)	<a href="#">Renewable Energy Buyers Alliance (REBA)</a> , <a href="#">RE-100</a>
	Automation	<a href="#">WattTime</a> , <a href="#">EP100</a>
	Energy Service Providers/ Benchmarking Platforms	<a href="#">Bright Power</a> , <a href="#">Elevate Energy</a> , <a href="#">New Ecology</a> , <a href="#">WegoWise</a>
Transportation	Vehicle Fleets	<a href="#">Electrification Coalition</a> , <a href="#">EV100</a>
	Low-Carbon Fuels	<a href="#">Below50</a> , <a href="#">BoardNow</a>
Buildings	Building Materials	<a href="#">Building Transparency</a>
Manufacturing	Sustainable Aluminum Products	<a href="#">Aluminum Stewardship Initiative</a>
	Sustainable Biomaterials (aviation, marine, plastics, textiles, etc.)	<a href="#">Roundtable on Sustainable Biomaterials (RSB)</a>
Agriculture	Alternative Proteins and More-Sustainable Food	<a href="#">Good Food Institute</a> , <a href="#">Menus of Change University Research Collaborative</a> , <a href="#">Better Buying Lab</a>
	Food Waste Reduction	<a href="#">LeanPath</a> , <a href="#">ReFED</a> , <a href="#">Champions 12.3</a> , and <a href="#">WRAP</a>

Areas 2 and 4—the description of the opportunity/requirements and the evaluation process and selection criteria—are the most important. They ensure clarity and specificity about the performance, cost, quality, and carbon footprint a company is requesting, along with how these will be prioritized and evaluated.

## Description of the Requirements

**There are several ways companies can specify requirements in their RFPs to further climate goals and objectives. They can:**

- **Require Disclosure.** It is critical for a company to understand the emissions impact of its supply chain, so buyers should require their suppliers to disclose emissions and other relevant information. For example, [Environmental Product Declarations](#) (EPDs) can be used to disclose information about building materials like steel, cement, and aluminum. EPDs can be used by procurement and sustainability personnel via the Embodied Carbon in Construction Calculator (EC3) [tool](#) to compare materials.
- **Require Certifications.** For many technologies, certification bodies exist that have completed life-cycle assessments (LCAs) of their climate and environmental impacts. For example, the [Roundtable on Sustainable Biomaterials](#) (RSB) certifies products like sustainable aviation fuel.
- **Establish Emissions Reduction Goals.** Buyers can specify emissions reduction requirements directly in their RFPs. For example, Microsoft required that building materials suppliers for their new campus meet a 30 percent reduction in carbon intensity below the industry average.

**Companies should pull from available materials as they draft procurement guidance and RFPs. For example:**

- Fleets for the Future has established [EV procurement considerations](#) and specifying language.
- PepsiCo has committed to source only traceable, sustainable palm oil and has published a [Global Policy on Sustainable Palm Oil](#) detailing its expectations of all suppliers. The RFP documents should provide references and links to this type of detailed corporate policy.
- [Building Transparency](#) has created a free Embodied Carbon in Construction Calculator (EC3) that helps determine the embodied carbon of various materials used in buildings by category.

**While every procurement is different, generally, evaluations of RFPs have several steps:**

- 1 Set up the evaluation team.
- 2 Establish scoring criteria and weightings (these should be done when drafting the RFP and consistent with the details disclosed therein).
- 3 Develop a scoring system (e.g., 5-point scoring).
- 4 Conduct the review process. This process will include:
  - a. A compliance review to ensure that the suppliers meet the basic requirements.
  - b. A down-selection process by internal reviewers based on the scoring criteria. In some cases, external experts can provide input in this phase.
- 5 Presentation to leadership and selection.

For complex, technical RFPs (such as Boston University's emissions-optimized procurement, below), companies should engage a variety of experts at the start of the process to help design the RFP, set the rating criteria, and evaluate proposals.

### Considering Cost

Buyers should determine how to weigh cost against climate objectives. Procurement teams should review approaches from past RFPs and make adjustments based on accelerating low-carbon goals.

Buyers should consider both the full life cycle—including upfront costs, energy, and maintenance—and the end-of-life costs (such as disposal and recyclability) of a given product.

## Boston University Project Selection Matrix, Including Mandatory Requirements and Weighted Selection Criteria

CRITERIA	WEIGHT	WEIGHTED RANK			CRITERIA EXPLANATION	NOTES
		SOLAR 1	WIND 7	WIND 9		
Impact New Build	Required	X	X	X	Project will generate new renewable power that would not otherwise have been generated	Project additionality is a prerequisite
Education & Research Opportunities	Required	X	X	X	Project will benefit students and faculty by allowing access to the project sites and real time data	Access to real time data and access to the project site(s) is a prerequisite
Green-e Certified RECs	Required	X	X	X	Third party certified project-based RECs	Project-based Green-e Certified RECs are necessary to validate the claims for the emissions reductions
Project Developer Financial Strength	Required	X	X	X	Long-term owner/operators have resources, experience, and financial strength to manage relationship over term	
Bid Size Flexibility	Required	X	X	X	Ability to provide 200,000 MWh/yr or 100,000 MWh/yr capacity to allow flexibility on strategy as determined by BU	
Project Economics (strong NPV/MWh)	30%	3	1	2	Financial strength based on risk-adjusted, projected cash flows, and impact on BU financial position and credit rating	The driver in a Contract for Differences is the margin modeled between the PPA price and the grid price/MWh. Favorable project economics are a prerequisite
GHG Reduction (CO <sub>2</sub> e lb/MWh)	30%	3	1	2	Projected likely marginal GHG savings per MWh over the term of the project; favor projects with highest overall GHG reduction with consideration for higher early reductions	Strong correlation between high grid carbon intensity at time of renewable energy production; the purpose of is to maximize the BU's impact on GHG reduction
Environmental & Health Co-benefits	20%	2	1	2	Favor projects with lower construction and operational environmental and health impacts	
Inegration with BU on-site procurement	10%	1	1	1	Integrate PPA purchases and sales into BU's energy purchasing through hedges or other mechanisms	
Term Length	10%	2	2	1	Offer 12 vs 15 year term; shorter term length ranks higher	
Average Weighted Rank:		2.5	1.1	1.8		