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SPP Carbon Pricing for Procurement Initiative

Guiding Principles for Integrating Carbon Pricing into Procurement

Version 2, co-created by the SPP Community

This document outlines basic principles for companies to introduce carbon pricing in their procurement processes (esp. tenders) for selecting suppliers and their offers. These principles maintain flexibility while encouraging fairness, transparency, and impact.

Goal

Why are we discussing “carbon pricing” in the first place? Because in a world where Climate change has been acknowledged as a major threat, and where many Corporations are working towards reducing their own emissions and that of their ecosystem partners, carbon pricing has emerged as one of the powerful levers to make decarbonization ambitions a reality. Increasing prices usually drives behavior change, and giving a value to externalities (e.g. carbon emissions) also helps to fund the right decarbonization levers without impacting productivity too much. We have witnessed the scale of behavior change from examples like vehicles, fuels, electricity, or even plastic bag taxes, where despite preexisting awareness of climate issues price charges (through taxes or else) drove massive behavior change over a short span of time. Whether it’s called “putting a price on externalities,” “anticipating future carbon costs and taxes,” or “rewarding low-carbon alternatives,” the core idea behind carbon pricing — especially in Procurement — is to assign a financial value to carbon emissions to drive more sustainable decisions.

This approach contributes to encourage suppliers to track and reduce their carbon emissions, both of their own operations (Scopes 1 & 2), and of the supply chain (Scope 3) of their products (***‘Cradle to-their-Gate’***). By demonstrating a low carbon footprint and sharing its impact on their value propositions openly, suppliers will improve their ability to meet rising expectations from a growing number of their target customers and elevate their own competitiveness, whilst future-proofing themselves from evolution of carbon prices, taxes, and virgin materials. Such an approach does not only benefit the environment and climate, while helping suppliers elevate their proactive approach towards decarbonization as mentioned above, but also helps Companies (clients) reduce their own carbon footprint (scope 3 emissions) in opting for lower-carbon offers from their suppliers.

Additionally, it is believed such a collective approach towards adopting a carbon price across sectors and geographies, increasing its maturity and growing its scale of impact, will allow step-by-step improvements in access to, and accuracy of carbon data. This initiative is seen as a catalyst of a virtuous effect towards carbon transparency globally.

Scope

Applicable to tenders issued by participating companies for goods, services, or works procured across diverse industries.

Definitions

Carbon price: The monetary value assigned to a ton of carbon dioxide (or equivalent greenhouse gases) emitted into the atmosphere. This price is meant to reflect the "external costs" of emissions, such as damage from climate change.

Carbon pricing: An approach from companies to instruct various decision-making processes, considering climate change impacts, risks, and opportunities. Such an approach helps companies understand how an hypothetical carbon price would (in addition to already current and prevailing carbon costs and taxes on their purchases and operations) affect some of their decisions, investments, and projects by incorporating a "carbon value" into their analysis.

Introducing carbon pricing mechanism in a few words

Basic mechanism: In tenders, Companies will request carbon footprint data associated with each offer using Product Carbon Footprints or Service Carbon Footprints. The commercial evaluation will be based on the supplier's financial price plus the carbon cost associated with their offer:

$$\text{Total Price} = \text{Supplier Financial Price} + (\text{Supplier Offer Carbon Footprint} \times \text{Carbon Price})$$

This will form part of the overall evaluation of the tender using whatever assessment model the company usually uses, such as the AQSCI(R) model. The AQSCI evaluation method stands for the following a) Assurance of Supply b) Quality c) Service d) Cost e) Innovation and f) Regulatory compliance) and is a common framework used in the pharmaceutical industry.

A section later in this document provides further guidance as to how carbon pricing modelling and calculations should be implemented.

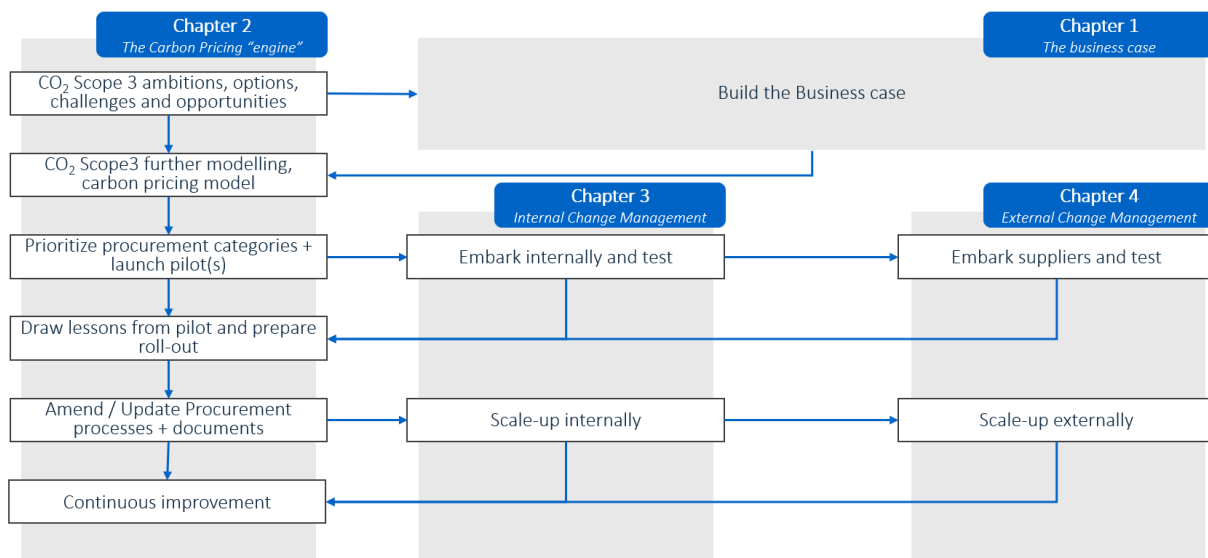
Implementation: making carbon pricing happen

This implementation section is the core of the document and provides a structured approach for organizations to **integrate a carbon pricing mechanism into their procurement processes**. This section is organized around four key levers, which each corresponds to a step, from validation of the concept to ensuring every stakeholder is aboard:

1. Building the Business Case
2. Modelling, Prioritizing, Selecting Carbon Price
3. Driving Change Internally (esp. with Procurement teams)
4. Driving Change Externally (esp. with Suppliers teams)

The aim of this Guiding Principles document is to help Companies (and especially their procurement departments) as well as their suppliers incorporate carbon considerations into procurement and sales conversations in a fair, transparent, and impactful way.

The synopsis below represents a simplified view of the process through which organisations are invited to implement carbon pricing. The synopsis refers to the chapters of the guiding principles.



1. Building the Business Case

Starting a journey towards introducing a carbon price into procurement decisions will require that the case for change is built internally. Purpose is, on the one hand, that leaders are convinced about its **strategic and business relevance**, and on the other hand, about its **feasibility**.

Below are recommended key steps towards that end, and their details follow:

- 1. a. Align carbon pricing approach with sustainability strategy
- 1. b. Demonstrate tangible business value and strategic co-benefits
- 1. c. Secure cross-functional support through internal stakeholder engagement
- 1. d. Elaborate a staggered scale-up plan starting with targeted pilots

1. a. Align carbon pricing approach with sustainability strategy, meanwhile demonstrate its business relevance: Ensure the carbon pricing initiative supports corporate climate objectives such as net-zero targets and Scope 3 emissions reduction. Demonstrate its contribution to regulatory readiness (e.g., EU-ETS, CBAM, likely future carbon taxes), and resilience against rising carbon-related costs (through materials and energy sourced). By positioning carbon pricing as a strategic tool, businesses can accelerate compliance, avoid financial risks, and strengthen procurement strategies. This approach integrates carbon pricing into broader sustainability goals, making it a natural part of business ambitions rather than a separate initiative. It also helps build internal understanding of Marginal Abatement Cost Curves (MACC) across procurement categories, enabling teams to prioritize

decarbonization actions based on cost-effectiveness and ease of implementation. This rationale supports management in pursuing the greatest carbon reductions at the lowest possible cost.

1.b. Demonstrate tangible business value and strategic co-benefits: Develop a strong business case by modelling emissions reductions across the supply chain, long-term cost avoidance (e.g., through lower exposure to fossil volatility or regulatory costs), and measurable financial impacts. Highlight additional strategic benefits including supplier and internal innovation (e.g., promoting low-carbon materials, or lower carbon design alternatives which have a ripple effect on cost savings), as well as reputational gains (with customers seeking lower carbon offers, investors seeking to invest into lower carbon companies with proactive approach towards derisking, and -future or present- employees, as well as NGOs and local Governments), and improved market positioning—particularly in sectors where low-carbon procurement enhances brand appeal or grants access to clients seeking and ready to have a preference (and for some, even ready to pay a premium) for lower-carbon options.

1.c. Secure cross-functional support through internal stakeholder engagement: Build early alignment by involving key departments (e.g. procurement, finance, sustainability, business divisions) in the design and evaluation of the Carbon Pricing mechanism. Use a collaborative approach to identify potential internal impacts, simulate business cases, and refine governance models. Once designed, present the consolidated case to senior leadership for endorsement, emphasizing carbon pricing’s contribution to sustainability & carbon commitments, and even more to competitive advantage, business performance, and resilience/risk avoidance—thereby securing both sponsorship and resources (manpower and financial) for implementation.

1.d. Elaborate a staggered scale-up plan starting with targeted pilots, and a clear governance: Prioritize high-emitting and high-value procurement categories as the initial scope for implementation, starting with pilot tenders that allow teams to experiment, learn, and build operational confidence. Carbon pricing can also be used on “low hanging fruits” procurement categories, i.e. not necessarily the highest emitting categories, in which case such an approach allows possibly faster pilots, to experiment and learn. Articulate this iterative approach based on pilots, and step by step scale-up, when presenting the overall business case for the carbon pricing project. Draw lessons from pilots before scaling.

2. Setting the Calculation Rules for Carbon Pricing

This section touches the actual ‘calculation engine’, the modelling tool and the *maths* needed at the back of each carbon pricing approach.

2.a. Clarify scope leveraging an initial modelling of Procurement scope and its carbon footprint: Whether through mapping procurement categories in a complete “Carbon Cube” and identifying the categories with highest carbon emissions and those with significant financial weight, or leveraging available Scope 3 data, this initial modelling is critical. It is recommended to leverage such ‘carbon hotspot/heatmap’ analysis, to identify where differentiation through carbon pricing will be most needed and material. It is also recommended to only include categories where you can get “comparable” carbon footprints. This is generally in categories like raw materials, packaging, logistics, tech devices, vehicles, capital equipment, chemicals and other products. The approach can be applied

to services, but you will need data specific to the processes performed, a share of a Corporate Carbon Footprint is not sufficient for this process.

2.b. It is recommended to prioritize the highest emitting procurement categories. Such modelling being done, it is recommended Companies approach would be to then focus their efforts on categories where impacts are expected to be the highest. And then to focus/start with the higher value tenders within these categories.

2.c. Clarify methodologies for carbon data collection: Request PCF (**cradle-to-(supplier)gate** data) wherever feasible, and specify the standards to follow (e.g., [PACT](#) and [TFS](#), both based on [ISO 14067](#) and [GHG Protocol Product Standard](#)). Where individual component product footprints are unavailable, suppliers can adopt proxies such as average emission factors or spend-based estimates. Always define data boundaries clearly, exclude carbon offsets unless specified, and provide templates to ensure comparability. Carbon offsets are not recommended to be included because this approach aims at motivating suppliers to achieve actual carbon reductions in their offers, and innovate, towards the emergence of real lower carbon alternatives available in the industry. Where possible, use PCF (Product Carbon Footprints) providing Cradle-to-(supplier)Gate data. Seek data quality and transparency to ensure fair comparisons between suppliers.

2.d. Plan for data gaps and work to maintain fairness: Establish fallback rules for cases where suppliers cannot provide reliable data—for instance, use industry-average emission factors plus a “penalty margin” (i.e. apply an additional carbon footprint assumption for suppliers unable to provide carbon data – see suggested % in paragraph 2.i below). This safeguards evaluation integrity and incentivizes suppliers to fully embrace carbon accounting, disclosure, towards continuous improvement. It also ensures that you never incentivize suppliers to NOT provide primary data.

2.e. Set a credible and context-specific Carbon Price: Participants agree to adopt a carbon price aligned with respected benchmarks such as the EU-ETS (European Union Emissions Trading System) (with a minimum of €50/ton CO_{2e}), and define a trajectory for future increases to reflect carbon market dynamics. It is recommended to align carbon price to an external reference such as EU-ETS on a global basis as this simplifies, as well as shows a degree of standardization.

2.f. Some companies may contemplate adopting different (2 or 3 maximum) carbon prices across procurement categories, to reflect the disparity of carbon intensity across categories and influence sourcing decisions meaningfully (i.e. to reflect variety of abatement costs and create significant-enough gaps between suppliers’ offers in the concerned categories). For instance, a EU-ETS price such as 70€/t CO_{2e} may be sufficient to help position low-carbon offers favorably in a tangible manner in certain procurement categories, whilst a 150€/t CO_{2e} may be needed to really give a palpable price signal in other procurement categories. However, consider whether you want to be incentivizing more expensive levers in one category while you are not in another, as it could provide mixed messages, or increase the cost of your transition plan.

2.g. Integrate carbon into evaluation models with flexibility: Use a consistent formula such as:

$$\begin{aligned}
 & \textbf{Total Evaluated Price} \\
 & = \\
 & \textbf{Supplier Offer's Monetary Price} \\
 & + \\
 & \textbf{(Carbon Footprint of offer} \times \text{relevant Carbon Price)}
 \end{aligned}$$

This method above adds a carbon price to each tender's monetary price. An alternative calculation model is to add no extra (carbon-related) cost to the lowest carbon-intensive offer, then only adjust other offers' bidding prices upwards, by the price-equivalent of their carbon gap with the lowest carbon offer. The financial elements of the award will be based on the cost and carbon footprint of the suppliers at the time of tender along with the other normal evaluation factors.

Possible evolutions of carbon assumptions and scope of assessment:

- Life-cycle approach towards a "Carbon-TCO (Total Cost of Ownership)-": consider carbon emissions throughout the product or service lifecycle, i.e. a Carbon Total Cost of Ownership (TCO) going beyond cradle-to-gate. In categories such as capital purchases (machines, buildings, vehicles, etc.), the carbon footprint of energy usage, services etc used over the lifetime of the equipment can also be considered, for a more comprehensive assessment. (It is recommended not to include spare parts here, as footprints are difficult, and recommended spares over the first years of life vary significantly)
- Additionally, promises of future carbon reductions (from decarbonization projects carried out by a supplier) may also be an evolution of the approach in future years.

2.h. Model financial exposure:

1. Calculate maximum potential exposure

- o Calculate the total carbon footprint of all in-scope procurement categories.
- o Apply a carbon price (e.g. EU ETS rate of €70/tonne CO₂) to estimate the gross exposure.
- o *Example: 100,000 tonnes CO₂ × €70 = €7M.*

2. Assess Cost-Effective Abatement Levers¹

- o Identify what % of emissions can be reduced using solutions at or below the carbon price
- o *Example: If 50% of emissions are addressable below €70/tonne, exposure drops to €3.5M.*

3. Estimate Realistic Abatement Costs

- o Not all the cost-effective levers cost exactly €70—some will be much cheaper.
- o Calculate the likely cost based on the predicted abatement cost of each lever.

¹ **Abatement Lever** is a specific action or solution that helps reduce carbon emissions. Think of it like a lever you can "pull" to reduce your footprint.

- If detailed cost data is unavailable, assume a normal distribution and halve the adjusted exposure.
- *Example: €3.5M ÷ 2 = €1.75M.*

4. Project Annual Financial Impact

- Carbon pricing typically unlocks ~10% of abatement potential per year.
- Divide the realistic exposure by 10 to estimate year 1 cost.
- *Example: €1.75M ÷ 10 = €175K.*

Optional Enhancements

- Use carbon calculators or modelling platforms to automate and scale this logic.
- Integrate with procurement systems to assess how supplier allocation affects both cost and emissions.

Simple Examples of Abatement Levers:

Lever	What it does	Typical Cost Range (€/tonne CO ₂ e)
Switch to renewable electricity	Cuts emissions from fossil power use	€1–€20 (varies by region)
Use recycled materials	Reduces emissions from raw material production	€30–€80
Shift to rail freight	Lowers transport emissions	€10–€50
Replace diesel with biodiesel	Reduces fuel emissions	€25–€70
Electrify heating	Cuts emissions from gas boilers	€60–€120
Use green hydrogen	Deep decarbonization for heavy industry	€150–€300+

Apply a typical cost range from the table above to get a rough idea of what it would cost to reduce those emissions using available levers.

2.i. Carbon footprint assessment. Lay out a simple carbon footprint data request, aligned to the scope of work of the tender, explaining required boundaries, methodologies, and data transparency required. A cradle to gate (gate of the supplier, i.e. without including your company’s upstream logistics impacts) approach is to be used in a first step, to avoid assumptions related to product end-of-life phase, or product use phase. Provide a template for the suppliers to complete that will allow the recipient to validate the approach is broadly consistent, following up on any significant differences between suppliers to understand why. If a supplier cannot provide a trustworthy carbon footprint, a standard industry emission factor plus 50% should be applied. This approach encourages baselining emissions and ensure that no company can gain an advantage by NOT providing data. Testing shows this adjustment works well across most categories. However, if a verified supplier’s data exceeds this +50% level, that higher factor should be applied to all suppliers without reliable data. If a reliable industry average is not available, the highest emission factor among other bidders can be used.

Biogenic emissions should be itemized to ensure that they are not integrated into the carbon footprint to be factored.

Offsets and insets shall not be allowed in the submitted carbon footprint (with the exception of EAC's Energy Attribute Certificates / RECs – Renewable Energy Certificates) unless specifically stated. However, carbon capture can be recorded in the avoided emission section.

Peer reviewed carbon footprints will not be a requirement in the first few years of implementation, but once the maturity of the supplier's analysis of their footprints has improved, this may be introduced in related categories.

Below is a proposed template for Raw Materials:

Alternative templates will need to be developed for other categories.

	Scope 1 & 2	Scope 3	Biogenic CO2e (if relevant)	Total
Biomass carbon removal and storage in plants	N/A	N/A	- (i.e. should be a negative number)	
Carbon stored in the product as it enters commerce	N/A	N/A	+ (i.e. should be a positive number)	
Emissions associated with purchased raw materials and packaging components	N/A			
Direct emissions from use of fuels or processes on site		N/A		
Emissions associated with purchased or sold electricity and steam*		N/A		
Transport-related emissions (where not covered in purchased goods)				
Emissions attributable to end-of-life management of products	N/A	N/A	N/A	N/A
Avoided emissions (sales of renewable power, incineration of board etc.)	N/A			N/A
Net Total Emissions or removals				

3. Driving Change Internally

Integrating a carbon price into procurement is much more than introducing a new process, additional calculations, or tools. It represents a shift in the way procurement is practiced, and such a transformation must be carefully designed, planned, and executed. It is adding yet another dimension in selection criteria, in addition to Cost, Quality, Adherence to specification, Service levels, Brand, etc. It may also be perceived as going against short-term productivity targets, if not well positioned nor understood.

This section focuses on key internal change management steps:

3.a. Formalize carbon pricing within procurement processes: First, update tendering process templates, as well as internal assessment scorecards to include carbon pricing as an additional evaluation criterion. Second, when pilots have proven successful, and scaling is now considered, in a second phase update procurement policies and SOPs (Standard Operating Procedures). Likewise, ensure e-sourcing tools are configured to handle this new dimension. Elevate carbon as a standard consideration alongside cost, quality, and service—not an optional feature. In the event that your company uses the AQSCI(R) process, carbon is locked together with Cost (C) in this case, and so the carbon weighting is by default proportional to that of Cost.

3.b. Assign governance and internal ownership: Establish a cross-functional working group with procurement, operational stakeholders from various entities, as well as sustainability, finance, IT, and possibly some of the functions and organizations seeking the benefits of procured products and services. Invite Life Cycle Assessment (LCA) and Product Carbon Footprint (PCF) experts from either the business division or environment function, to govern the design and execution of the new protocol. This team should validate methodologies, manage knowledge internally, and drive methodological consistency across categories.

3.c. Build knowledge, confidence, and readiness: Train procurement and finance teams on carbon accounting basics, carbon pricing logic, and evaluation practices. Provide practical toolkits, calculators, and access to carbon footprint experts. Conduct practical simulations and review pilot outcomes to deepen people understanding, and engagement into this new dynamic.

3.d. Activate pilot tenders through empowered teams: Run initial tenders in priority categories with motivated internal teams. Allow some flexibility in data depth (e.g., allow some Supplier estimates rather than exhaustive PCFs coverage), to ‘test and learn’. Use these initial tender Pilots to identify blockers, generate early impact metrics, and showcase success to gain organizational buy-in step by step.

3.e. Incentivize progress with performance indicators and budget signals: Consider including carbon-related KPIs in procurement professionals performance assessment, and in annual goals (e.g. number, as well as coverage (categories, % of spent, etc.) of tenders including carbon pricing).

3.f. Monitor, refine, and reinforce the mechanism over time: Implement regular reviews to track outcomes, such as carbon cost added in evaluations, changes in supplier rankings, and reductions in supply chain emissions. Adjust carbon prices and data expectations as needed. Report progress transparently and embed carbon metrics into procurement dashboards to maintain visibility and momentum.

3.g. Communicate and celebrate success: As for any major change management process, it will be critical to share lessons learnt and how the initial pilots have helped both the decarbonization of Scope 3 and served other business benefits. Especially the latter will have to be insisted upon, to step by step demonstrate how a ‘carbon efficiency’ strategy brings in collateral benefits on whether innovation, resilience, cost savings.

4. Driving Change Externally

Lastly, beyond all the internal measures required to strategize, execute, and orchestrate the implementation of a carbon price in procurement, a critical set of actions must focus on supplier communication, towards their onboarding, then on capacity building and change management.

4.a. Engage suppliers early with clear communication of intent and objectives: Proactively inform suppliers about your plans to integrate a carbon pricing mechanism into procurement, well before the first formal (pilot) tender launches. Early communication gives suppliers time to prepare—by collecting data and baselining the emissions of their offers, exploring decarbonization options, and adapting their offerings if possible. Clearly explain that the aim is to incentivize proactive carbon reduction, not to penalize, and that lower-carbon bids may receive a competitive advantage. Use supplier briefings, one-on-one dialogues, or industry forums to encourage openness and reduce resistance. Make clear that PCF or other alternative data will be integrated into evaluation models. However, a control mechanism will not be implemented for controlling adherence.

4.b. Ensure transparency on evaluation criteria and methodology: Clearly disclose how the carbon pricing mechanism will be applied in tender evaluations. Present the evaluation formula (e.g., bid price + carbon cost), define data boundaries (e.g. cradle-to-gate), and clarify treatment of offsets, default assumptions, and how carbon-adjusted costs will be weighted alongside quality, cost of ownership, and other criteria. This transparency builds trust, ensures fair treatment, and positions carbon pricing as a structured and credible decision-making factor rather than a vague surcharge.

4.c. Support suppliers through tiered training and capacity building: provide tailored training and resources based on supplier maturity. For strategic or high-emitting suppliers, offer 1:1 coaching or technical support. For broader audiences, share templates, methodology guides, and host scalable webinars. Refer to recognized methodologies (e.g., [ISO 14040/44](#), [GHG Protocol](#)) and encourage adoption of frameworks like the [PACT Pathfinder](#). By investing in supplier education and capacity building, you improve data quality, foster innovation, and accelerate decarbonization across the supply chain.

4.d. Use tools and standards to ensure data quality and comparability: leverage external data platforms such as [CDP \(Carbon Disclosure Project\)](#) or ESG ratings to benchmark supplier readiness and validate PCF disclosures. These systems promote consistency, streamline onboarding, and enable preliminary evaluation across diverse supplier bases. Consider requesting emissions data as a first step, then gradually increasing requirements—eventually linking performance standards to tender eligibility or contract renewals.

4.e. Embed carbon requirements in contracts and sector collaboration: Include carbon-related expectations in supplier agreements—such as annual emissions reporting, performance targets, and disclosure protocols. Define consequences for misreporting and reward transparency and emissions reduction progress. Structure these requirements as collaborative levers for continuous improvement. In parallel, align with industry peers or coalitions to harmonize carbon pricing rules and methodologies, reducing administrative burden on suppliers and amplifying the collective decarbonization signal across sectors.

Contractual clauses – It is recommended to draft clauses that will define a few elements, incl.:

- Penalties should be included if suppliers falsely claim low carbon emissions that are proven to be incorrect during the life of the contract. This could include paying for the excess emissions calculated using the carbon price through to termination rights.
- Suppliers should be expected to deliver Product Carbon Footprints associated with the materials they are supplying every year. These should be peer-reviewed after a certain date.
- Expectations of carbon reductions can be added if you have targets.

A good source of information in this space is [The Chancery Lane Project](#).

These principles act as a foundation for collaboration and provide a framework for implementing carbon pricing in tenders while respecting diverse company needs and perspectives. Open dialogue, flexibility, and a shared commitment to sustainability will be key to success.

Alongside these principles, SPP's Carbon Pricing for Procurement initiative is gathering implementation practices from companies. These examples will be openly shared with the SPP community to help translate the guidelines into practical actions and can be found on the SPP website [here](#).

Contact

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About the Sustainable Procurement Pledge

The Sustainable Procurement Pledge (SPP) is an international grassroots and non-profit organization for procurement professionals, academics, and practitioners, driving awareness and knowledge on responsible sourcing practices and empowering people in procurement. With more than 16,000 committed ambassadors, SPP fosters the positive impact of procurement. The Pledge is based on the United Nations Global Compact and the Sustainable Development Goals and centers around five key principles of which the pledge comprises. These SPP principles set the frame and the tone for our way of collaboration, and how we collectively drive and thrive towards our vision that all individuals acting within global supply chains across the world will apply Sustainable Procurement practices by 2030. Learn more at spp.earth.

Sustainable Procurement Pledge gGmbH

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