

Climate challenge: what shippers are doing for sustainable logistics development

MOLTES GRÀCIES PER TORNAR E ESTAR AQUI AVUI

Ladies and gentlemen, good morning

(slide 1)

If I understand it correctly, all of the links in the logistics chain are represented here in this room. Is that right?

Then that works nicely, because this morning I would like to talk about advancing sustainability both within and in partnership with logistics chains.

My name is Machiel van der Kuijl and I am the Managing Director of evofenedex, an association that represents the logistics interests of Dutch shippers. I am also the Vice Chair of the European Shippers' Council.

evofenedex represents some 15,000 manufacturers, retailers, and wholesalers, all of whom are highly dependent on logistics, without it being their core business. Our members include large multinationals, but many of them qualify as SME. We are not an industry association; the companies we represent operate in many different sectors. You could say we are a functional organisation. We represent the interests of our members in the areas of logistics and trade.

Today I want to give you some idea of the challenge shippers face in relation to sustainability. It is a considerable challenge, but one that we, as shippers, are addressing with full conviction, at different levels and with different partners.

It is now essential for all activities in society to be increasingly sustainable. This applies in particular to all trade and logistics activities. Shippers are directly affected by legislation and regulations that promote sustainability. This impinges on their business processes. The Paris Climate Agreement reached in 2015 is probably still fresh in your mind. It might not seem that long ago, but more than four-and-a-half years have passed since then. Targets that once seemed abstract are now being systematically pursued. The consequences and changes – and the practical implications for shippers – are becoming apparent. As part of its contribution to the Paris Agreement, the Dutch government is currently finalising a National Climate Agreement that aims to reduce the Netherlands' greenhouse gas emissions by 49% by 2030.

And you will see that in all modes of transport and throughout entire logistics chains plans and agreements have been made and initiatives are being developed, always in partnership with other stakeholders, to meet climate change mitigation goals.

MORE SUSTAINABLE ROAD TRANSPORT

(slide 2)

Long-term sustainability of road transport is closely related to the way we live together as a society in the urban areas of the future. The expected growth of urban areas will simply increase the challenge of making city logistics more efficient. The need to meet climate goals is also forcing our sector to adopt new methods and processes. Since 2014, in dozens of cities, we have been actively promoting agreements between government agencies, businesses and civil society organisations regarding zero-emission deliveries in inner cities. Various shippers are experimenting with the use of smaller electric vehicles for distribution in inner cities. And, in several Dutch cities, major food retailers such as Ahold Delhaize and Jumbo are using zero-emissions vehicles to deliver goods to their supermarkets. Plans to implement zero-emission deliveries in cities are being made more specific and more binding. And this is necessary if we are to make the transition. Entrepreneurs are certainly willing. A survey shows that more than 50% of small business owners expect to switch to an electric vehicle within the next five years. For this to be possible, there will need to be a greater supply of electric vehicles in years to come. It is also necessary to clarify how cities can achieve this. And to do this in the short term. Because without clarity investments are postponed. And of course the reorganisation – and in some cases radical reorganisation – of logistics systems takes time.

More sustainable urban distribution will be a significant gain in terms of carbon emission reduction. Yet it is important not to lose sight of the fact that a substantial amount of distribution – and therefore emission-related air pollution – occurs outside of cities. Here it is possible to achieve far greater gains than with the limited number of kilometres in inner cities. The longer distances involved mean that electric vehicles are not yet a viable option. And the development of hydrogen as a fuel source is still in its infancy. We are keyed into these technological developments and are also involved in pilot projects that are exploring zero-emissions transport in long-distance corridors.

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In the meantime we are working to advance sustainability within the current technical possibilities. Our commitment to the implementation of CO₂ standards in the heavy road

transport industry has led us to form partnerships with both obvious allies and less likely candidates, such as nature and environmental organisations. However, establishing clear standards for new goods vehicles will not be enough to achieve the objectives of the Paris Climate Agreement. When it comes to making transport solutions more environmentally friendly, more cost effective and more efficient, Dutch entrepreneurs are leading the way with longer heavier vehicles known as ecocombis. Wider use of ecocombi vehicles in European long-distance freight transport should be a top priority. We also advocate the use of sustainable biofuels in the heavy road transport industry. The relatively small quantities of biofuel currently available need to be used where potential emission reduction gains are the greatest, and this is in long-distance road transport. Hence, in 2017 soft drink manufacturer Coca-Cola started using renewable diesel, a fuel containing 30% renewable biomass, achieving 24% carbon reduction per fuel tank.

MORE SUSTAINABLE RAIL TRANSPORT

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Rail freight transport has a lower carbon footprint than road transport. And this is widely known. Yet achieving a structural modal shift to rail transport has always been a challenge. To arrange delivery and collection of products and raw materials by other modes of transport, shippers have to radically change their internal process management. And since the added value of this type of transition initially seems limited, companies only make the switch if a third party facilitates the process. However, the need for sustainability, increasing congestion and the lack of qualified personnel in the road transport industry mean that there is an increasingly compelling business case for a modal shift. We were encouraged to see the recent introduction of CoolRail, a daily train service that transports fresh fruit and vegetables from Valencia – which is not that far from here – to the Port of Rotterdam, reducing carbon by up to 90%. For initiatives such as this to work, a third party needs to identify the added value of switching from road to water or rail transport for the company concerned and to assist with the reorganisation of the logistics process. Many large companies are in the process of making the switch, but in the small business sector there are still considerable gains to be made. To promote progress in this area, in partnership with the provinces of Gelderland and Overijssel we are working to raise awareness among small business owners of both carbon reduction opportunities and the financial benefits of using another mode of transport. In the coming years, together with our partners we want to systematically promote a modal shift as a cost-effective way of reducing carbon emissions. In the meantime, we and our partners have prepared a Modal Shift Teams project plan so we are ready and able to act in this capacity.

While promoting a modal shift there is no reason not to explore ways of increasing the speed and efficiency of rolling stock use. So we are looking into potential sustainability gains in the rail transport industry. Again, we are doing this in partnership with rail and related industry stakeholders. Together we are working out how to make more efficient use of rolling stock and how to introduce quieter rolling stock and hybrid locomotives.

MORE SUSTAINABLE INLAND WATERWAY AND MARITIME TRANSPORT

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evofenedex has also formed partnerships to advance sustainability in the inland waterway and maritime transport industries. With the support of all stakeholders, we recently took an important first step towards climate-neutral inland waterway transport in 2050 and 70% carbon reduction in the shipping industry in the same year. In the meantime we are pursuing specific aspects of our sustainability agenda.

Inland waterway shipping is a mode of transport that produces relatively low carbon emissions. This is a relevant factor for trade and production companies committed to achieving – mandatory or voluntary – carbon reduction targets. Yet despite the relatively low levels of carbon emitted by inland waterway transport vessels, in the coming years the industry faces the enormous challenge of reducing emissions of hazardous substances even further. Here too shippers are the leading the way. Dutch brewing company Heineken has started using an electrically powered inland waterway cargo vessel to transport beer from its brewery to the Port of Rotterdam. Having said this, many parties in the inland waterway transport industry struggle to recover the investment required to reduce their environmental impact, which can make inland waterway transport less competitive than other modes of transport. Loss of loads and a smaller market share are a very real scenario for inland waterway transport companies, while policy wants to see more cargo transported by water. This is something that requires attention.

In the maritime shipping industry the greatest sustainability gains can be achieved by building new vessels with cleaner engines and converting existing vessels. Many entrepreneurs sign annual contracts with shipping companies. Trials are being conducted to explore ways of securing certain guarantees for the financing of new vessels, or the conversion of existing vessels, on the basis of longer-term contracts. These models will need to be worked out by financiers, entrepreneurs and shipping companies. Also in the shipping industry, Dutch shippers, such as Shell, FrieslandCampina and DSM are partnering with the Port of Rotterdam to identify short-term gains that can be achieved by using vessels powered by biofuel.

MORE SUSTAINABLE AIR TRANSPORT

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Air transport is not the most sustainable mode of transport for international freight. But there are not many alternatives. The use of air freight is increasing, but with targets set at national, European and international levels, production and trade companies have to find more sustainable air freight solutions. Therefore, together with various stakeholders and knowledge institutions, we have developed a plan to reduce carbon emissions by 35% by 2030. This includes airport charges to encourage use of cleaner aircraft, use of renewable fuel and radical modernisation of the air fleet. Optimising and accelerating freight delivery will also eliminate unnecessary procedures that contribute to carbon emissions. So at Schiphol, our national airport, air freight parties are working in partnership to accelerate processes as part of the Smart Cargo Mainport programme.

However, to enable greater progress in making air transport more sustainable, the Single European Sky (SES) initiative needs to be implemented. SES will reduce greenhouse gas emissions, costs, flight times and the adverse consequences of strikes by air traffic controllers. In other words, it's a win-win. Yet certain national interests are delaying the implementation of the initiative. The current inefficient use of European air space puts aviation at a disadvantage as a mode of transport. evofenedex therefore urges Member States to proceed with the full implementation of SES to improve the sustainability and competitive position of air freight transport.

MORE SUSTAINABLE LOGISTICS CHAINS

Though efforts to make logistics chains more sustainable may be less visible to outside parties, they are just as important. And while cooperation is desirable in developing sustainability solutions for modes of transport, when adopting a chain approach it is impossible to achieve results without joining forces.

Shippers were originally the clients in the logistics industry and are therefore essentially the owners of the logistics chain. As such, they are responsible for ensuring that logistics chains are well organised. After all, they are their chains. It is a responsibility that cannot be shrugged off. The need to make logistics chains more sustainable means shippers have to make choices.

Numerous studies show that cooperation within the chain improves the performance of the whole chain and delivers better results for the individual links in the chain. Everyone understands that, to meet the requirements of the demanding customer (delivery, price and quality), the government and society (globalisation, compliance and sustainability) and a world being changed by innovation (digitisation), it is necessary to cooperate. And that means more than just agreements between customers and suppliers. We have been doing this for years and it is not enough. Reality is more complex and unmanageable than theory and understanding. The key to success lies less in hard variables, such as physical transport flows, and more in soft factors, such as a cultural fit between companies. So, five years ago, evofenedex created a chair at one of the universities in the Netherlands. The professor presented a clear perspective through lectures and company visits (awareness), white papers and seminars (acceptance) and tools, such as the supply chain performance check (adaptation). We and our members then took the necessary steps in line with this Triple-A Model.

To enable effective utilisation of the possibilities offered by digitalisation to improve the organisation of the logistics chain, there must be available and accessible standards. We see this as part of our role as an association. Just as, in the past, we were one of the initiators of the paper CMR consignment note, a few years ago we initiated the development of TransFollow, a platform that enables the use of digital consignment notes. A standard interface such as this provides more insight into the performance of the chain and is therefore a tool that can be used to improve the efficiency of the chain. Adding greater customer value, while addressing sustainability and social responsibility.

Cooperation between shippers offers opportunities to substantially improve the composition of the chain. This will result in more efficient implementation, delivering greater customer value while respecting the social imperatives of sustainability and social responsibility. But how do shippers find other shippers who are a good fit? And by that I mean a good cultural fit, rather than a good technical fit, because a partnership's chances of success are three-quarters determined by softer factors. To facilitate good matches, at the request of our members and together with our members and a university we developed a kind of dating site for companies. We call it Compose.

VIDEO OF COMPOSE

<https://www.youtube.com/watch?v=nnJBSSonJol>

POLICY

The process of developing specific measures that promote sustainability and implementing these measures in practice is complex and likely to have far-reaching consequences for the way shippers need to look at their logistics. It is therefore necessary to provide clarity about the policy being pursued. And this needs to be done in a way that is as uniform as possible for an extended period. The climate challenge does not stop at national borders – nor do shippers. We have heard a number of examples of how the lack of a single market hinders the progress of sustainability. We need to, and can, do better.

Needless to say, maintaining a competitive business climate within Europe is vital for shippers. The European ‘at-source’ policy mentioned earlier, which provides integrated measures to reduce carbon emissions at source in all modes of transport, is an important starting point in this respect. It creates a level-playing field for shippers and business owners and gives them scope to adapt. We would therefore urge the new European Commission to make the ‘at-source’ approach a priority.

The involvement of government agencies and the willingness to co-finance innovative applications and solutions will create the scope shippers need to accelerate the transition. This means that innovation processes, which inevitably focus on the long term, need to tie in with current logistics practices and support market developments. Because entrepreneurs have to do business today.

CONCLUSION

Ladies and gentlemen, it is time for me to conclude. I hope I have given you a sense of the ways shippers are addressing sustainability. By now it will be clear that we are working on several fronts to create a robust, competitive and sustainable logistics system. We are making clear and realistic agreements with policy makers, transporters, customers and other stakeholders, we are developing specific practical solutions, and we are gaining and developing new knowledge that will help us meet the needs of the future. Dedicated efforts to make logistics chains more sustainable are well underway. The ultimate outcome will be determined by all of us, yet how we get there has yet to be decided. At this point it is difficult to envisage how technological development, or the lack of it, may accelerate or delay the transition.

Yet, more than ever, it is clear that cooperation is absolutely essential. Not only with government agencies, policy makers and allies at regional, national and European levels, but also among shippers.

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