



February 13, 2023

Ms. Jennifer Hawes  
Procurement Analyst  
Regulatory Secretariat Division  
General Services Administration  
1800 F. St., N.W.  
Washington, D.C. 20405

RE: FAR Case 2021-015, Federal Acquisition Regulation: Disclosure of Greenhouse Gas Emissions and Climate-Related Financial Risk

Ms. Hawes:

The Coalition for Government Procurement (Coalition) appreciates the opportunity to submit comments regarding the FAR Case 2021-015, *Federal Acquisition Regulation: Disclosure of Greenhouse Gas Emissions and Climate-Related Financial Risk*.

By way of background, the Coalition is a non-profit association of firms selling commercial services, products, and solutions to the Federal Government. Our members collectively account for tens of billions of dollars of the sales generated through the GSA Multiple Award Schedules (MAS) program, VA Federal Supply Schedules (FSS), the Government-wide Acquisition Contracts (GWAC), and agency-specific multiple award contracts (MAC). Coalition members include small, medium, and large businesses that account for more than \$145 billion in Federal Government contracts. The Coalition is proud to have worked with Government officials for more than 40 years towards the mutual goal of common-sense acquisition.

The Coalition is supportive of the new rule's chief aims—to make Federal procurement more sustainable and to encourage awareness of the need to reduce GHG emissions. In particular, we would like to express our support for Scope 1 and 2 greenhouse gas inventories and disclosure. Disclosing Scope 1 and 2 emissions will give the government insight into the sustainability of its supply chain, help industry reduce emissions, and support the Administration's goal of net-zero emissions procurement by 2050.

We make five recommendations to increase the effectiveness of the proposed rule:

- The proposed threshold for a significant contractor should be raised to avoid unduly burdening small business,
- The requirement for Scope 3 disclosure should be removed due to cost, accuracy, and utility concerns,
- If the government retains Scope 3 reporting, it should push back the date of implementation to five years from the effective date of the rule and clarify the term "relevant,"

- The government should not require contractors to set targets in accordance with the Science-Based Targets Initiative (SBTi) and should allow them to design and use their own targets. It should also provide multiple pathways for validating science-based targets and explicitly clarify that the goal of the rule is disclosure, not mandated reduction,
- The government should expand the publication requirements to include business-to-business cloud-based collaboration platforms.

**Recommendation 1: The government should raise the 7.5-million-dollar threshold for the significant contractor classification to reduce the rule’s effect on small businesses.**

The Coalition recommends that the government raise the 7.5-million-dollar threshold for “significant contractors” to encompass fewer small businesses. The proposed rule estimates that at the 7.5-million-dollar threshold, 64 percent of “significant contractors” would be small businesses (FR 68313).

Coalition members have expressed concerns regarding how the significant contractor requirement falls predominantly on small businesses, especially given that the Federal Government’s small business industrial base is shrinking. Although small businesses received a record share of Federal contracting dollars in fiscal year 2021, the trend towards consolidation in the Federal market continued.<sup>1</sup> 4,000 fewer small businesses received contracts than in fiscal year 2020, and 50,000 fewer than in 2010. In the defense industrial base, consolidation cut deeper. According to the Government Accountability Office, the number of small businesses contracting with the Department of Defense (DoD) declined by 43 percent from fiscal years 2011 to 2020.<sup>2</sup>

For small businesses near the 7.5-million-dollar threshold, the estimated cost of compliance of \$18,640 per year (and \$24,724 in the first year) would be a meaningful expense. Many smaller businesses with Federal sales in the 7.5- to 50-million-dollar range are either resellers or professional services providers and are therefore likely to have much lower emissions relative to large OEM contractors. The government will gain little understanding of its climate risk or emissions by requiring them to report GHG data, but will create a burden at a time when it is trying to entice more small businesses into the Federal market. A raised threshold would allow the government to concentrate on working with larger contractors and ensuring collected disclosures have real utility consistent with Executive Order (E.O.) 14030, which calls on “*major Federal suppliers*” [emphasis added] to reduce their GHG emissions and set science-based reduction targets to reduce climate risk.

**Recommendation 2: The government’s requirements for Scope 1 and 2 emissions reporting should be maintained as they have been written. The government should not require major contractors to estimate Scope 3 emissions in their Task Force on Climate-Related Financial Disclosures (TCFD)-aligned CDP Climate Disclosures until Scope 3 measurement and estimation techniques improve.**

The Coalition supports the government’s decision to mandate Scope 1 and 2 disclosures, which record a company’s direct emissions and its emissions from purchased energy, for major contractors. As the proposed rule notes, Scope 1 and 2 disclosures are commonplace in the commercial market: 71 percent of the companies working with CDP in 2021 reported Scope 1 and 2 emissions (FR 68320). Within

---

<sup>1</sup> Cheryl Winokur Munk, “Main Street Lands Record \$154 billion in Federal Contracts, But Fewer Small Businesses Benefit,” *CNBC*, July 26, 2022.

<sup>2</sup> Government Accountability Office, *Actions Needed to Implement and Monitor DOD’s Small Business Strategy*, October 2021, <https://www.gao.gov/assets/720/717090.pdf>.

Federal procurement, 60 percent of all tracked spending in fiscal year 2021 went to contractors with a public GHG inventory.<sup>3</sup> Requiring Scope 1 and 2 disclosure is also consistent with other potential Federal regulations on greenhouse gases. The Securities and Exchange Commission’s proposed rule “The Enhancement and Standardization of Climate-Related Disclosures for Investors,” set to be finalized in April 2023, would require all publicly traded companies to disclose Scope 1 and 2 emissions.

So long as the government is careful to limit its effects on small business, Scope 1 and 2 disclosures should help both government and industry. Major contractors will be able to find large internal sources of emissions that could be replaced with more energy-efficient (hence, often more cost-effective) alternatives. The government will be able to use the data to understand and measure its progress towards net-zero emissions procurement by 2050, a goal set in E.O. 14057. This data will also help GSA make effective recommendations for “further actions to reduce supply chain emissions,” as OMB Circular M-22-06, “Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability,” requires.

The case for tracking Scope 1 and 2 emissions, however, does not apply to contractors’ Scope 3 emissions, i.e. those emissions originating from a contractor’s value chain. At this time, Scope 3 emissions disclosure following the GHG Protocol’s Value Chain Standard (the Standard) does not provide enough accuracy or utility to justify making it mandatory. Scope 3 reporting will be expensive relative to its limited and uncertain effect on emissions, and it will not provide the government with the actionable information that Scope 1 and 2 will.

Preparing a Scope 3 disclosure under the GHG Protocol Standard begins with companies defining their organizational boundaries to distinguish direct (Scope 1 and 2) emissions from Scope 3 emissions that originate outside their organization. Organizations then make a preliminary map of their value chain to decide how to measure and estimate their emissions. Because modern value chains often incorporate tens of thousands of businesses, completion of the second task (and estimation and measurement) is difficult and subjective, leading to questions about the accuracy of final estimates and disclosures.<sup>4</sup> In a 2016 study—one of the few quantitative academic assessments of Scope 3 reporting available—researchers at the UCLA Anderson School of Management found that, on average, large U.S. firms that performed Scope 3 disclosures recorded only 22 percent of their actual Scope 3 emissions in the disclosure.<sup>5</sup> Given such low average accuracy, Scope 3 reporting is not likely to provide useful (hence actionable) information about the government’s value chain emissions.

A related problem is that the GHG Protocol Scope 3 Standard allows discretion over how organizations set their organizational boundaries and estimate emissions. This allows the Standard to adapt to diverse business and sustainability goals—an asset in the commercial marketplace—but means that disclosures cannot “support comparisons between companies based on their scope 3 emissions.”<sup>6</sup> The Coalition is concerned, however, that this flexibility poses a problem given the dynamics of the Federal marketplace. Buyers must already “advance sustainable acquisition” by ensuring 95 percent of new contract actions

---

<sup>3</sup> GSA Federal Contractor Climate Action Scorecard, <https://d2d.gsa.gov/report/gsa-federal-contractor-climate-action-scorecard>.

<sup>4</sup> Jerry Patchell, “Can the implications of the GHG Protocol’s scope 3 standard be realized?” *Journal of Cleaner Production* 185 (2018): 953.

<sup>5</sup> Christian Blanco, Felipe Caro and Charles J. Corbett, “The State of Supply Chain Carbon Footprinting: Analysis of CDP Disclosures by US Firms,” *Journal of Cleaner Production* 135 (2016).

<sup>6</sup> Greenhouse Gas Protocol, *Corporate Value Chain (Scope 3) Standard*, 2013, <https://ghgprotocol.org/standards/scope-3-standard>, 6.

meet one of six sustainability requirements (FAR 23.103). When the government writes a rule implementing Section 5(b)(i) of E.O. 14030 (the current rule implements Section 5(b)(ii) of the same order), buyers will be required to consider the social costs of greenhouse gas emissions in major acquisitions. We are concerned that Scope 3 reporting may be put to regulatory and compliance purposes to which it is ill-suited.

The Initial Regulatory Flexibility Analysis accompanying the proposed rule does not estimate the costs of Scope 3 measurement and estimation separately, but it is a significant cost driver for the largest category of the rule's estimated costs, "Disclosures and Targets." In the initial year of compliance, "Disclosures and Targets" will cost 337 million dollars in total, which represents 67 percent of the costs of the new rule to major contractors and 55 percent of the rule's overall cost to all contractors. Inevitably, these increased costs will be passed on to Federal customers in the form of higher prices.

Removing the Scope 3 mandate will reduce the costs of implementing the proposed rule while preserving reporting on Scope 1 and 2, whose advantages are better established than Scope 3. Research on Scope 3 tracking and accounting techniques continues, and Scope 3 disclosures are becoming more popular in the commercial marketplace. The government should keep abreast of these developments, but delay Scope 3 reporting until it is more mature, less costly, and has clearer benefits for the government.

**Recommendation 3: Should the government require Scope 3 disclosure, it should push back the effective date for compliance to five years and define the term "relevant" to avoid ambiguity.**

For the reasons outlined above, we strongly recommend that the Scope 3 requirement be removed. If the government elects to retain Scope 3 reporting, however, we recommend that the government start requiring Scope 3 reporting not two years after the effective date of the rule, but five. The GHG Protocol published the GHG Scope 3 Standard in its current form less than a decade ago, and organizations are still in the early stages of understanding and applying Scope 3.<sup>7</sup> Although 85 percent of S&P 500 organizations that conducted and published a TCFD-aligned climate disclosure in 2021 reported Scope 3 emissions in at least one category, TCFD cautioned that "the proportion [of Scope 3 emissions] is relatively low in material categories."<sup>8</sup> In light of such issues, affording contractors more time to prepare would be in the best interest of the government and the Federal procurement system overall.

The government should also clarify what "relevant" means in the provision requiring major contractors to provide "a greenhouse gas inventory of its Scope 1, Scope 2 and *relevant* Scope 3 emissions" [emphasis added]. The GHG Scope 3 Standard already uses the term "relevant" when describing the value chain activities a company should report. It defines relevance as a function of several factors, such as the size and influence of the emission source, and whether sectoral guidance suggests it be included. If the government intends "relevant" to have the same meaning in the regulation, this should be explicit. If it intends to provide contractors with more specific guidance on how to perform Scope 3 disclosures or limit what should be disclosed, it should explain what constitutes relevance in this context.

---

<sup>7</sup> PricewaterhouseCoopers, "What You Really Need to Know About Scope 3 Emissions and Your Business," <https://www.pwc.com/us/en/services/esg/library/scope-3-emissions.html>.

<sup>8</sup> CDP, "TCFD Insights Series: S&P 500," September 2022, [https://cdn.cdp.net/cdp-production/cms/reports/documents/000/006/550/original/CDP\\_TCFD-G7\\_Insights\\_Series\\_SP\\_500.pdf?1663671300](https://cdn.cdp.net/cdp-production/cms/reports/documents/000/006/550/original/CDP_TCFD-G7_Insights_Series_SP_500.pdf?1663671300).

**Recommendation 4: The government should allow major contractors to set GHG reduction targets other than those offered by the Science-Based Targets Initiative (SBTi). It should also allow other options for the validation of science-based targets. It should explicitly clarify that only setting a target and disclosing it is required.**

The Coalition recommends that the government not require major contractors to commit to and set a target with the Science-Based Targets Initiative (SBTi). Instead, it should require only that they disclose any target they set, which could be any absolute or intensity target that would be reportable under the TCFD-aligned CDP Disclosure.<sup>9</sup> It should also create a path for other organizations to evaluate science-based targets and treat them on a par with targets validated by SBTi. To avoid ambiguity, it should further clarify that contractor responsibility will not be predicated on whether they meet the reduction target they have set and disclosed.

The rule's exclusive focus on SBTi risks excluding other valuable approaches to targets and upsetting existing reduction efforts. As of fiscal year 2021, only 20 percent of the Federal marketplace (by dollar value) had set or committed to set science-based targets, compared to 57 percent for setting any publicly disclosed GHG reduction target.<sup>10</sup> This would also be consistent with other pending Federal regulation. In its proposed greenhouse gas disclosure rule, the Securities and Exchange Commission declined to require all publicly traded companies to set science-based targets, opting to require that only those companies that establish targets must disclose them.

Additionally, many companies in the Federal marketplace may not be able to set a target that satisfies SBTi requirements because of restrictions imposed by national security or customer needs. SBTi does not allow *any* oil and gas manufacturers and providers or automotive manufacturers to set targets with the organization at this time.

Organizations could seek a waiver under the proposed rule and still contract without any targets in place. If the Federal government allows contractors to use other targeting methods,<sup>11</sup> however, contractors are more likely to participate. It also does not diminish science-based targets. Contractors will remain free to use SBTi's methods and validation as appropriate, and SBTi's recognized leadership in targeting will influence contractors' approach.<sup>12</sup>

Substantive climate targets are already prevalent in the Federal marketplace. We expect that the flexibility of our approach will not discourage contractors from setting meaningful reduction targets. It will allow them to use expertise to balance customer agency needs, sustainability goals, and climate science in a way that recognizes the complexity of the Federal market. A diversity of approaches affords the government another benefit: discovery. The government will have the opportunity to observe

---

<sup>9</sup> Per the Environmental Protection Agency, "Absolute targets aim to reduce GHG emissions by a set amount. An intensity target is a normalized metric that sets an organization's emissions target relative to an economic or operational variable. Intensity targets allow a business to set emissions reduction targets while accounting for economic growth." In *Target Setting*, <https://www.epa.gov/green-power-markets/target-setting>.

<sup>10</sup> GSA Federal Contractor Climate Action Scorecard.

<sup>11</sup> For instance, an organization might use the revised GHG Protocol's Guidance, found in Chapter 11, "Setting a GHG Target," to set a target. <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>.

<sup>12</sup> One of the government's ten largest contractors by dollar value, for instance, has set a target that it states is science-based and is in line with SBTi's goals, but it has not pursued SBTi validation.

multiple approaches to targeting in action and their effects, providing critical information for future regulation.

We are also concerned by the exclusivity afforded SBTi for validating science-based targets. We further recommend that, whether or not the government chooses to expand the spectrum of targets as we suggest, that the government create a pathway for multiple organizations to validate science-based targets. Making SBTi the sole verifier for contractors' targets means that the organization could act as a gatekeeper to the Federal marketplace. SBTi could determine which major contractors receive responsibility determinations and are thereby eligible to compete for Federal contracts, and in what order. This would also create a financially lucrative "captive audience" for the SBTi. Initial contractor certification is priced at \$9,500, and contractors whose targets are not initially validated may resubmit only once at no additional cost. The cost of additional resubmissions, however, is \$4,750. There exists no structured appeals process if contractors believe that they have been evaluated unfairly, and it does not appear that there is any government oversight in this process.

Per the rule's estimates, around 1,300 organizations would be required to have targets validated after the rule takes effect to remain in compliance. As most will pursue validation around the same time, SBTi may be overwhelmed or unprepared to handle such a large quantity of targets, as it has only validated 2,199 targets since its inception. SBTi indicates that target validation itself is currently a brief process that takes thirty to sixty business days. Development and potential revision of the target, however, can extend for more than a year (the SBTi allows up to two years between an organization to submit a target after pledging to do so), creating a risk that some contractors may be unable, despite conscientious efforts, to comply with the rule's effective date. Given these multiple, interconnected problems, we believe that the government should offer contractors multiple options for setting targets that do not depend on a single non-governmental organization.

A better alternative to exclusive verification by SBTi would be to provide a mechanism for other third-party organizations to develop and validate science-based targets. This would promote competition and efficiency, and ensure that sufficient capacity exists for evaluation. Creating an opportunity for other organizations to develop federally recognized science-based targets may increase the number of science-based standards available and the adoption of science-based targeting, furthering key sustainability goals while addressing the captive audience issue.

Finally, the government should explicitly clarify that contractors must only set and disclose a target and that meeting the target is not a factor in the responsibility determination. The rule does not contemplate this possibility, and successfully following a previous target is not part of SBTi's validation procedure. Being explicit, however, that the goal of rule is disclosure, not mandated reduction, quells potential concerns and ensure that the rule retains the focus on disclosure of the executive order.

Ultimately, expanding the number of ways that a company can set targets and have them validated meets the intent of OMB Memorandum M-22-06 and the Partnership for Carbon Transparency (PACT) of the World Business Council for Sustainable Development (WBCSD). M-22-06 recognized the benefit of leveraging "existing third-party standards and systems...". The WBCSD PACT makes it easier for businesses to access data to inform decarbonization efforts by standardizing the exchange of carbon

emissions data from a host of technology solutions<sup>13</sup>. Failure to accept these options would punish responsible companies that are aligned with the Administration’s desired end-state.

**Recommendation 5: The government should clarify the definition of “publicly accessible website” to ease compliance and expand the impact of the proposed rule.**

The Coalition recommends the adoption of commercial best practices to both reduce additional impact on the industrial base and achieve greater success. Specifically, the Coalition recommends the government allow contractors to utilize business to business cloud-based collaboration platforms and business networks accessible via public websites or mobile applications to meet the publication requirement. Expanding the publication requirement beyond individual websites would allow the government, industry, and the public to enjoy a faster time to value and a more centralized experience. Clarifying the publication requirement in this way would allow business to continue operating as they are, increase accessibility of emissions data, and equip industry to efficiently identify possible partners that support their emission criteria. In short, this clarification would support the use of existing commercial technology to advance the Administration’s goal.

---

<sup>13</sup> [Partnership for Carbon Transparency \(PACT\) advances emissions transparency with breakthrough in value chain data exchange - World Business Council for Sustainable Development \(WBCSD\).](#)