## Sustainability e-News Q2 2017 Edition

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We are pleased to share the second edition of our GoGreen Brief – DHL Global Forwarding's Sustainability Newsletter. With this quarterly newsletter we are aiming to share our insights and knowledge on carbon reporting, reduction approaches and climate change abatement trends as well as other related sustainability topics. We hope you find it of value and we welcome your comments and suggestions.

### Maritime expenses with big environmental returns



Critics often place a large amount of blame on the shipping and maritime industry for harmful effects on the environment. Their reproach is accurate in that maritime shipping does account for 8 percent of global sulphur dioxide (SO<sub>2</sub>) emissions, making the industry a significant source of acid rain, which causes deforestation, harms aquatic life and increases corrosion, among other damages. But more often than not, the industry's various steps to

prevent environmental damage in the last decade have been overlooked or deemed burdensome on countries and end consumers.

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The first Emission Control Area (ECA) was created in the Baltic Sea more than 10 years ago. Since the creation of the ECAs, seafaring vessels are subject to stricter regulations at both a global and regional level. As of January 2015, the regulations set in place by the **1International Maritime Organization (IMO)** allow for a maximum sulphur content of 0.1 percent in the ECAs. To date, there are ECAs in the English Channel and North Sea, North America (East and West Coast U.S. and Canada) and Caribbean Sea (Puerto Rico and the U.S. Virgin Islands). Low-sulphur fuel oil is more expensive than marine diesel fuel, so as a result, carriers and forwarders released explanations and tariff tables on how the cleaner low-sulphur fuel is offset by a the Low Sulphur Surcharge.

For non-ECAs, the IMO has set a new global sulphur cap, to come into effect January 1, 2020, requiring ships to use fuel oil with a sulphur content of no more than 0.5 percent m/m (mass/mass), a huge drop from the current limit of 3.5 percent. China is a key player in this area, as it introduced the 0.5 percent suphur cap roadmap in the Yangtze River Delta, Zhujiang (Pearl River) Delta ports and Bohai Sea zones. This sulphur cap has been implemented for, in addition to its environmental benefits, the positive impact it can have on human health, particularly for those who live and work close to port cities and coastal communities. As a primary source of SO<sub>2</sub>, ships produce a colorless, reactive gaseous air pollutant known to cause respiratory diseases that lead to premature death.

In addition to China, the U.S. Air Resources Board has tried to decrease health care system costs and impact on the health of individuals living in coastal areas by approving the "Airborne Toxic Control Measure for Auxiliary Diesel Engines Operated on Ocean-Going Vessels At-Berth in a California Port" Regulation, commonly referred to as the At-Berth Regulation, in Dec. 2007. The At-Berth Regulation includes the ports of Los Angeles, Long Beach, Oakland, San Diego, San Francisco and Hueneme. As of Jan. 2017, vessels are required to shut down auxiliary diesel generators while they are docked and use onshore power. The vessels can also use alternative control technology to achieve equivalent emission reductions. For the owners of these vessels, these measures require refitting electrical infrastructure on vessels, which consequently results in these additional investments being charged back to the carrier's customers.

Another environmental challenge the IMO has been facing is the use of ballast water, pumped to stabilize vessels at sea. It was found that this ballast water often carries bacteria, microbes, small invertebrates and larvae of various species that may survive in the host environment, becoming invasive and multiplying to cause public health and environmental risks. Sept. 2018, the IMO Convention will enter into effect, forcing all ships to implement a ballast water management plan that meets certain standards and provides water treatment solutions, with various costs.

The IMO and maritime community have set various measures in place and taken action steps to lessen the environmental impact of maritime shipping, but it does come at a cost to the whole world. It should not come as a surprise to hear carriers will not bear this cost alone, but share these costs with all forwarders, shippers and, consequently, end-consumers. That said, these surcharges and additional costs should be seen as a small expense for a big return for our generation and those of the future.

#### GLEC cooks up recipe for global standard of emissions reporting



When following a recipe for a meal, you may want to add your own touches of flavor, spices or ingredient modifications, and the Global Logistics Emissions Council (GLEC) has established a "recipe," or framework, for companies and organizations to use as their guide for carbon reporting. Backed by leading experts, governments and other stakeholders, GLEC is a group of companies, industry associations and programs that want to make

carbon accounting work for industry. Its vision is to drive emission reduction and enhance efficiency across global logistics supply chains.

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In 2016, GLEC published the **†GLEC Framework for Logistics Emissions Methodologies**, providing a universal method for calculating the logistics supply chain's carbon footprint. It combines existing methods into a single

framework compatible with global carbon accounting standards. The importance of this methodology means that emissions can now be calculated consistently for roads, rails, inland waterways, sea, air and transshipment centers. GLEC's methodology is a guidance document, not a tool; That is to say, companies who want to follow the emissions accounting standards it outlines still have to purchase the "ingredients"—the tools—and decide what to include in their carbon reports themselves.

Carbon reports may vary depending on emissions factors used. For example, when calculating emissions from air freight, two methods are widely used. These methods are based on the same principles, but have a different approach to allocating emissions to both passengers and cargo on board an aircraft. Results can still differ largely just because of the method chosen. So you can still follow the recipe and get quite a different outcome in the end. The GLEC Framework 1.0 was launched June 2016 as an operating manual that could be downloaded for free to build a platform that would be compliant with future standards. Today, many forwarders are ensuring their carbon reports are GLEC-compliant.

To come up with the perfect recipe for carbon reporting and to align and ensure consistency across the board, the 50 GLEC members are further developing the standard as the globally accepted framework to calculate logistics emissions. GLEC is also working to make the framework compatible with other green freight programs, calculation tools, standards and protocols as well to enhance its utility. The end goal is a globally accepted standard whose data can be compared to help reduce companies' environmental footprint by allowing them to select the most efficient modes of transportation and carriers. A second and improved version is expected to be finalized later in 2018.

GLEC currently offers two categories for active engagement, GLEC Member organizations and GLEC Consultee organizations, each with its own associated benefits. GLEC participants meet regularly to identify how to further minimize differences in calculation methods and produce the missing global standard. To participate in creating the perfect recipe for a carbon emissions calculation standard, **†join** some of the largest freight forwarders, companies and industry associations by becoming an active participant today.

For further information or assistance, please contact our **†GoGreen team** or your DHL Global Forwarding Customer Service representative.

#### Sustainability e-News Archive

> Sustainability e-News Q1