



Climate friendly contract clauses

What is drafting for net zero?

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The [Chancery Lane Project](#) (TCLP) is a pro bono initiative that calls on the collective legal expertise of its 700+ collaborators to develop new contract clauses and model laws to fight climate change and achieve net zero carbon emissions.

To date, TCLP has developed 70 [model clauses](#) and a number of [model laws](#). We are working with the wider TCLP drafting groups to identify where new clauses are needed and are adopting some existing clauses ourselves and with clients.

Common barriers to including net zero drafting in contracts are concerns about the cost of meeting the obligations, and the worry that negotiations could be prolonged because the drafting is not yet market standard. TCLP's ambition is for its clauses to become the norm. Not all clauses will involve expenditure; the aim is for the parties to think about net zero and agree a collaborative approach to delivering climate solutions.

Examples of where climate-friendly drafting could be used include:

Corporate

TCLP has created a wide range of clauses for corporate transactions, particularly capturing investments, M&As and capital markets. In addition, there are climate change clauses which seek to ensure businesses are thinking about net zero in their daily operations, such as within their constitution or at board meetings. These clauses will support investors and buyers who want to put environmental and climate change issues front-and-centre of their investments or acquisitions.

Commercial

TCLP has numerous clauses for commercial transactions, including:

- A late payment clause requiring interest on any overdue sums to be made either to a "green" cause or a carbon offset provider
- Warranties to be inserted into a supply contract requiring the supplier to undertake a carbon footprint assessment and implement a plan of continuous improvement
- Requirements for contracting carriers to use energy efficient vehicles for road carriage under transport agreements (or within supply chain contracts), or otherwise specify that a percentage of road journeys will use green HGVs

Real Estate

The existing clauses for real estate transactions include:

- Clauses to make buyers aware of future climate change risks that may affect a property
- Climate-aligned alteration/improvement provisions for leases, requiring landlords to act reasonably when tenants propose alterations that have a positive climate impact
- Sustainable and circular economy principles in leasing arrangements for repairs and alterations, to encourage landlords and tenants to re-use goods and materials.

On the horizon are further clauses in relation to service charge payments and retrofitting buildings with energy efficiency measures.

Employment

As more employees voice concerns over climate change, businesses are beginning to consider net zero drafting. This could include:

- Drafting for creating and embedding a working culture in which staff feel able to raise 'whistleblowing' concerns about environmental issues
- Drafting employment contracts, policies, and procedures to include climate changes provisions, such as sustainable commuting, flexible working and allowances for sustainable travel
- Reviewing and assessing the extent to which employment contracts, policies and procedures promote environmental sustainability

TLT is an active member of TCLP. TCLP's aim is to take a climate-conscious approach to law and it's something we're delighted to be part of.

If you would like to find out more about drafting for net zero, please get in touch.

This publication is intended for general guidance and represents our understanding of the relevant law and practice as at June 2021. Specific advice should be sought for specific cases. For more information see our [terms & conditions](#).



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