

# Managing Green ICT Contracts



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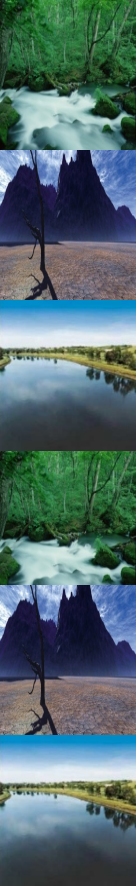
**16 May 2008**

# Overview

- Regulatory framework
- *National Greenhouse and Energy Reporting (NGER) Act 2007 (Cth)*
- Green implications for ICT
- Compliance & risk mitigation strategies
- Contract manager's role
- Contract management plans

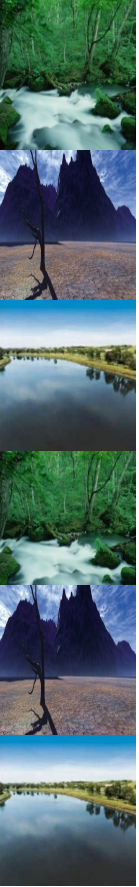
# Regulatory Framework

- Commonwealth Department of Climate Change:
  - Established to centralise climate change & emissions trading work
  - Administers NGER Act
- Responsible Minister:
  - Senator Penny Wong, Minister for Climate Change & Water



# *National Greenhouse & Energy Reporting (NGER) Act 2007*

- Objects
- Mandatory reporting
- Voluntary reporting
- Australian emissions trading scheme

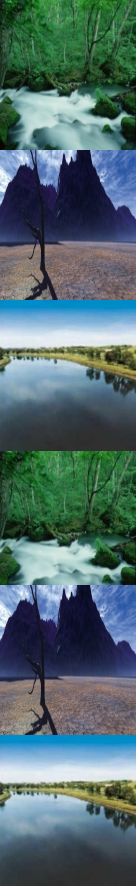


# Objects

- Intended to establish a single national framework for reporting:
  - greenhouse gas (**GHG**) emissions
  - energy production
  - energy consumption
  - GHG projects
- Intended to be foundation for Australian emissions trading system

# Mandatory Reporting

- Reporting thresholds
- Registration & reporting timelines



# Reporting Thresholds

- Company must report where corporate group has operational control of facilities which exceed *one* of following thresholds:

	2008/09	2009/10	2010/11+	Single Facility
Greenhouse Gas Emissions	125 KT (1000 T)	87.5 KT	50 KT	25 KT
Energy Produced	500 TJ ( $10^{12}$ J)	350 TJ	200 TJ	100TJ
Energy Consumed	500 TJ	350 TJ	200 TJ	100TJ

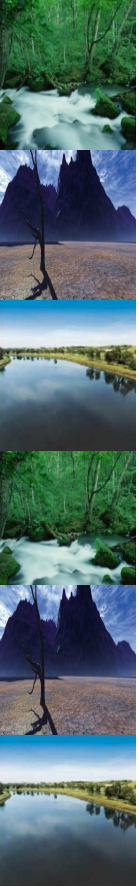
(NGER Act s. 13)

# Registration & Reporting Timelines

- Companies able to register from 1 July 2008
- Registration mandatory by 31 August following *trigger year* (NGER Act s. 12)
- Reporting mandatory by 31 October following *trigger year* (NGER Act s. 19)
- Estimated up to 700 companies will be required to register & report under NGER Act

# Voluntary Reporting

- Companies may voluntarily report on GHG projects involving:
  - reduction of GHG emissions;
  - removal of GHG emissions; or
  - offsets of GHG emissions (*NGER Act s. 21*)



# Australian Emissions Trading Scheme (ETS)

- Kyoto Protocol:
  - Australia has committed to reduce GHG emissions by 60 % on 2000 levels by 2050
- Australian ETS intended to commence in 2010
- *Emissions Trading Scheme Discussion Paper* (March 2008) released by Garnaut Review
- Available at [www.garnautreview.org.au](http://www.garnautreview.org.au)

# Australian Emissions Trading Scheme (ETS) (cont'd)

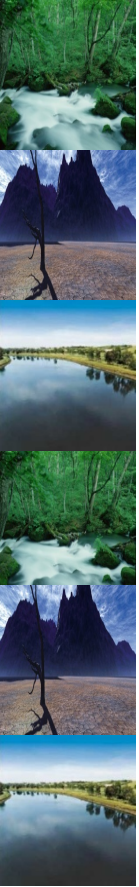
- Proposed Australian ETS model:
  - Government should set the emissions limit for Australia
  - Emissions should be expressed as a trajectory
  - Permits released according to emissions reduction trajectory
  - All permits auctioned at regular intervals
  - Penalty to be set as a compliance mechanism

# Green Implications for ICT

- Focus on reducing energy consumption of operating ICT equipment:
  - with demand for ability to monitor energy consumption of individual items of ICT equipment
- Focus on reducing energy consumption & GHG emissions associated with manufacturing, upgrading & replacing ICT equipment

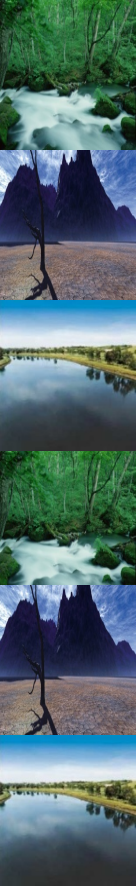
# Green Implications for ICT (cont'd)

- Focus on use of ICT systems to reduce energy consumption & GHG emissions associated with an organisation's activities:
  - with increased demand for electronic communications, electronic records & automation programs



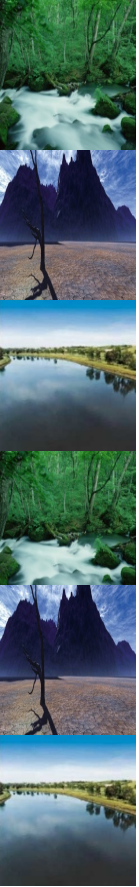
# Compliance & Risk Mitigation Strategies

- VGPB's Environmental Purchasing Policy & Environmental Procurement Policy
- Green ICT Policy
- Environmental contractual obligations



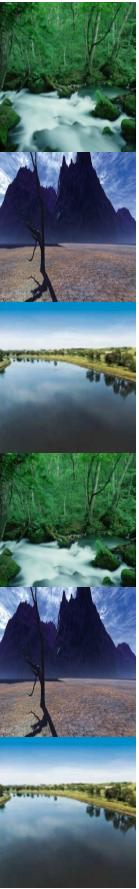
# VGPB's Environmental Purchasing Policy

- For *all* purchases Departments must include environmental considerations in:
  - Procurement planning stage
  - Tender specifications where applicable
  - Tender evaluation criteria
- For purchases of *common use goods & services* under WoVG Contracts, State Purchase Contracts/OSOAs Departments must consider environmental impacts



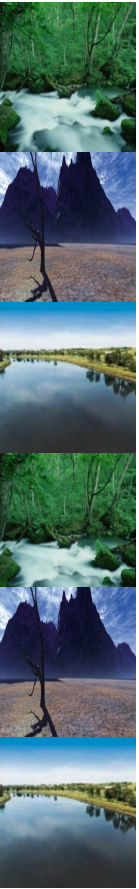
# VGPB's Environmental Procurement Policy

- Principle 1:
  - Departments must purchase goods & services that have reduced environmental impacts
- Principle 2:
  - Departments are responsible for addressing & reporting on environmental procurement considerations
- Principle 3:
  - Departments should define their environmental procurement priorities based on environmental risk & ability to influence



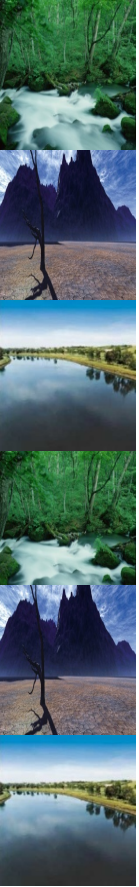
# VGPB's Environmental Procurement Policy (cont'd)

- Principle 4:
  - Departments are to purchase based on value for money & should consider total cost of ownership
- Principle 5:
  - Departments should consider inclusion of minimum environmental requirements
- Principle: 6:
  - Departments should consider inclusion of environmental criteria in selection of suppliers



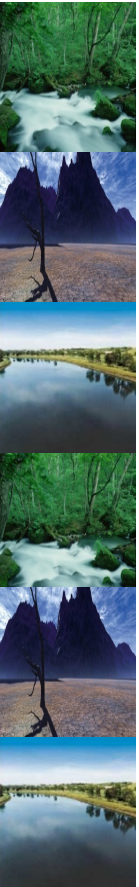
# VGPB's Environmental Procurement Policy (cont'd)

- Principle 7:
  - Department relationships with suppliers should require continuous environmental improvement
- Principle 8:
  - Staff with purchasing authority should be offered environmental procurement training



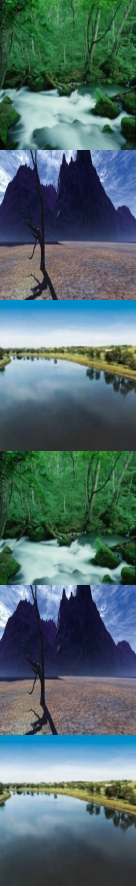
# Green ICT Policy

- Green ICT Policy should:
  - provide a framework for setting, achieving & reviewing environmental objectives & targets for ICT
  - include a commitment to:
    - continual improvement & prevention of pollution; and
    - comply with applicable legal & other environmental requirements
  - form part of an organisation's overarching environmental management system (see *Environmental Management Systems AS/NZS 14001:2004*)



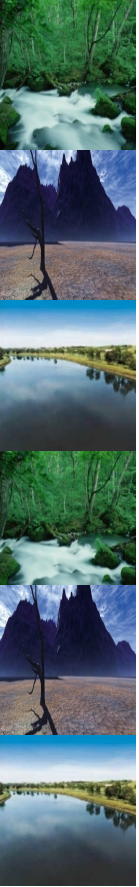
# Environmental Contractual Obligations

- Scenario: Green Department's new grants system
- Environmental warranties
- Upgrade & recycling obligations
- Meetings, communications & record keeping
- Green ICT Policy compliance



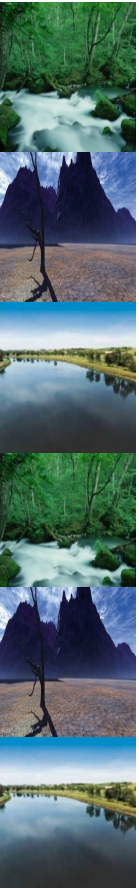
# Scenario: Green Department's New Grants System

- Green Department requires an electronic system for managing grants for GHG projects
- Green Department issued an RFT for development, implementation & support of system



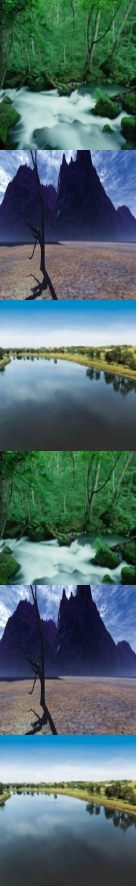
# Scenario: Green Department's New Grants System (cont'd)

- Environmental information required to be provided by tenderers:
  - Confirmation equipment energy star compliant
  - Power consumption of equipment
  - Details of ability to upgrade equipment
  - % of recycled / remanufactured components
  - Details of ability to recycle equipment
  - Noise level during operation of equipment
  - Weight of equipment (See checklists prepared by Cth Department of the Environment, Water, Heritage & the Arts – [www.environment.gov.au](http://www.environment.gov.au))



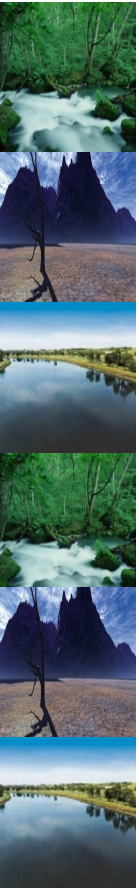
# Scenario: Green Department's New Grants System (cont'd)

- Green ICT Pty Ltd selected as successful tenderer
- Green Department & Green ICT wish to enter contract for development, implementation & support of electronic grants system



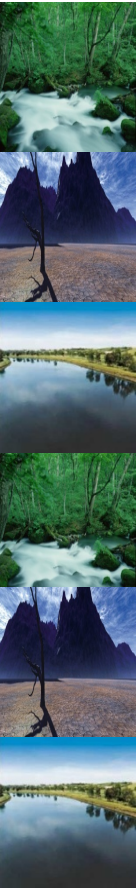
# Environmental Warranties

- Energy Star:
  - IT equipment is energy star compliant
- Power:
  - IT equipment complies with specified power consumption rates
- Upgradeable:
  - IT equipment is able to be upgraded
- Components:
  - IT equipment is made up of specified % of recycled / remanufactured components



# Environmental Warranties (cont'd)

- Recycling:
  - IT equipment is able to be recycled at end of lifecycle
- Legislation:
  - IT support services will comply with any applicable environmental legislation
- Specifications:
  - IT equipment & support services will comply with their specifications (e.g. weight, noise, etc)

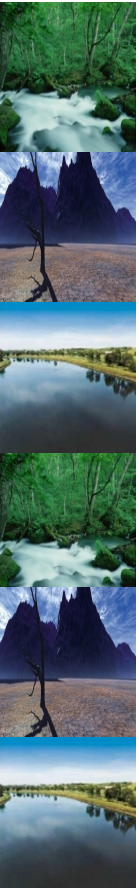


# Upgrade & Recycling Obligations

- Upgrades:
  - Green ICT will upgrade electronic grants system if required by Green Department
- Recycling:
  - Green ICT will accept return of IT equipment for recycling at end of lifecycle if requested by Green Department

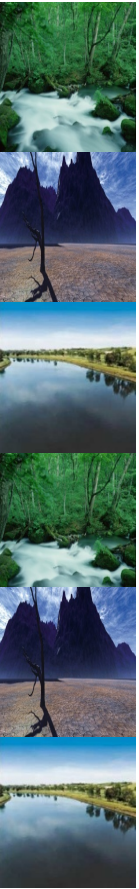
# Meetings, Communications & Record Keeping

- Meetings:
  - Parties may meet by teleconference / video-conference
- Communications:
  - Notices may be given electronically
- Record keeping:
  - Records may be kept electronically



# Green ICT Policy Compliance

- Green ICT will comply with Green Department's Green ICT Policy in performing its obligations

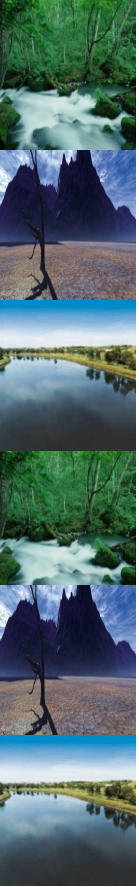


# Contract Manager's Role

- Key tasks:
  - Contract management plan:
    - Assist with development & review of contract management plan
  - Manage relationships:
    - Liaison between internal managers, users & suppliers
    - Regular meetings with contractor & stakeholders
    - Regular reports to stakeholders & senior managers
  - Administer contract:
    - Contact details, scheduled meetings, delivery & acceptance, payments, insurance, documentation

# Contract Manager's Role (cont'd)

- Key tasks:
  - Manage contractor performance:
    - Performance monitoring, performance assessment & taking appropriate enforcement action
  - Negotiate contract variations:
    - Variations must not significantly change contract deliverables
  - Manage contract disputes:
    - Negotiation, mediation, expert determination, arbitration, litigation

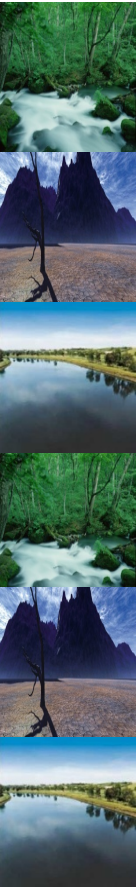


# Contract Manager's Role (cont'd)

- Key tasks:
  - Keep records:
    - Risk assessments, contract variations, records of disputes
  - Report contracts:
    - All contracts over \$100,000 & entire contracts in excess of \$10 million must be reported on Contracts Publishing System
  - Behave ethically & fairly

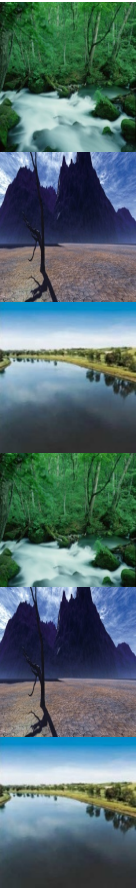
# Contract Management Plans (CMPs)

- What is a CMP?
- Developing a CMP
- VGPB Contract Management Policy
- CMP Structure



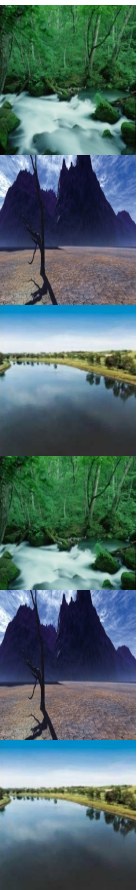
# What is a CMP?

- Contains key information required to manage contract
- Details systems & processes to identify & manage:
  - Disagreements
  - Disputes
  - Defaults
- Intended to reduce costs & delays
- Valuable risk management tool



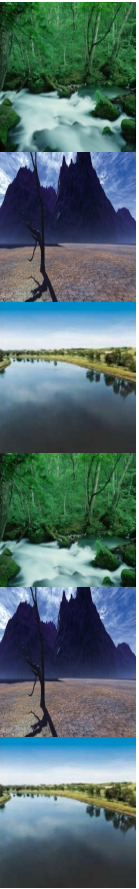
# Developing a CMP

- CMP recommended where:
  - High value contract
  - High risk or complex acquisition
- Develop CMP during procurement planning:
  - A strategic procurement plan must include a CMP
- Update & review CMP during life of contract



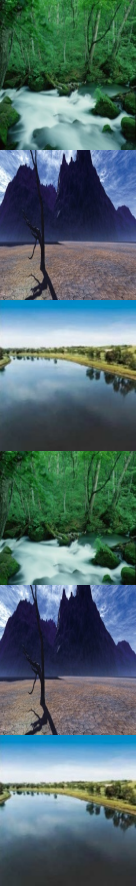
# VGPB Contract Management Policy

- CMP must address:
  - Monitoring compliance with contract conditions
  - Identification of milestones and key deliverables / outcomes
  - Roles & responsibilities of participants
  - Effective financial management & monitoring
  - Monitoring of risks
  - Project performance reporting requirements



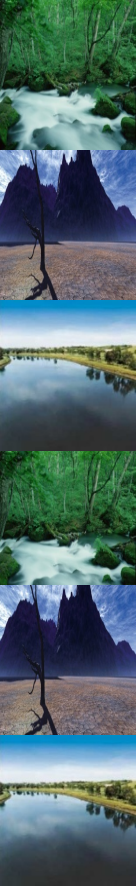
# CMP Structure

- Background information
- Parties' representatives & stakeholders
- Reporting requirements
- Performance evaluation
- Change & risk management
- Dispute resolution
- Implementation
- Milestones, deliverables & payment
- Completion



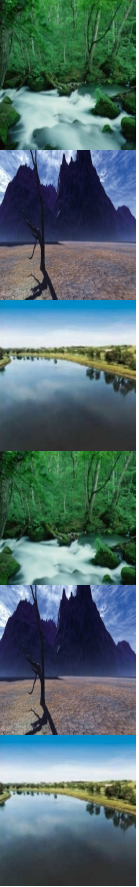
# Background Information

- Contract documents
- Contract objectives
- Key deliverables



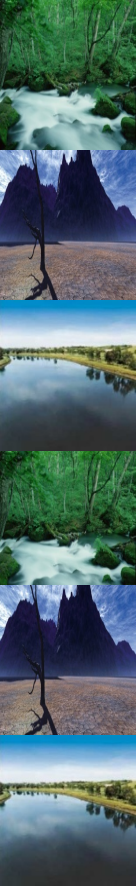
# Parties' Representatives & Stakeholders

- Customer's representative(s), contact details & role
- Stakeholders
- Supplier's representative(s), key personnel, contact details & role
- Relationships between parties' representatives & stakeholders
- Communication strategies



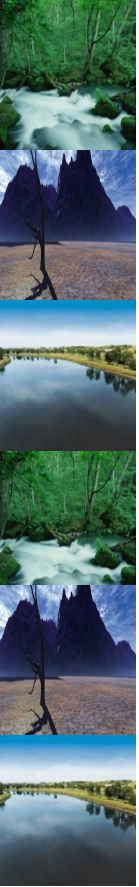
# Reporting Requirements & Performance Evaluation

- Details of information to be reported, report format & report frequency
- Details of measures against which contractor's performance will be assessed
- Frequency for assessing contractor's performance



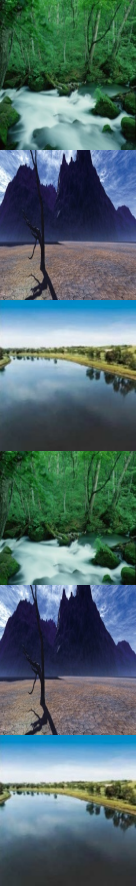
# Risk & Change Management

- Procedures to be implemented to reduce risks
- Strategies for dealing with any risks which arise
- Change management procedures



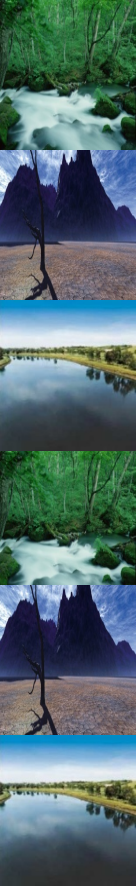
# Dispute Resolution

- Strategies for dealing with disagreements, disputes & defaults, for example:
  - Negotiation
  - Mediation
  - Expert determination
  - Arbitration
  - Litigation



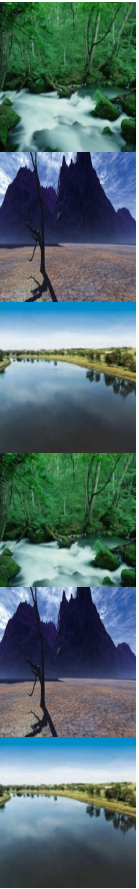
# Implementation

- Impact on stakeholders
- Management of transition-in
- Transition-in tasks



# Milestones, Deliverables & Payment

- Description of milestones & deliverables
- Parties' responsibilities
- Milestone / delivery dates
- Payment conditions / rebates



# Completion

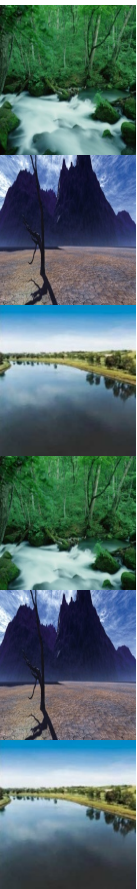
- Contract review
- Renewal or extension
- Re-tender
- Transition out

# Conclusion

- Be aware of green implications for ICT
- Ensure compliance with VGPB's environmental policies
- Consider need to develop a Green ICT Policy

# Conclusion (cont'd)

- Impose environmental contractual obligations on ICT suppliers where appropriate
- Be aware of contract manager's role
- Consider need to develop a CMP



# Questions?

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