

A METHODOLOGY FOR STAGING LOW CARBON INCLUSIONS

The methodology is based on the understanding that the call for greater low carbon inclusions in procurement documentation needs to be complimented by effective supply chain interventions, such that:

1. Low carbon inclusions in procurement documentation may be in the form of the of minimum performance requirement or the nomination of specific items from a rating tool, such as the 'IS Tool':
 - a. *Evidence that opportunities to reduce energy use and greenhouse gas emissions are identified and implemented.*
 - b. *Evidence of the modelling and monitoring of materials lifecycle impacts across infrastructure lifecycle, and demonstrated reductions.*
2. Direct supply chain intervention activities are undertaken to support the greater inclusion of low carbon items in procurement documents, such as:
 - a. *The provision of information seminars, training sessions, or briefing materials,*
 - b. *The requirement for supplier prequalification prior to inclusion in tender submissions,*
 - c. *The provision of an indication of future demand for particular low carbon products or services,*
 - d. *Investment in research and development of specific low carbon related goods or services.*

The methodology is based on a multi-stage approach that identifies the current status of low carbon procurement, identifies the current ability of the supply chain to offer low carbon outcomes, and recommends changes to existing procurement documentation based on the trialling of potential new inclusions, as outlined below and shown in Figure A.

1. The identification of the current level of both the low carbon inclusions in procurement documentation and the associated interaction with the supply chain around low carbon outcomes.
2. The identification of both the '*Low Carbon Readiness*' of contractors and/or suppliers based on the IS Rating Tool and the '*Co-Creation Potential*' of the supply chain based on the client, contractor and supplier willingness to participate in supply chain interventions, the ability to participate in such interventions, and preferences for the type of supply chain intervention.
3. The classification of low carbon inclusions and supply chain interaction options as either:
 - a. *Level 1: 'Minimum Low Carbon Performance'* – As recommended by the Commonwealth Government '*Guide for Sustainable Procurement of Services*' the first level of the classification is considered the '*starting point*' and is deemed to be the minimum performance level.

Based on the findings of the low carbon readiness and the co-creation potential assessments a short list of both low carbon inclusions and options for supply chain interactions would be identified that are deemed as 'minimum performance'. These would be drawn from the areas of strong low carbon readiness that are not already included in procurement documentation that are deemed to not require quantification of the impact of inclusion on project outcomes, along with supply chain interactions with a strong track record.

- b. *Level 2: 'Better Practice Low Carbon Performance'* – As recommended by the Commonwealth Government '*Guide for Sustainable Procurement of Services*' the second level of the classification is deemed to be the better practice level that can be a '*tool to help drive continuous improvement and communicate to the supply market that you are serious about sustainability*'.

Based on the findings of the low carbon readiness and the co-creation potential assessments a short list of both low carbon inclusions and options for supply chain interactions would be identified that are deemed as 'better practice'. These would be drawn from likely areas of strong low carbon readiness that are not already included in procurement documentation and are deemed to require quantification of the impact

of inclusion on project outcomes, along with supply chain interactions that are deemed as being feasible but require quantification of the co-creation value achieved.

- c. *Level 3: 'Leading Practice Low Carbon Performance'* – The third level of the classification is deemed to be the industry best practice level. Activity at this level is part of a cycle of continual improvement with the ratcheting of low carbon inclusions and associated supply chain interaction building on successive initiatives.

Based on the findings of the low carbon readiness and the co-creation potential assessments a short list of both low carbon inclusions and options for supply chain interactions would be identified that are deemed as 'leading practice'. Unlike the previous two levels of performance the level of leading practice will seek to encourage innovation in the supply chain to deliver greater levels of low carbon outcomes. Given these outcomes are likely to be underdeveloped in the supply chain this level would focus on assisting the supply chain to deliver aspirational outcomes. This may involve the development of world leading supply chain interaction options to significantly increase the low carbon readiness across the sector.

4. The trialling, assessment, and recommendation of options to ratchet low carbon inclusions and associated supply chain interactions and the development of recommendations for agency wide uptake.

- a. *Level 1: 'Minimum Low Carbon Performance'* – The trialling of Level 1 low carbon performance would focus on adding low carbon inclusions to procurement documentation (such as pre-qualification and invitation to tender documentation) that are deemed to be able to be currently delivered by the supply chain, and would use established supply chain interaction options. It is recommended that level of assessment of the Level 1 performance is done by confirmation in contractor tenders of the ability to deliver such performance, rather than quantification of actual performance; given the performance level has been deemed as being the minimum level of performance.

- b. *Level 2: 'Better Practice Low Carbon Performance'* – The trialling of Level 2 low carbon performance would focus on adding low carbon inclusions to procurement documentation that are deemed very likely to be able to be currently delivered by the supply chain, however that are also deemed to require validation through the

quantification of low carbon outcomes in projects prior to recommendation of wider adoption by the procurement agency. This level of trial would use both established supply chain interaction options and introduce new options based on the findings of the ‘Co-Creation Potential’ investigation. It is recommended that level of assessment of the Level 2 performance is done by quantification of the low carbon outcomes in projects prior to recommendation of wider adoption by the procurement agency.

- c. *Level 3: ‘Leading Practice Low Carbon Performance’* – The trialling of Level 3 low carbon performance would focus on adding low carbon inclusions to procurement documentation that are unlikely to be able to be currently delivered by the supply chain and would require validation through the quantification of low carbon outcomes in projects prior to recommendation of wider adoption by the procurement agency. This level of trial will focus on the road-testing of new supply chain interaction options based on the findings of the ‘Co-Creation Potential’ investigation. It is recommended that level of assessment of the Level 3 performance is done by quantification of the low carbon outcomes in projects prior to recommendation of wider adoption by the procurement agency.

In summary the my proposed methodology for informing the ratcheting of low carbon inclusions in procurement is structured in the following steps, as shown in Figure A, namely:

1. The identification of the current level of ‘low carbon inclusions’ in procurement documentation and associated level of interaction with the supply chain,
2. The identification of both the ‘*Low Carbon Readiness*’ of contractors and/or suppliers and the ‘*Co-Creation Potential*’ of the supply chain,
3. The classification of low carbon inclusions and supply chain interaction options as either minimum performance, better performance or leading performance,
4. The trialling, assessment, and recommendation of options to ratchet low carbon inclusions and associated supply chain interactions and the development of recommendations for agency wide uptake.

The methodology outlined above is shown diagrammatically in Figure A.

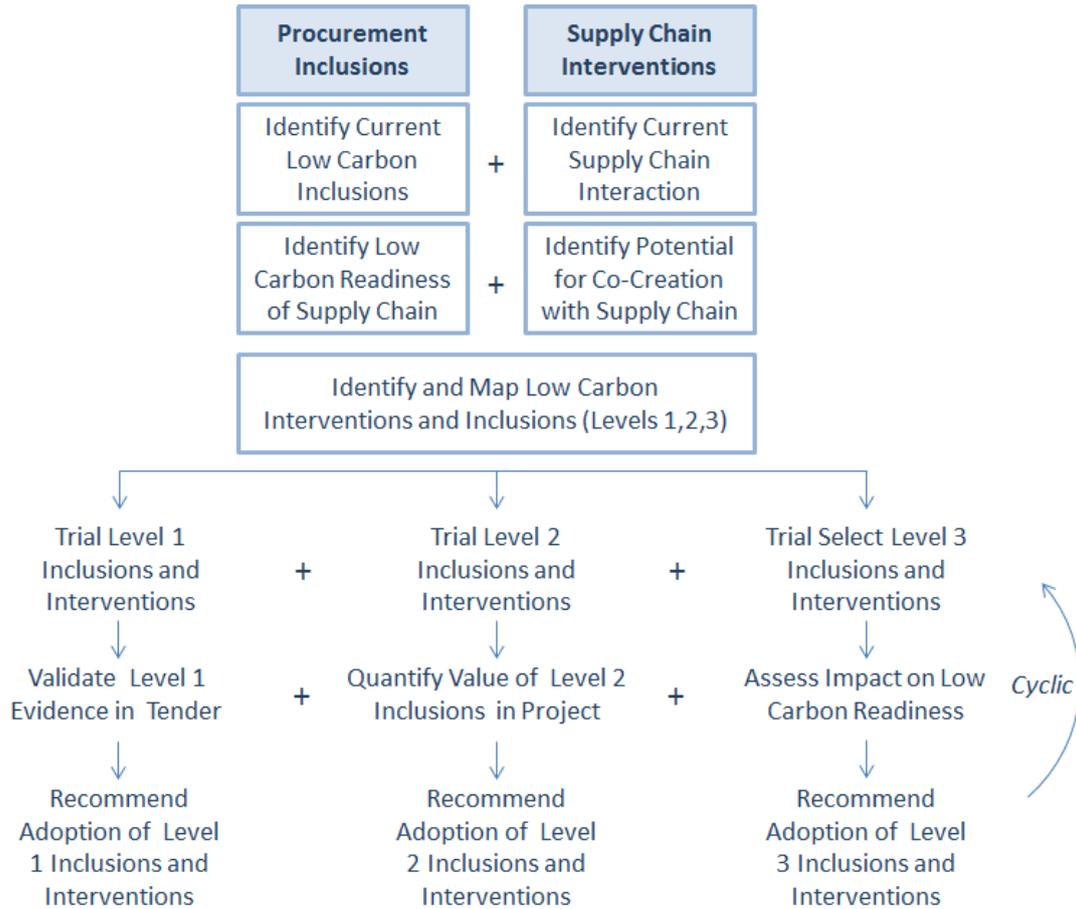


Figure A: A Methodology for Informing the Ratcheting of Low Carbon Inclusions in Procurement based on supply chain engagement and interactions