

# The FAR Council's Proposal in FAR Case 2021-015: An Historic Step to Address Climate Risk in Federal Supply Chains

John Kostyack March 2023

### Ceres Networks Overview

Through our powerful networks and global collaborations of investors, companies, and nonprofits, we drive action and inspire equitable market-based and policy solutions throughout the economy to build a just and sustainable future



### Company Network

55+ companies, 70% in the Fortune 500, committed to driving sustainable business leadership



#### Investor Network

More than 220 Institutional Investors managing more than \$60 trillion in assets



### Policy Network (BICEP)

75+ leading companies, with dozens of consumer brands and Fortune 500s





## An Historic Step to Address Large-Scale Climate Pollution in Federal Supply Chains



At \$630 Billion / year, the federal government is the world's largest purchaser of products and services. Until now its enormous carbon footprint has not been addressed in a comprehensive way.



In the private sector, working with contractors on emissions reduction is already best practice. 200 companies representing US\$5.5T in procurement spending are requesting suppliers to disclose emissions data through a CDP initiative.



Large governmental purchasers outside the U.S. (e.g., Canada, UK, various EU countries) are also requiring supplier emissions disclosures



# Three Types of Disclosures Will Ensure the Government has the Information it Needs to Protect Taxpayers and Government Operations from Climate Risk

- Greenhouse gas emissions calculations
- Climate risk assessments
- Validated emissions reductions targets



### Three Features Will Help Minimize Burdens on Contractors

- Requirements limited to largest contractors 1.3% of total registered
- Use of well-established methodologies
- Exceptions and waivers to avoid unfair or unintended outcomes (e.g., duplicative reporting obligations, inability to deliver on national security & other critical missions)

| RULE OVERVIEW                            | Tier 1: Minimal<br>Disclosure   | Tier 2: Modest<br>Disclosure   | Tier 3: Robust<br>Disclosure  |
|--|---|--|---|
| Requirements                             | Disclose whether you<br>are a significant<br>contractor (>\$7.5M-<br>\$50M) or major<br>contractor (>\$50M) | Disclose Scope 1-2<br>emissions  | <ol> <li>Disclose Scope 1-2         <ul> <li>and relevant Scope 3</li> <li>emissions</li> </ul> </li> <li>Disclose climate risk         <ul> <li>assessment</li> </ul> </li> <li>Disclose validated         <ul> <li>science-based targets</li> </ul> </li> </ol> |
| Applicability                            | Contractors<br>registered in System<br>for Award<br>Management<br>(SAM) (~490K entities)                    | Significant contractors not covered by 5 exceptions & major contractors covered by 2 exceptions (~4.8K entities) | Major contractors not covered by exceptions for small businesses and nonprofits (~960 entities)   |
| Percentage of SAM-registered contractors |   | Approximately 1%   | Approximately 0.3%  |



# Disclosures are Essential to Addressing Three Major Risks to Taxpayers & Program Delivery

- (1) Contractor Management of Physical Risk
- (2) Contractor Management of Transition Risk
- 3 Systemic Climate Risk



### **Disclosures Will Help Address Contractors' Physical Risk**









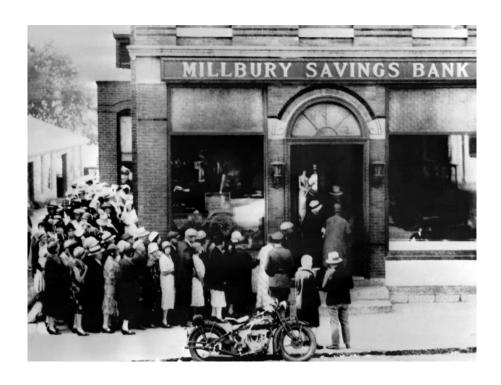
### **Disclosures Will Help Address Contractors' Transition Risk**







### Disclosures Will Help Address Systemic Risk





#### **Additional Benefits**

Spurring innovation and accelerating sustainable growth of the U.S. economy

(2) Strengthening national security

(3) Protecting the environment and public health



### **Ceres Analysis of Comments on the Proposed Rule**:

- Strong majority of commenters agree that the FAR Council has a strong legal and policy foundation for moving forward, with appropriate amendments
- Supporters offered constructive suggestions on:

   (1) analysis and disclosure methodologies;
   (2) target
   validation;
   (3) scope 3 emissions disclosure;
   (4) exceptions
   provisions;

### Thank you!

John Kostyack

John@KostyackStrategies.com



Headquarters
99 Chauncy Street, 6th Floor
Boston, MA 02111

California Office 369 Pine Street, Suite 620 San Francisco, CA 94104