PROCUREMENT EMISSIONS STANDARDS

Supporting a Zero Carbon Ōtepoti Dunedin

NOVEMBER 2023

DUNEDIN CITY COUNCIL | kaunihera a-rohe o Ōtepoti

Manaaki whenua,
manaaki tangata.
Haere whakamua.

A WELCOME FROM THE LEADERSHIP TEAM

E ngā mana, e ngā reo, e rau rangatira mā
(To all the authorities, all voices, to the many chiefs)

Tēnā koutou, tēnā koutou, tēnā koutou katoa
(Greetings, greetings, greetings to everyone)

'There is nothing permanent except change', a quote first uttered by Greek philosopher Heraclitus some 2500 years ago.

Fast-forward to now, throw in an industrial revolution plus about 7 billion more people, and climate change is a major challenge facing communities across the world.

So how will we react?

Tucked away down here in Ōtepoti Dunedin, it would be easy to turn our back on the challenge, accept the status quo and fail to adapt.

But there are things we can do.

The following document discusses our role in mitigating climate change and our actions to realise a Zero Carbon future.

It sets clear targets and provides guidance for the DCC and our suppliers to work together in ways that help improve people's lives for generations to come.

Please take a look to see where we're heading, how we plan to get there and how you can contribute.

Whatungarongaro te tāngata, toitū te whenua.
(While people may disappear, the land will remain)

Sandy Graham
Chief Executive Officer/Tumu Whakarae

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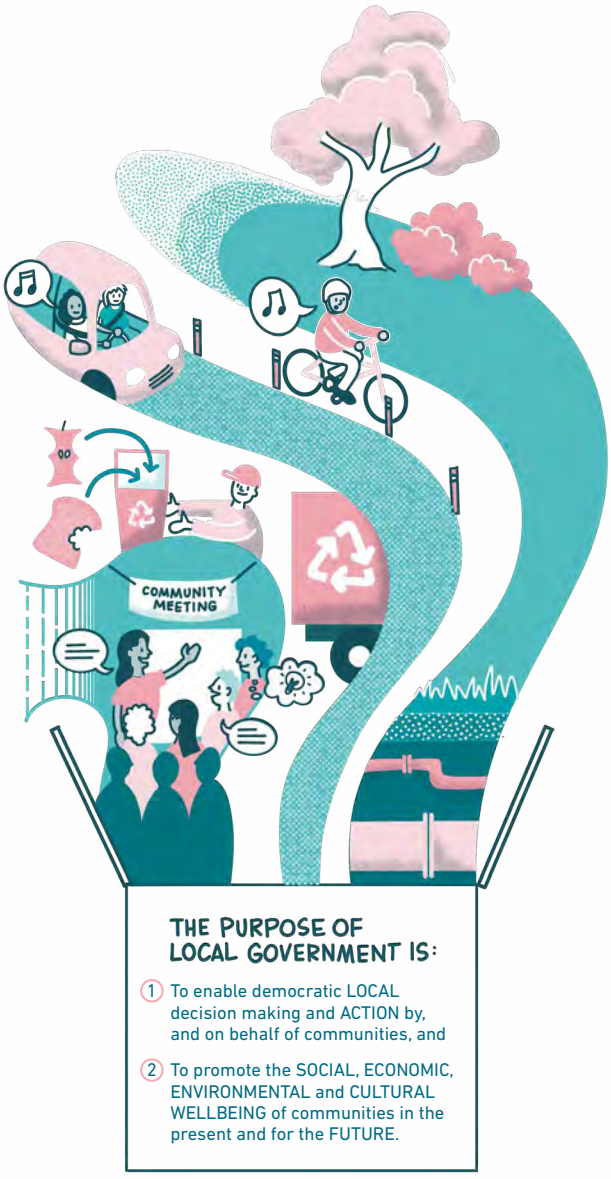
THE DCC'S ROLE IN DUNEDIN'S ZERO CARBON JOURNEY



Becoming a zero carbon city will take all of us

As a local government entity, the DCC's purpose is to enable decision making by and for communities, and to promote social, economic, environmental and cultural wellbeing.

For Dunedin to become a Zero Carbon city, the DCC needs to take leadership in taking action and work with its partners, local communities and stakeholders.

The DCC has a number of roles it can play to support Dunedin's transition to a low carbon future. For example, the DCC can provide services (e.g. food and garden waste collection); build infrastructure (e.g. cycleways); fund community activities (e.g. community gardens); facilitate change alongside partners, stakeholders and communities; advocate to the government; and undertake forms of regulation (e.g. planning rules). Some actions are out of scope of the DCC's legal authority (e.g. many types of regulation and legislation).

Our commitment started with declaring a climate emergency

The DCC's climate emergency declaration set a target for Dunedin to become a Zero Carbon (i.e. carbon neutral) city by 2030.

In setting this goal, the Council acknowledged that all levels of government need to act, and that a business-as-usual transition to a low carbon economy is inadequate. To do our fair share to address climate change as a city, reducing emissions must be one of our highest priorities.

By reducing our emissions here in Dunedin and becoming a Zero Carbon city, we're joining communities all over the world to work towards a positive climate future while also improving the wellbeing of our communities.

The DCC has a role to play, but the transition will take all of us.

DUNEDIN IS TAKING ACTION ON CLIMATE CHANGE – WILL YOU JOIN IN TOO?

1988 – The Intergovernmental Panel on Climate Change (IPCC) established.

1990 – First IPCC Assessment Report on climate change as a global challenge.

1997 – Kyoto Protocol commits countries to limit and reduce greenhouse gases.

2002 – New Zealand Parliament passes the Climate Change Response Act.

2012 – **Dunedin City Council's first emissions inventory - a first step to understanding and reducing its organisational emissions.**

2016 – New Zealand ratifies the Paris Agreement, and **the DCC joins the Global Covenant of Mayors for Climate and Energy (GCoM)**.

2017 – **The DCC's first Carbon Management Policy is adopted.**

2019 – **The DCC declares a climate emergency and sets a goal for Dunedin to become a Zero Carbon city by 2030.**

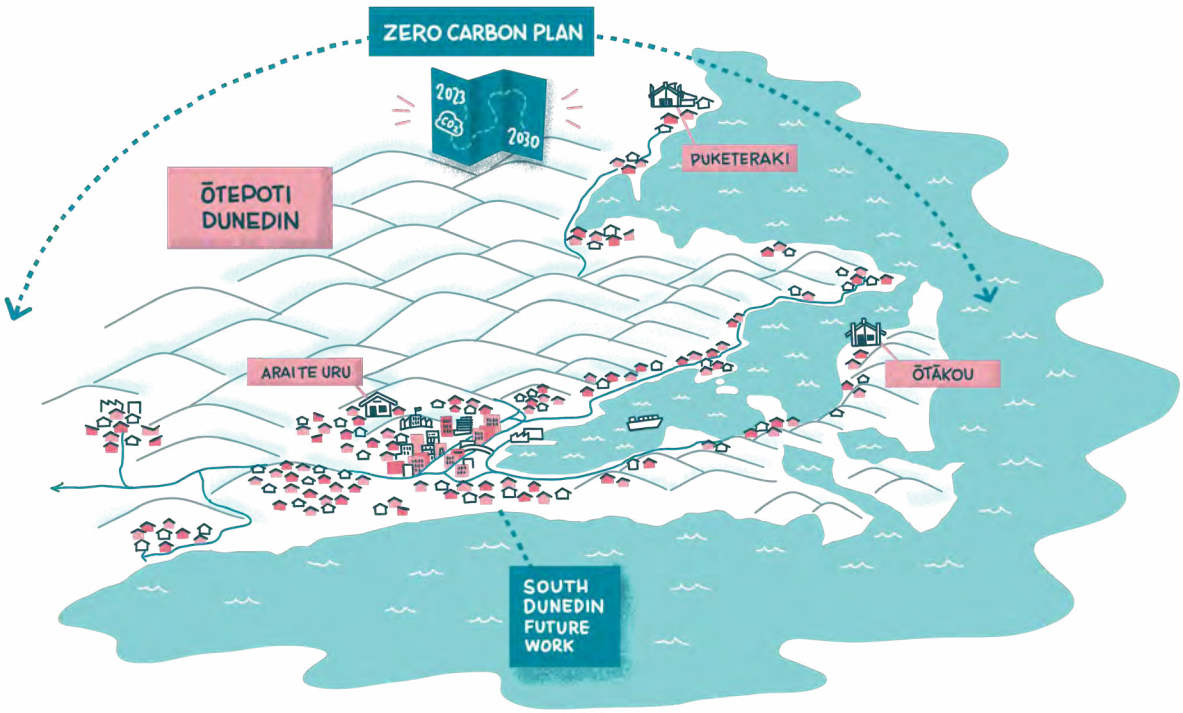
2019 – Parliament sets a target of net zero emissions by 2050, introduces a legal requirement for national emissions budgets and reduction plans, and establishes He Pou a Rangi - the New Zealand Climate Change Commission.

2022 – **The DCC adopts a Zero Carbon Policy to ensure emissions reductions through its activities.**

2022 – Parliament adopts Aotearoa New Zealand's first nationwide emissions budgets and Emissions Reduction Plan.

2023 – **Dunedin's first Zero Carbon Plan outlining its emissions reduction targets in order to become a Zero Carbon city, the key city-wide shifts that it needs to achieve those targets and the DCC's action areas to help bring about those city-wide shifts.**

Now – **The DCC's Procurement Emissions Standards to help contribute to the targets in the Zero Carbon Plan.**



Procurement Emissions Standards

Suppliers play a **leading role** in helping build a Zero Carbon city

TOGETHER WE HAVE AN OPPORTUNITY TO MAKE A REAL DIFFERENCE

What and how the DCC procures goods and services has a clear impact on the city's emissions footprint. That is why we have developed the new DCC Procurement Emissions Standards, to ensure the way we procure goods and services help contribute to Dunedin becoming a Zero Carbon city. For us, it's about working collaboratively with you, our suppliers, so we can pave a path forward to build a better Dunedin together.

For detailed criteria in the Procurement Emissions Standards, see pages 16–19.

This document sets out...

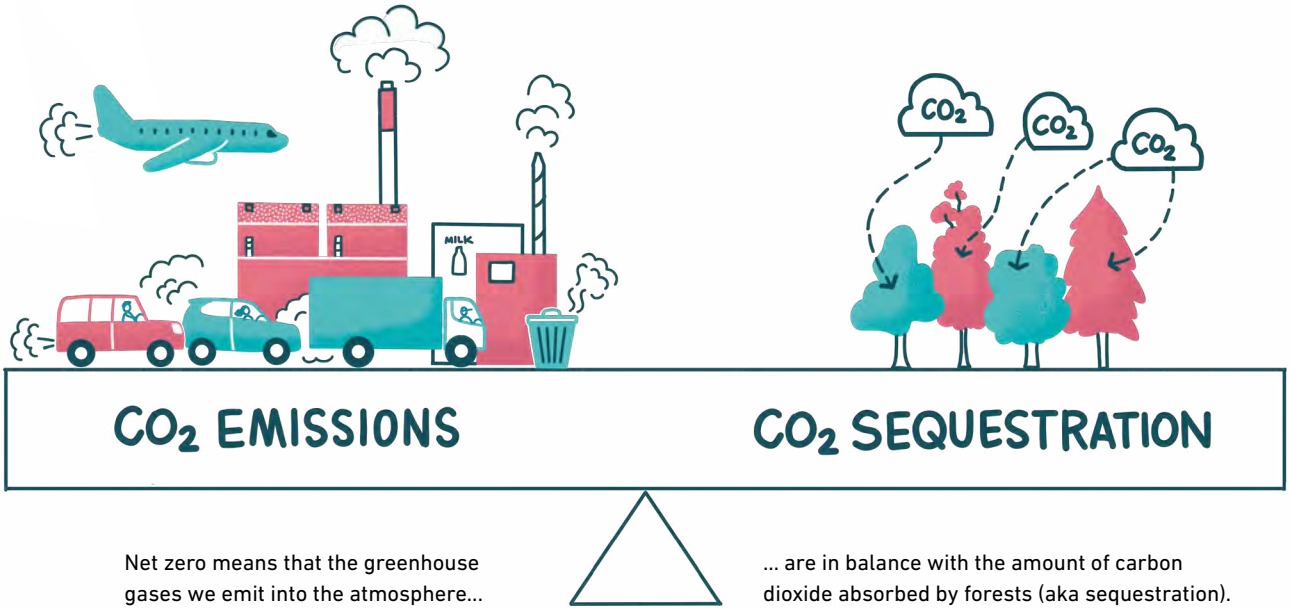
The Procurement Emissions Standards is a living document. As the industry evolves, so will this document.

To read more about this, see page 15.

DESIGNING DUNEDIN'S ZERO CARBON FUTURE

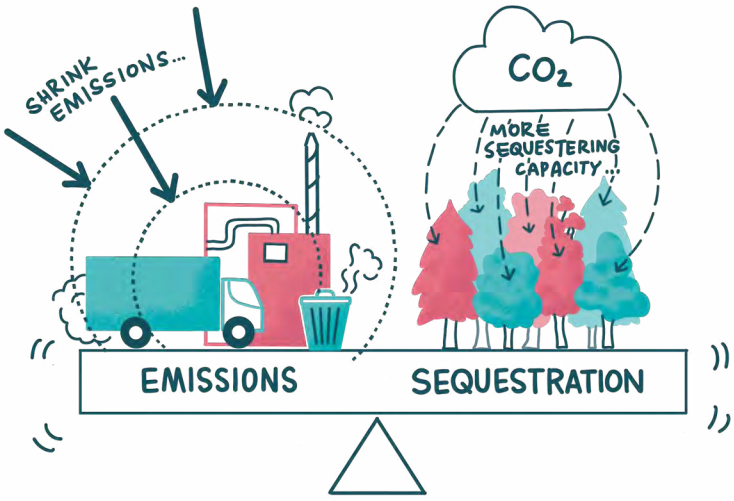
WHAT DOES ZERO CARBON MEAN?

Dunedin's Zero Carbon Plan includes a net zero carbon target, but what does net zero carbon mean?



Net zero means that the greenhouse gases we emit into the atmosphere...

... are in balance with the amount of carbon dioxide absorbed by forests (aka sequestration).

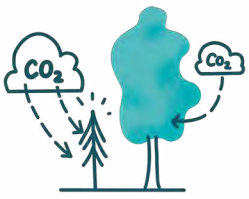


Reducing the amount of emissions we produce in the first place is the most effective tactic to mitigate climate change.

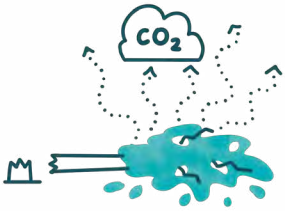
Dunedin needs to both significantly reduce its emissions and increase sequestration.

We can't plant our way out of climate change

We emit so much C02, we will run out of land quickly...



As trees mature, they absorb less C02

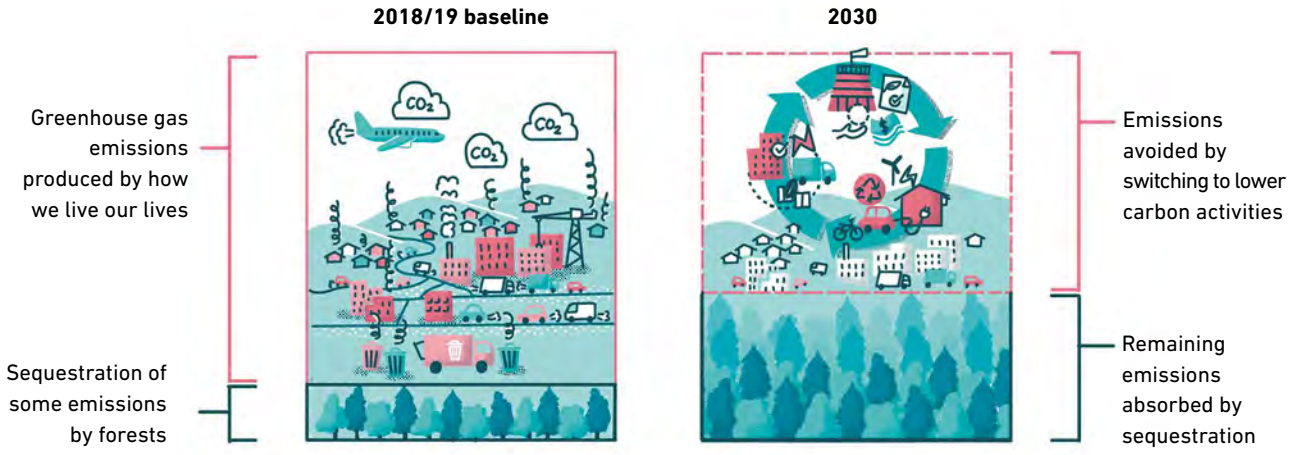


And when they are felled or die, the carbon is released again as they break down.

DUNEDIN'S TWO OVERARCHING ZERO CARBON TARGETS

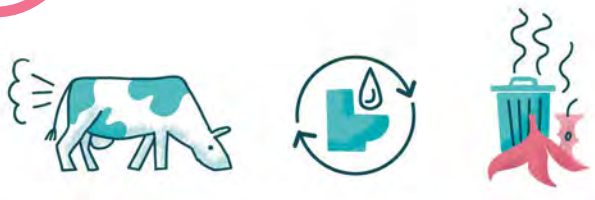
1 Net Zero Carbon by 2030

Dunedin can achieve net zero carbon (excluding biogenic methane) through reducing its total emissions by 40% and increasing its carbon sequestration by 64% upon 2018/19 levels. This would require significant reductions in emissions from transport, stationary energy, agriculture, and industrial processes and product use.



Net zero carbon means that any greenhouse gases (excluding biogenic methane) we emit into the atmosphere in Dunedin are in balance with the amount of carbon absorbed out of the atmosphere by trees, also known as sequestration.

2 Reduce biogenic methane emissions



Dunedin's biogenic methane reduction targets are the same as the central government targets

The **Zero Carbon Plan** sets out how Dunedin can achieve these two targets if everyone works together across the city.

The good news is, people and businesses in Dunedin have already been taking action.

Addressing climate change will take all of us. Work is underway at all levels - from international agreements, to national and city-level action, to organisations and households.

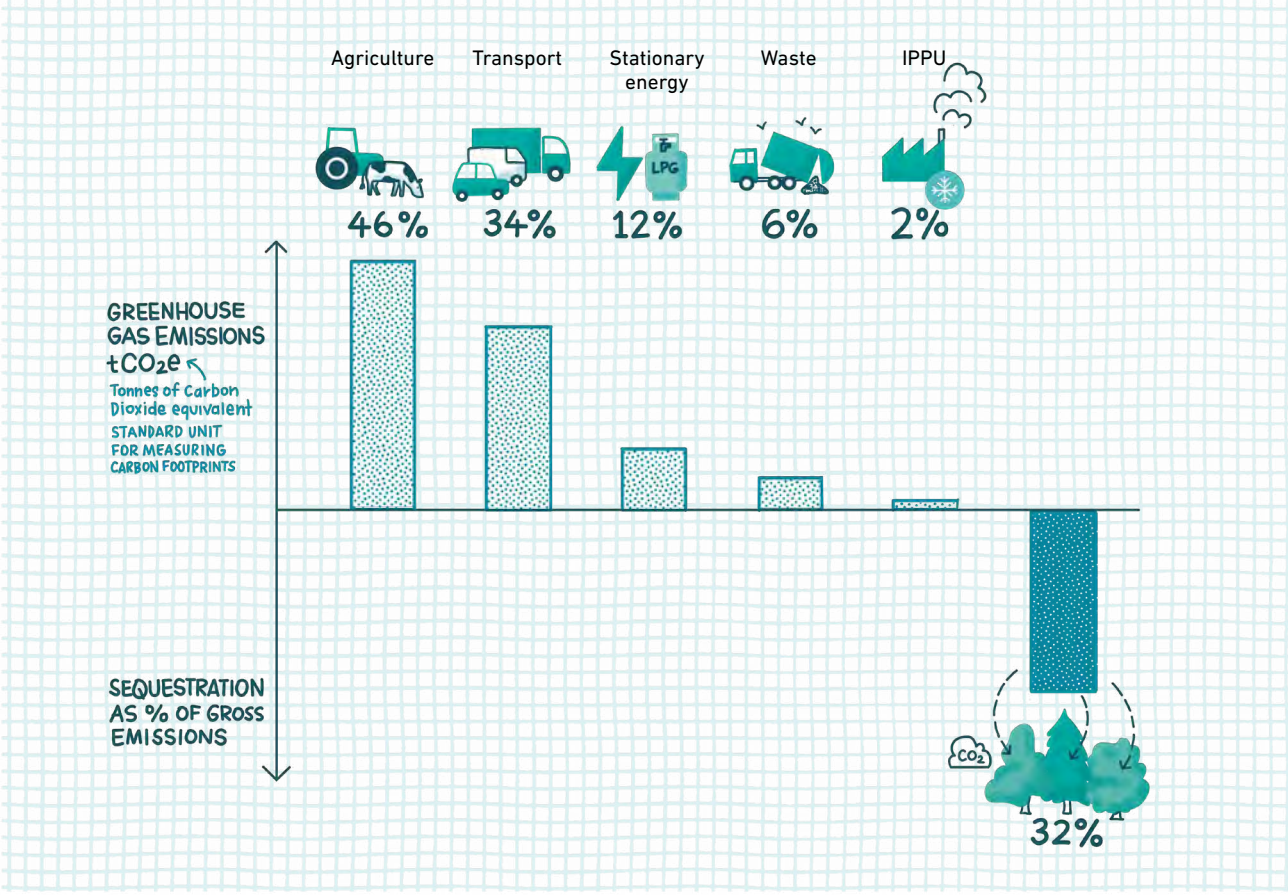
DUNEDIN'S CURRENT EMISSIONS PICTURE

What gets measured, gets managed. We have been tracking Dunedin's emissions footprint over the years, and we have calculated how much emissions reductions are needed for Dunedin to become a Zero Carbon city. We are using the emissions from 2018/19, our baseline year, to measure progress against.

In 2018/19, activities in Dunedin generated 1,697,047 tCO2e in gross emissions, out of which trees in Dunedin absorbed 361,337 tCO2e.

We measured Dunedin's emissions again in 2021/22, and gross emissions had reduced by 9%. During this period, about half of Dunedin's emissions came from agriculture (46%); followed by transport (34%); stationary energy use (12%); waste (6%); and industrial processes and product use (IPPU) (2%).

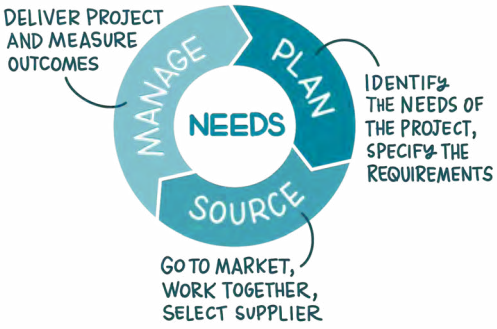
Dunedin's emissions footprint in 2021/22



The amount of emissions we need to reduce from each sector varies, depending on the type of greenhouse gas that is produced in each sector. For example, agriculture and waste sectors are the main contributors to biogenic methane emissions. The good news is that Dunedin's emissions have already been reducing since 2018/19. Fewer emissions are being generated, and the city's forests have grown, absorbing more carbon. However, to reach net zero, we need to do much more, and do it quickly.

PROCUREMENT AT THE DCC: ENABLING ZERO CARBON THROUGH CONTRACTS

WHY PROCUREMENT MATTERS FOR DUNEDIN'S ZERO CARBON TARGETS



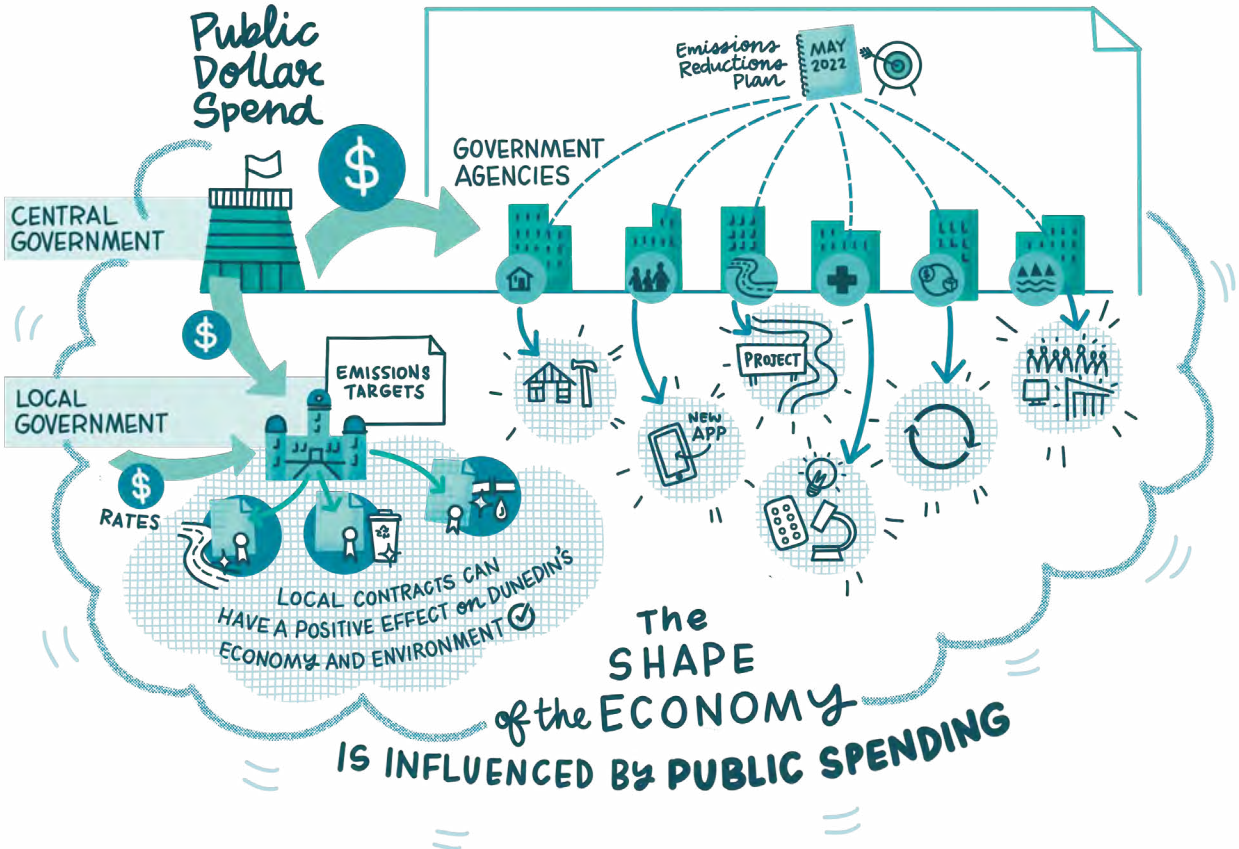
Public dollar spend makes up a significant proportion of New Zealand's economy, whether through the central government, government agencies, or from local government entities like the DCC.

Our smart procurement can help drive positive change for Dunedin's economy and environment.

Building infrastructure costs more than just money. Construction projects, along with other goods and services we procure, are a key source of emissions for the DCC. It is our job to make sure that what we buy has a positive impact on our community, now and into the future.

We can enable emissions reductions through the contracts we award, optimising our public dollar spend.

Procurement plays a vital role in the delivery of the DCC's services. We want to invest in contracts that deliver value for our communities and help Dunedin meet its emissions reduction targets. The way we procure matters, and it will act as a key enabler to help Dunedin become a Zero Carbon city and to contribute to global efforts to mitigate climate change.



INTRODUCING OUR EMISSIONS REDUCTION EXPECTATIONS

We are making changes to how we evaluate tender responses

The DCC aims to reduce its overall emissions by mandating emissions reduction standards, that enable targeted reductions through our contracts.

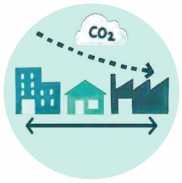
We are introducing Procurement Emissions Standards that will be embedded into the evaluation of suppliers through DCC procurement processes and the resulting contracts.

This will ensure that what the DCC procures, and how we evaluate tenders, aligns with Dunedin's Zero Carbon targets.

Aims of the Procurement Emissions Standards

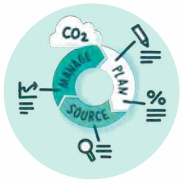
Provide clarity for suppliers on best practice and expectations for embedding emissions reduction into contracts.

Enable suppliers to invest in technology and capability by providing certainty about the DCC's medium and long-term emissions reduction targets.



Support broader changes to suppliers' practices that will help to enable city-wide emissions reductions.

Ensure the DCC's procurement contributes to the DCC's emissions reduction targets and Dunedin's Zero Carbon targets by using our influence as a purchaser.



Quickly build the DCC's internal capability to consider emissions in procurement practices.

The Procurement Emissions Standards will apply to the following contract types and values

Applicable contract types

All DCC contracts for goods and services, including:

- NZS 391x Contracts
- Government Model Contracts (DCC GMC Version)
- LTES Panel Contracts (Long Term Engineering and Specialist Support)
- Bespoke Contracts
- Vendor Contracts

Contract value

For consultancy services:

- Contracts of any value
- Contracts of any duration

For all other contracts (goods and services including physical works):

- Contracts with a value over $100K
- Contracts of any duration

APPLYING EMISSIONS REDUCTION TARGETS TO PROCUREMENT PLANNING

Every contract is different - applying standards to different contracts

When the DCC considers evaluation criteria in procurement processes, we take into account the contract-specific risks and opportunities. Every contract will generate different types of emissions, so different procurement emissions standards will apply.

The evaluation criteria you will see in tender documents will be bespoke, based on contract requirements.

A rapidly evolving space – as industries evolve, we will change too

In developing the Procurement Emissions Standards, we have made some assumptions based on technology development and future market availability. If these assumptions are not aligned with future market reality, we will look to adjust the standards.

This guidance is a living document. As technologies evolve and Dunedin progresses towards its Zero Carbon goals, our needs and expectations will change, and our standards and methodologies will be updated as required to reflect those changes.

The emissions reduction space is evolving. We anticipate our Procurement Emissions Standards to evolve with it.

Planning and design – we will change to enable change

For Dunedin to achieve its Zero Carbon targets, the DCC will need to think about what we build and how we build it, recognising that we have the most influence over emissions reduction upstream in the planning and design process.

The Procurement Emissions Standards will apply to how we source consultants involved in project design processes, to ensure our consultants are aligned with Dunedin's Zero Carbon goals and incorporate sustainability in design outcomes.

TYPES OF PROCUREMENT EMISSIONS STANDARDS

There will be two types of standards – quantitative (quantity of emissions reduced) and qualitative (quality of outcomes achieved).

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Quantitative standards will focus on how you will reduce emissions, and by how much, in areas that are relevant to the contract.

This might be number of flights, what percentage of fleet vehicles are electric, or how much of your stationary energy is made up of electricity or other types of renewable energy.

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Qualitative standards will focus on how you will adapt your methodology or approach to deliver the contract to enable emissions reduction or avoidance.

This might be the way you design to create energy efficiency, propose alternative lower carbon material options, or freight methods.

QUANTITATIVE STANDARDS

The quantitative standards will focus on key types of emission sources:

Waste to landfill

Waste to landfill generates about 5% of Dunedin's emissions. Because waste takes a long time to decay, waste sent to landfill today will continue to generate emissions for many years into the future.

Applicable if the contract involves generation of significant quantities of waste.

Food and garden waste

2025 diversion of waste

70% diverted

2030 diversion of waste

100% diverted

Other recoverable waste

2025 diversion of waste

50% diverted

2030 diversion of waste

70% diverted

Stationary energy

Stationary energy generates about 12% of Dunedin's emissions. Stationary energy is energy used for an activity in one place, i.e. any energy used for purposes other than transport. Stationary energy includes coal, liquefied petroleum gas (LPG), biomass, electricity and petrol/diesel used in generators.

Applicable if the contract involves the use of significant amounts of electricity or other types of stationary energy.

2025 total KWh of renewable or electric energy

80%

2030 total KWh renewable or electric energy

100%

Stationary energy is Dunedin's third-highest source of emissions.

Fleet

Air travel

Transport around, to and from Dunedin generates 34% of Dunedin's emissions.

Petrol and diesel-fuelled on-road vehicles generate about 56% of Dunedin's transport emissions.

Applicable if the contract involves the use of vehicles owned by the supplier and/or subcontractors. The Evaluation Criteria will relate to the use of vehicles on the specific contract being procured.

% reduction in fossil fuel consumption by fleet vehicles (in comparison to 2019 levels)*

Light vehicles

2025 reduction 80%
2027 reduction 90%
2030 reduction 100%

Utes

2027 reduction 25%
2029 reduction 50%
2032 reduction 90%

Trucks

2027 reduction 25%
2030 reduction 50%
2037 reduction 100%

* If the supplier has no baseline year emissions to compare to, the above reduction targets are % of the fleet that is EV.

Transport is Dunedin's second-highest source of emissions.

Other transport emissions are included in the qualitative standards, including marine freight (generating about 31% of transport emissions), rail (1% of transport emissions) and off-road emissions such as from tractors and forklifts (8% of transport emissions).

Flights generate about 4% of Dunedin's transport emissions.

Applicable if the contract involves personnel out of region. The Evaluation Criteria will relate to the use of flights on the specific contract being procured.

Flights

No flights should be used for professional services, unless services cannot practically be completed remotely, and the relevant personnel are based outside of the Otago region.

Refrigerants

Refrigerants generate about 2% of Dunedin's emissions. Refrigerants are gases that have a high global warming potential (GWP). These gases are often used in heating and cooling – for example in fridges, heat pumps, air conditioning systems and chilled food transportation. Refrigerants are usually stored securely inside devices – but if a device leaks the harmful gases are released into the atmosphere.

Applicable if the contract involves installation of a system containing refrigerants.

GWP = Global Warming Potential

New small-sized system - GWP of 7 or lower
New large-sized system - GWP of 750 or lower
Ability to convert to refrigerants with a lower GWP

These key types of emission sources will be evaluated as part of the **Methodology Evaluation Criteria**.

QUALITATIVE STANDARDS

The DCC's Procurement Emissions Standards will be incorporated into tender evaluation criteria. This will be done in two main ways:

Methodology Criteria

This will include quantitative and qualitative standards that relate to the contract.

This could be related to travel emissions associated with the contract, or methodologies that offer emissions reductions.

Sustainable Procurement Criteria

This will include qualitative standards that relate to your organisation's general commitment to reducing its emissions.

The DCC has a requirement to consider 'Think Local', 'Think Social' and 'Think Environmental', as part of its Sustainable Procurement Criteria.

The Procurement Emissions Standards form part of the 'Think Environmental' requirement. Criteria in this category may also include questions around payment of Living Wage, or if the supplier operates in the Otago region.

All contracts are different. There may be a requirement for the Procurement Emissions Standards to be incorporated into other criteria.

Making room for innovations

The Methodology Evaluation Criteria will reflect the Procurement Emissions Standards, which will allow for suppliers to incorporate innovative thinking around reducing emissions into their methodology.

The DCC will do the work upfront to identify potential opportunities for suppliers to innovate around emissions reduction, and work with consultants to incorporate these opportunities into designs and specifications.

We will ensure that contract-specific evaluation criteria are included in our tender documents to make room for suppliers to offer further innovation and value to reduce emissions.

The DCC will ensure that the differential between the methodology criteria and pricing criteria is weighted appropriately.

QUALITATIVE STANDARDS

Corporate sustainability

Explanation of your organisation's commitment to reducing its carbon footprint.

Proposed high value criteria (for all contracts):

- The organisation has done a carbon footprint assessment of itself
- Certified carbon footprint using IS014064 or GHG Protocol
- The organisation has an emissions reduction target and a plan to achieve it
- Gross emissions reduction targets aligned with science-based targets
- Emissions reductions have already been achieved from baseline

Design and methodology

	Experience / skills	Methodology	Tools	Proposed high value criteria
Embodied emissions Applicable if the contract includes designing horizontal or vertical infrastructure	Experience and capability in designs that minimise embodied emissions	Explanation of the proposed approach to minimise embodied emissions in the final design (e.g. using low carbon materials)	Tools (e.g. models, software) that will be used to estimate the embodied emissions in the design	The methodology preferences low/no build solution that reduces total construction required The methodology preferences lower emissions materials (e.g. timber rather than concrete, or lower emissions concrete) The methodology aims to reflect the PAS 2080:2023 approach for Carbon Management in Infrastructure
Operational emissions Applicable if the contract includes designing horizontal or vertical infrastructure	Experience and capability in designs that minimise operational emissions	Explanation of the proposed approach to minimise operational emissions in the final design (e.g. energy efficiency measures)	Tools that will be used to estimate operational emissions from the design	The methodology aims to reflect the PAS 2080:2023 approach for Carbon Management in Infrastructure
Infrastructure/ service-enabled emissions Applicable if the contract includes designing infrastructure/ services that enable or require the users to travel	Experience and capability in designs that minimise enabled emissions	Explanation of the proposed approach to minimise enabled emissions in the final design (e.g. location of asset, provision for alternative transport modes)	Tools that will be used to estimate enabled emissions	The methodology aims to reflect the PAS 2080:2023 approach for Carbon Management in Infrastructure

Freight methods

Applicable if the contract requires freighting of materials

Explanation of the proposed approach to minimise freight emissions (e.g. source location of materials, consolidating loads, choice of transport mode).

Heavy machinery & asphalt production

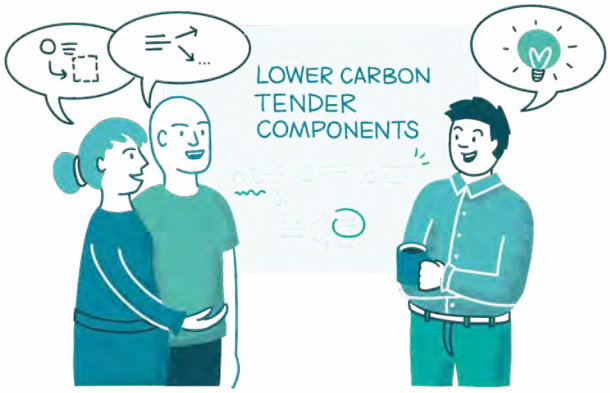
Applicable if the contract requires heavy machinery use or asphalt production

Explanation of the proposed approach to minimise emissions from heavy machinery and/or asphalt production.

INTEGRATING EMISSIONS REDUCTION TARGETS INTO CONTRACT MANAGEMENT

Evaluating tenders

The DCC is doing a lot of work to upskill staff on reducing emissions. We are educating and training staff involved in tender evaluations, so they know what 'good' looks like.



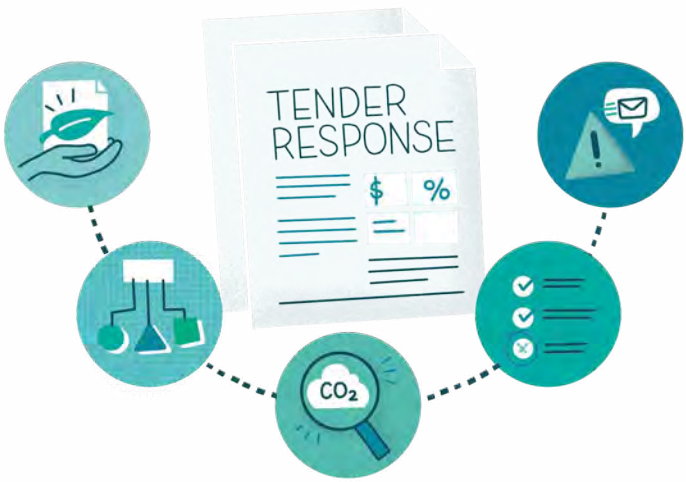
Measuring supplier performance

The DCC wants to ensure that the promises made through a supplier's tender response are captured appropriately in the resulting contract and managed appropriately through the life of the contract.

In order to do this, the DCC has invested in implementing a contract management system that will help ensure the outcomes promised to us.

This contract management system will help us measure, track and report on supplier performance and the emissions reductions achieved through the life of the contract.

Suppliers will be requested to provide data to the DCC on their contract-related emissions periodically.



The DCC's governance framework

We are putting a governance framework in place to ensure that the right decisions are made on contract and project delivery.

Emissions reductions will be given the appropriate prioritisation through the governance of contracts and projects.

FREQUENTLY ASKED QUESTIONS

Will the procurement process be different?

The procurement process will not be any different. However, how we evaluate tenders will change to incorporate the Procurement Emissions Standards.

Contract-specific emissions reductions will be assessed within the Methodology Criteria, putting equal weighting on how you will deliver our contract and your proposals on reducing emissions.

How are the new targets structured?

The Procurement Emissions Standards includes two types of standards - quantitative and qualitative.

Quantitative standards focus on key types of emissions sources – air travel, fleet, waste, stationary energy and refrigerants.

Qualitative standards focus on how suppliers propose to reduce emissions through their methodology or approach.

How will tender responses be evaluated?

The Procurement Emissions Standards are not pre-conditions at this stage. The DCC is not changing the way we evaluate tenders, however emissions reduction targets will be embedded into evaluation criteria.

There will be a focus on how emissions reductions can be achieved through the delivery of the contract and the suppliers' commitments to reducing emissions.

How will tender pricing be evaluated?

Suppliers are encouraged to incorporate emissions reductions into their methodologies and therefore their pricing. Alternative bids may be considered but only reviewed if the supplier is preferred.

How will this affect your supplier selection?

In the future, we may choose not to work with suppliers that cannot meet our Procurement Emissions Standards. For now, we will prioritise suppliers that can meet our Procurement Emissions Standards

What are the benefits for suppliers?

By demonstrating their commitment to reducing emissions, suppliers will be directly contributing towards Dunedin's Zero Carbon goal and ultimately contributing towards a safer climate future. This may also help to build suppliers' brand reputation in various markets where a high value is placed on sustainable business practices.

Why is the DCC making these changes now?

The DCC declared a climate emergency in 2019 and set a goal for Dunedin to become a Zero Carbon city by 2030.

The DCC adopted the Zero Carbon Policy in 2022 (an update from its previous Carbon Management Policy). The aim of the Zero Carbon Policy is to make sure that the DCC's activities consider Dunedin's goal to become a Zero Carbon city, including any procurement of goods and services.

Dunedin's Zero Carbon Plan (adopted in 2023) sets out the key shifts that Dunedin needs to become a Zero Carbon city by the year 2030, and the action areas for the DCC to work on to help bring about these key shifts. One of the action areas for the DCC is to align the organisation's procurement standards with the Zero Carbon goal.

What do these changes mean for the community?

We know that the communities in Dunedin want to see action being taken to mitigate climate change.

The Procurement Emissions Targets are an actionable way for the DCC to help Dunedin achieve its Zero Carbon goal by building in considerations for emissions reductions into its business-as-usual.

The changes we are making to the way we procure goods and services will help Dunedin continue to be a liveable city with thriving communities.

What if a supplier cannot meet the standards?

We encourage suppliers to respond to tenders with how they are planning to address our Procurement Emissions Standards. We will be working with suppliers to help them respond to our criteria by providing realistic timeframes.

Where can suppliers get help with the new criteria?

If you have any questions or concerns. come and talk to us. You can email the DCC Procurement and Contracts Team directly at procurement@dcc.govt.nz, or call 03 477 4000.

Won't this just make contracts more expensive?

The DCC practices rigorous procurement and contract management to ensure we deliver value for money with high quality, safety and wellbeing standards, that align with Dunedin's Zero Carbon goal. It also provides opportunities for business sustainability, strategic growth and improvement.

Many innovations, such as energy efficiency, can reduce long-term costs.

Won't this make it harder for suppliers to work with the DCC?

We want to work with suppliers to ensure they are not disadvantaged for doing the right thing by offering ways to reduce emissions.

At this stage we are not looking to exclude any suppliers, and the needs of each procurement will be assessed individually.

We will be putting in place support for suppliers and staff to enable better outcomes.

Manaaki whenua,
manaaki tangata.
Haere whakamua.

For advice or information

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For ongoing updates on our Procurement Emission Standards please visit **www.dunedin.govt.nz/procurement**

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