Fact Sheet: How federal procurement rules will speed Inflation Reduction Act implementation and industrial decarbonization

The Biden Administration has set ambitious emissions reduction goals, namely a 50 percent reduction in emissions by 2030 and a net zero emissions economy by 2050. Meeting these goals is necessary to mitigate climate disasters and uphold international commitments. The passage of the Inflation Reduction Act was a significant step towards meeting these targets, but successful program implementation and continued investment in decarbonization across key sectors of the economy, especially industrial sectors, is necessary to achieve emissions reduction milestones.

The Biden Administration has recently finalized one rule, the Sustainable Products Procurement Rule, and proposed another, the Supplier Climate Risk and Resilience Rule, that together will leverage the investments made in the Inflation Reduction Act and help align the federal government’s purchasing with its decarbonization goals, particularly in hard to decarbonize sectors of the economy such as the industrial sector. In addition, the rules will help mitigate the federal government’s own exposure to climate-related financial risk. Finalizing the Supplier Climate Risk and Resilience Rule in a timely manner is essential to ensuring the investments made in the Inflation Reduction Act are leveraged to their full potential.

**Sustainable Products Procurement Rule**

The Sustainable Products Procurement Rule, finalized on April 19, 2024, will make significant advances in reducing climate risks and promoting related economic opportunity. Under the rule, agencies requiring the procurement of products and services, and contracting officers charged with fulfilling those requirements, will be obligated to procure products and services on a recommendation list from designated federal sustainability programs unless those products and services cannot achieve a reasonable performance schedule, performance requirements, or price. With this approach in place, the rule will ensure that procurement officers protect taxpayers and program delivery with their product selections.

Departure from the default rule of procuring sustainable products and services will need to be justified in writing. Thus, the rule will significantly increase the likelihood that sustainable products and services will be offered and selected for procurement by federal agencies. Using this system of rewards and incentives, the federal government will strengthen businesses that voluntarily invest in sustainability innovation and reduce sustainability-related risks to taxpayers and national security.

**Benefits for Industrial Decarbonization**

Implementation of the Sustainable Products Procurement Rule will be a significant driver of decarbonization in the industrial sector. The U.S. government is a major purchaser of concrete, steel, and other materials in this sector. By requiring federal procurement officials to select top performers on sustainability when buying these materials, it will send a powerful signal to the low-carbon construction materials marketplace, increasing the scale of production, lowering costs, and creating new incentives for producers, other customers, and investors to make needed shifts.

The Environmental Protection Agency (EPA), using funding provided under the Inflation Reduction Act, has created a program to identify and label construction materials and products with...
substantially lower embodied carbon compared to standard alternatives. After the public comment period on this ecolabel and the corresponding update to this sustainable products rule, construction materials with the ecolabel will become the default choice for government procurement officials. Federal agencies including the Department of Housing and Urban Development (HUD) and the Department of Transportation (DOT) will be required to purchase lower embodied carbon construction materials as well as “recovered” construction materials recommended by the EPA, unless they provide a written justification for choosing an alternative.

Supplier Climate Risk and Resilience Rule
The Supplier Climate Risk and Resilience Rule will represent a major step in the Administration’s broader efforts to reduce climate-related financial risk to program delivery and taxpayers and to accelerate decarbonization and resilience-building in the industrial sector and across the economy. Its key elements are:

- Contractors with $50M or more of annual contract obligations in the previous fiscal year will be required (subject to various exemptions, exceptions, and waivers) to disclose Scope 1, 2, and 3 greenhouse gas inventories, climate risk assessments, and validated science-based emissions reduction targets.
- Contractors with $7.5M up to $50M of annual contract obligations in the previous fiscal year will be required (subject to various exemptions, exceptions, and waivers) to disclose Scope 1 and 2 greenhouse gas inventories.

The Supplier Climate Risk and Resilience Rule does not require procurement officers to take any specific action in response to the information supplied, but the information will lay a critical foundation for a new era of procurement policy and practice. Once finalized, this rule will help ensure that decisions with major consequences for taxpayers and national security are informed by the latest information on suppliers’ handling of climate-related risks and opportunities.

Benefits for Industrial Decarbonization
The federal government spends nearly $750 billion annually on procurement, making it the world’s single largest buyer of goods and services. Its purchases include industrial goods that have an outsized impact on climate change. For example, the global cement and steel industry combined account for approximately 15 percent of global greenhouse gas emissions. In 2018, the public sector purchased 46 percent of total cement consumed in the United States. About 18 percent of total steel employed in the United States went toward public construction projects with more going towards other public uses.

Given the government’s large procurements of products from a wide range of high-emitting industries, its signal that climate risks will be considered in purchasing decisions will play an outsized role in shaping investments in the decarbonization of the industrial sector. Once each of its large contractors provide disclosures according to the Supplier Climate Risk and Resilience Rule, the federal government will be well-positioned to assess which suppliers are well-positioned to help reduce supply chain emissions and build resilience to climate change impacts. By monitoring its suppliers’ progress against their stated emissions reduction goals and working with suppliers to overcome obstacles to progress, the federal government will help accelerate decarbonization of construction materials supply chains.