



# ESSENTIAL INSIGHTS

## Contracting & Risk

### Contracting for Climate Commitments

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**Governments and clients have embraced the need for action to act on climate change, addressing its causes, managing transition risks and adapting to its impacts. As the solvers of the most complex problems, it is no surprise that within the supply chain, it is often the engineers and consulting businesses that expected to resolve these issues.**

Putting climate commitments into contracts is an important way to ensure action is embedded in scope, performance is incentivised and necessary governance are put into place to provide oversight.

Action on climate change is required at every point in the lifecycle of an asset. Consideration requires input from all parties from early project conceptualisation, through design, material provision and delivery. The use of integrated contracting arrangements ensure action is taken through the entire value chain.

NEC published secondary Option X29 Climate Change in July 2022 for all NEC4 main subcontract forms. It is designed to help NEC users in their drive towards achieving net zero greenhouse gas emissions and other related climate change and biodiversity targets. The X29 secondary clause is available as a free download on the [NEC Contract website](#).



## Contracting for Climate Commitments

### Mandatory reporting

The step change from proactive action to mandatory reporting has brought the construction industry's approach to carbon management into sharp focus.

The sector is traditionally carbon intensive as the result of the resource intensive nature of the industry, the prevalence of wasteful practices and the low substitution for traditional materials, such as steel and cement.

The phased implementation of mandatory climate reporting creates significant demand for robust carbon management systems that X29 can provide. The regulatory change impacts different groups at different times.

From **1 January 2025**, the requirements were mandated for Group 1 (Australia's largest businesses and financial institutions).

Group 2 entities start reporting from **1 July 2026** – this includes many organisations involved in project delivery.

Group 3 entities commence from **1 July 2027**.

### How the X29 clause works

The X29 clause enables clients to provide additional Climate Change Requirements as terms which form part of the contract's scope.

The key elements of X29 include:

- **Climate Change Plan** - gives the parties the ability to set out their strategy for achieving the Climate Change Requirements.
- **Performance Table** - gives the parties the ability to set financial incentives to encourage achievement of the stated performance targets.
- **Climate Change Partners** – gives the parties the ability to identify stakeholders within the Climate Change Requirements that must be involved in collaboration.

**This *Essential Insight* was produced in collaboration between Consult Australia and NEC Contracts.**

For more information on the work of Consult Australia on contracts, risk and procurement, visit the [Centre for Contracting & Risk](#), phone +61 2 8252 6700, or contact [info@consultaaustralia.com.au](mailto:info@consultaaustralia.com.au)

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