



Alerts

Significant Supply Chain Implications as Federal Acquisition Regulatory Council Issues Sustainable Procurement Rule

April 29, 2024

ESG Business Insights

As we have previously emphasized, businesses of all sizes and in all sectors should tune into sustainability and environmental, social, and governance (ESG) regardless of the status of U.S. regulatory frameworks mandating ESG disclosures.

This remains true even following the final approval of the U.S. Securities and Exchange Commission's (SEC) climate-risk and emissions disclosure rule, the ensuing litigation challenging that rule, and the SEC's voluntary stay of the rule pending that litigation. As previously underscored, frameworks coming online elsewhere, combined with market forces, have and will continue to drive sustainability and ESG deeper into value and supply chains.

One data point indicating this trajectory is the rule proposed by the Federal Acquisition Regulatory Council (FAR) last August, requiring federal buyers to purchase sustainable products and services "to the maximum extent practicable." That [rule](#) was formally published this past Monday, April 22, 2024, on Earth Day. The final changes go into effect on **May 22, 2024**.

With the exception of national security acquisitions and contracts for services performed and supplies delivered outside of the United States, federal buyers will only be able to forgo the rule's requirements upon written justification that sustainable products or services are not practicable.

Citing the Environmental Protection Agency's [Recommendations of Specifications, Standards, and Ecolabels for Federal Purchasing](#) issued this past October. The rule also introduces an omnibus contract clause for communicating requirements for sustainability to government contractors.

For context, it bears noting that according to recent estimates, the federal government spends over \$700 billion on products and services annually—a vast sum reaching across products, services, and the value and supply chains behind them and, as exhorted, a major signal that sustainability and ESG will continue to reach into those value and supply chains.

Note, too, that another pending FAR [rule](#) aims to address the disclosure and reduction of greenhouse gas emissions and climate-related financial risk.

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Service Areas

Environmental
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Readiness around sustainability and ESG is hardly an airdrop. Rather, it requires complex and mature infrastructure, both within and without, to ensure not only compliance but also consistency and a competitive edge. The most recent FAR rule is just one more indicator that getting started sooner is better.