Maersk Europe

Sustainability for European Businesses: Data-Led Report 2023

From corporate priorities and emissions visibility to consumer pressure and costs, we analyse sustainability data from over 1,200 European companies and provide insights on the past, present and future of sustainable logistics.

ALL THE WAY

MAERSK

Contents

Society as we know it in the 21st century is more conscious of its impact on the environment than it's ever been.

Armed with technological advancements and the vast availability of information about our planet, individuals, businesses, Governments and organisations alike all now recognise the need to address sustainability challenges as a matter of urgency.

In the past 30 years alone, environmental activism has transformed from something of a fringe movement under scrutiny to a cornerstone of life around the world.

In fact, *KPMG's* survey indicates that just 12% of N100 companies even reported on their own environmental footprint back in 1993, whereas 79% did so in 2022.

Among the world's top 250 companies (G250), meanwhile, sustainability reporting has grown from 35% in 1999 to a significant 96% in 2022 – clearly showing that the trajectory of both acknowledgement and action have only been going one way.

With society focusing on issues on a global scale and organisations collaborating to push for the same green goals, you'd be forgiven for thinking that mankind is reaping the benefits of sustainable improvements across the world.

However, the visible effects of climate change – rising sea levels, melting Arctic ice, extreme weather events and more fundamentally brought about by rising global temperatures – are more evident than ever in the modern age.

The *World Meteorological Organization* reports that the past eight years (from 2015-2022) are the warmest on record globally, and as a rapidly warming planet only accelerates potentially devastating environmental issues, the time for further action is widely accepted to be right now.

That's why the Paris Agreement, signed in 2016, saw 194 United Nations parties commit to doing everything in their power to limit the Earth's warming to just 1.5 degrees Celsius. As such, every single aspect of society, business and Government policy has come under the microscope to find sustainability-focused improvements – including, of course, logistics.

Sustainable logistics isn't a particularly new concept, but its recent evolution has been remarkable. Back in the 1980s when early sustainability concerns began to surface, companies started to consider logistics options that had less of an impact on the environment, while logistics service providers themselves reduced their footprint with occasional and largely simple incentives – waste management, encouraging modal shifts and optimising routes for less fuel consumption.

But as far as priorities go, sustainability wasn't exactly high on the list. The growth of multi-national corporations meant that the opportunities and indeed complexities of global trade took prominence, and elsewhere new technologies such as barcoding, electronic data interchange (EDI) and transportation management systems (TMS) saw businesses with their hands full. Fast-forward 40-plus years, and sustainable logistics takes on a whole new definition.

Now, alternative fuels such as renewable electricity, hydrogen, natural gas and biofuels are able to power various transport modes in the logistics world, while infrastructure at ports and facilities like warehouses are built and/or run to environmentally friendly specifications. All the while, advancements in tracking and visibility technology are starting to enable companies to monitor their supply chain's greenhouse gas (GHG) emissions and make necessary adjustments with a view to being greener.

Even so, there's a very long way to go before logistics can consider itself fully decarbonised. According to *CarbonCare*, the transport and logistics sector still accounts for a substantial 24% of greenhouse gas (GHG) emissions around the world (totalling as much as 7.7 gigatonnes of CO2 equivalent in 2021). And unless 'strong and effective actions' are taken, the European Environment Agency expects logistics to account for up to 40% of global emissions by 2050.

But with great responsibility comes a great opportunity, and logistics providers are comprehensively recognising how they can play a critical role in shaping a decarbonised future by leading from the front.

The question remains: are companies around the world ready and able to keep up?

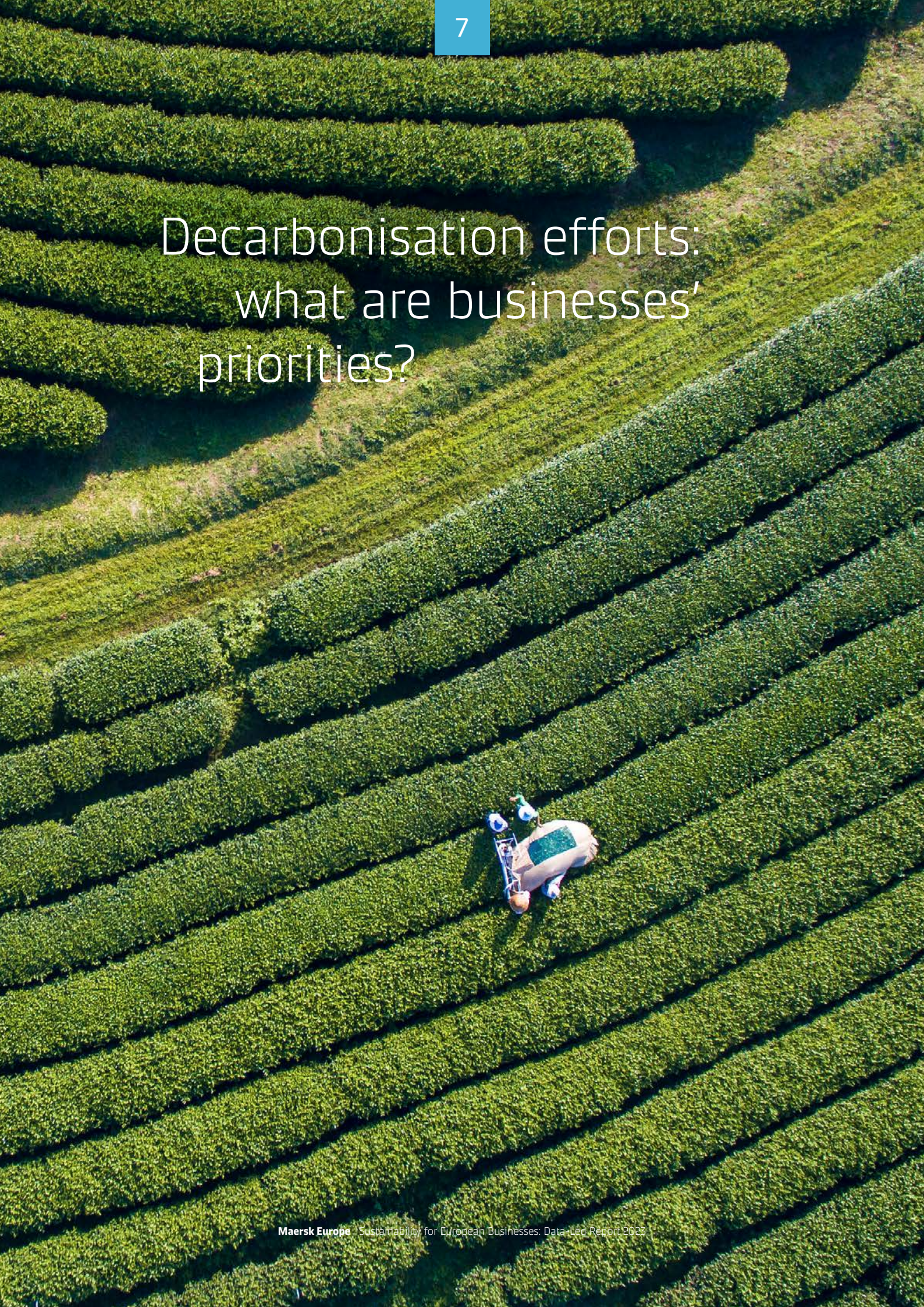
This report is the product of a Maersk-owned survey of 1,264 businesses across Europe and sets out to establish how prominent a role sustainability plays in supply chains and where the opportunities lie for further development.

Covering the full spectrum of sectors and company sizes, our aim is to demonstrate the high value of sustainable logistics practices for businesses across the board, as well as their importance for the modern-day consumer.

In times of widespread uncertainty and recent economic instability, we also wanted to find out if sustainability was falling down the list of priorities for companies whose focus may have switched firmly to keeping heads above financial water.

Maersk hopes this report gives you a broader understanding of sustainable logistics and where all of our attention must turn as we move towards a greener future together.

Decarbonisation efforts: what are businesses' priorities?

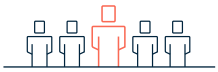


1 in 3

Did not have a strategy in place

1 in 4

Acknowledged the importance of sustainability



1 in 5

Only comply with the minimum sustainability standards

2 in 5

Are fully committed to sustainable logistics

With the eyes of the world more and more focused on decarbonisation efforts, European companies are now faced with a number of risks if they choose to de-prioritise more environmentally friendly practices within their operations.

In terms of legislation, new European Union regulations such as the Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD) mean disclosing sustainability efforts is no longer a desirable bonus, but instead a necessity.

CSRD, for example, requires all businesses of over 250 employees or €40 million-plus annual turnover to submit sustainability reports, while the proposed EU Green Claims initiative will introduce a set of measures to clarify environmental product labels and penalise any acts of consumer 'greenwashing' (providing misleading or false information about the environmental impact of a company's products or operations) if approved. As the EU brings in more guidelines around sustainability, a lack of compliance can put companies at risk of fines and subsequent reputational damage – and reputation could prove all-important in the eyes of the consumer.

That's because the attention paid by the public to businesses' sustainability efforts is increasing all the time, with 60% of consumers globally rating it as an important factor in their purchasing decisions *(Business Wire)*. Should companies choose not to enhance and actively display their environmentally friendly practices, they could be at a competitive disadvantage to consumers and indeed investors worldwide.

And then there's the real-time risk: not having a sustainability strategy in place could lead to an inefficient use of resources and ultimately end up making operations more expensive day-to-day.

All of these things considered, the case for implementing sustainable practices can be a very strong one, and logistics itself would undoubtedly be an area of focus to exercise a company's environmentally friendly credentials and lead to business growth.

However, when asked what emphasis our surveyed organisations put on sustainability in logistics, almost 1 in 3 did not have a strategy in place. Just less than 1 in 4 acknowledged the importance of sustainability but are still without a logistics strategy, while 1 in 20 aren't yet interested in sustainable logistics altogether.

A further 1 in 5 respondents indicated that they only comply with the minimum sustainability standards, leaving just 2 in 5 companies who either drive sustainable initiatives or are fully committed to sustainable logistics.

It's clear that there's still work to be done in making logistics a fundamental part of businesses' sustainability strategies, but as there are a number of areas that can be subject to environmentally friendly improvements – from using transport modes with alternative fuels at one end to adopting greener product packaging at the other – there's plenty of opportunities.

According to our survey, the current top three sustainable logistics priorities for businesses across Europe are: increasing energy efficiency, shifting towards transport modes with a lower greenhouse gas (GHG) emissions footprint, and *waste management incentives*.

The most common priority – increasing energy efficiency – covers a broad range of ideas that can be achieved through the use of technology and adopting operational/behavioural changes – for instance, within warehousing.

As per the *European Logistics Supply Chain Sustainability Report*, 12% of companies believe the biggest sustainability-focused improvements across their entire supply chain can be made in warehousing; and for good reason.

Simple everyday practices like using energy-efficient lighting and temperature controls/insulation will reduce your emissions footprint quickly and easily in a warehouse, while using the most energy-efficient equipment takes it to another level. However, there are further sustainability levels to climb in warehouses.

Europe's demand for storage has increased dramatically over the past decade, as *Statista* reports that newly built warehouse space rose by a remarkable 302% from 4.2 million square metres in 2010 to 16.9 million square metres in 2019.

Now in 2023 with a renewed focus on decarbonisation, logistics companies are building and running newly built warehouses to *low-GHG-emission specifications*, which ultimately means two things: all operations are run on electricity, rather than gas, and that electricity is sourced from renewable on-site or external sources.

This allows warehouses to operate as effectively as they normally would, but with minimal energy use – and if such savings are visible to companies using the storage space, it can act as another string to their decarbonisation bow.

At the other end of the survey, the two outlying results that the least amount of respondents prioritised were: offsetting carbon emissions and redesigning the distribution network.

Carbon offsetting projects are investments outside of the company value chain that extract carbon dioxide from the atmosphere in order to counterbalance the CO2 emitted from operations. Primarily, offsetting is seen in the form of forestry initiatives or investments in renewable energy plants.

Offsetting, naturally, doesn't reduce or impact the CO2 released operationally, and within logistics itself, it doesn't account for co-pollutants such as methane and nitrous dioxide.

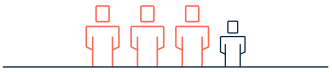
Instead, the key focus for logistics is shifting to 'insetting' – a means of investing in climate protection programmes across your own value chain or even fully across the sector in which you operate.

If insetting is performed correctly and through enough companies worldwide, the potential for reducing the logistics industry's footprint is massive.

Take biofuels as an example. Bringing such technology to market requires vast research and development, new infrastructure for production and, in some cases, new fleets of vessels or vehicles for facilitation.

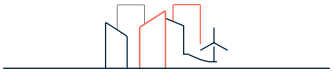
Any company looking to make that happen alone would face an uphill battle, but combined efforts across the entire industry is a recipe for sustainable success. So while offsetting emissions does rank low in European organisations' list of priorities, the increased focus on insetting and collaboration between logistics providers is cause for optimism.

Visibility: all eyes on a unified solution



3 in 4

Agreed or strongly agreed – having visibility of your logistics emissions footprint is important



2 in 5

Companies consider themselves to have 'good' visibility of GHG emissions along their supply chain

Adopting sustainable incentives within logistics is one thing, but understanding your impact on the environment across your entire supply chain through complete emissions visibility is what's truly valuable for businesses in Europe.

From an environmental point of view, monitoring emissions through the latest technology allows businesses to identify areas of their supply chain that require improvements. From there, they can take the necessary steps to make operations more environmentally friendly – such as modal switches or adopting alternative fuel transportation.

Identifying inefficiencies and emissions hotspots also enables businesses to optimise their own logistics processes. What that effectively means is being able to analyse journeys for potential consolidation and subsequently removing unnecessary transport, all in all resulting in lower operational costs and increased profitability.

Plus, as European legislature around sustainability becomes more prominent, having visibility of one's logistics footprint means you can be compliant and accurate in your data reporting – avoiding potential fines or damage to your reputation in the process.

Commercially, meanwhile, visibility and the external application of logistics emissions data is something that can be used to gain a competitive edge and maintain positive relationships with consumers and stakeholders alike.

So it's safe to say having a comprehensive view of emissions across the supply chain is valuable to businesses on a number of different levels, and that much was apparent in our survey feedback.

Almost 3 in 4 respondents either agreed or strongly agreed that having visibility of your logistics emissions footprint is important, while only 1 in 20 of those surveyed disagreed or strongly disagreed with the statement.

However, despite wide acknowledgement of just how important and valuable visibility is, it hasn't necessarily translated to businesses gaining the emissions insights they need. In fact, according to our survey, just 2 in 5 companies consider themselves to have 'good' visibility of GHG emissions along their supply chain.

As far as logistics emissions visibility goes, there is undoubtedly demand to be supplied. Companies are calling out for solutions that will allow them to reap the environmental and commercial benefits that come with visibility, but modern technology still has a distance to go before the way is universally paved.

Fundamentally, measuring your logistics footprint comes down to the availability of *accurate and high-quality data* – cargo weight, transport distance, fuel consumption and more. This data does indeed exist for the majority of movements in any given supply chain, but utilising it in the correct way is where the major problems lie.

Specialist technology and tools are required to capture, process and analyse journeys across all modes of transport, using sophisticated benchmarking data to ensure complete accuracy. Such software requires investment, internal training and a justifiable business case that could vary depending on company size and priorities.

But even with the technology in place, a lack of standardisation across all software means different industries and organisations may track emissions with different benchmarking data to produce different results that are difficult to trust.

And considering the complexities and indeed fragmentation of many supply chains – taking various avenues of transport, storage and procurement into account – it's difficult to put data under the same umbrella and analyse it consistently.

Even so, Shane Rooney, *Proxima* Principal Consultant, explained that while these inconsistent logistics emissions tracking challenges are very much apparent, the technology is moving fast to keep up with society's demands:

So what can we really expect for logistics emissions visibility in the next five to 10 years?

"Companies are really struggling to achieve visibility into what their Scope 3 emissions [including transport and logistics] are. They don't have the capacity to benchmark their carbon footprint. There's currently no perfect system for bringing together all of the data generated by supply chain partners into a single number that represents a company's total footprint. While new technologies promise to improve the collection, assessment and tracking of cargo data, it's still a relatively immature area. Expectations are only increasing for it to be embedded into everything a company does in the next five to 10 years. It's going to be an intense and fast-moving path.

"Visibility of emissions in logistics is undoubtedly improving and has been for many years now, but demand is growing worldwide for more to be done – and fast. That's why logistics providers are investing time and money in getting the industry where it needs to be, looking to provide crucial environmental and commercial benefits to businesses in a world of growing consciousness and pressure. The route it's going down is indeed an exciting one, too, as we expect to see the unification of data throughout the industry ultimately leading to improved accuracy. Not only that, but businesses will one day be able to track their emissions data in real time, showing exactly what impact they're having on the environment at any specific point – and, of course, time – in the supply chain. Stronger and more accurate data will provide more opportunities to actually act on information within operations, including making more informed decisions on logistics decarbonisation and supply chain risk management. It also means businesses will be able to predict where their emissions hotspots could lie based on previous historical data, before making the necessary changes to reduce their environmental impact. And as regulations get more stringent across Europe and the world in the future, that could prove imperative for companies just to facilitate trade – let alone gain a commercial advantage with emissions statistics that strike a chord with the public. We still do have a way to go before ultimate visibility is achieved within logistics, but things are certainly moving in the right direction. With investment, collaboration and a common goal of protecting the planet, such a future will become reality sooner rather than later."

Kaisa Tikk, *Maersk Head of Sustainability Sales Enablement*

The cost of sustainability: will companies absorb the higher base price?

Less than

1 in 3

Companies accept the higher cost base that low-GHG-emission logistics requires

More than

1 in 2

Respondents have already started reducing their GHG emissions through logistics services

Just over

1 in 2

Indicated that they have plans to reduce emissions from logistics within two years

Decarbonising logistics entirely is undoubtedly a big mountain for the world to climb. With so many complexities and areas to consider, it's safe to say fully sustainable logistics across the board isn't going to happen overnight or without industry-wide investment and collaboration.

The Wall Street Journal reports that eliminating emissions from the maritime industry alone would cost $3 trillion, and that's only scratching the surface when you consider how vast the rest of the logistics industry is.

Logistics service providers are expected to lead from the front with these investments to make the industry greener, but the costs still need to be covered. However, as the past few years have been some of the most testing for businesses from a financial point of view, could sustainable practices have slipped down the list of priorities?

Inflation in the EU hit unprecedented highs of 11.5% in October 2022, with Turkey seeing the highest annual rate of an astonishing 72.43% *(Statista)*. And as prices of everyday items increased, more and more of society prioritised essential purchases over luxury spending and became more financially conscious overall.

Such uncertainty made for extreme fluctuations in demand and some companies needing to fight purely for their survival. So when the option of transport with lower GHG emissions but a higher price is on the table, it would only be natural for businesses to look elsewhere and protect financial figures above all else.

Our survey reflects such a situation, too, as when asked if companies accept the higher cost base that low-GHG-emission logistics requires, less than 1 in 3 agreed or strongly agreed.

However, while paying a premium for lower emissions logistics operations may appear to be unwise to those prioritising financial performance, the trade-off on a company's sustainability investments can be a significant one.

Interestingly, 2 in 3 consumers across all generations said they would pay a premium for more environmentally friendly products, but equally 2 in 3 retailers themselves believe that consumers will not accept this higher cost price for such goods *(Forbes)*.

Real-time data suggests it's already happening, too, with 72% of consumers actively buying more environmentally friendly products than they did five years ago and 81% saying they expect to buy even more over the next five years *(The Economist)*.

This demonstrates that there is an opportunity to separate oneself from the crowd and increase market share amongst sustainability-focused consumers, and we're seeing that across multiple sectors.

French footwear brand *Veja*, for example, holds its commitment to environmental, social and governance (ESG) incentives as a unique selling point, claiming to 'mix social projects, economic justice, and ecological materials'.

Veja gives full transparency of emissions across its entire product line (its signature Esplar sneaker is said to warrant 21.5kg of CO2 equivalent emissions) and asks that consumers buy into their vision of a more sustainable and circular fashion industry.

And Veja's mission statement has certainly resonated with the public, so much so that its revenue has grown from €12 million in 2016 to an estimated €150 million in the 2021-22 financial year *(Fashion Network)*.

By adopting sustainable practices, gaining accurate data and making it readily available to the everyday consumer – like Veja – there are vast opportunities for growth in a socially and environmentally conscious society.

Businesses in Europe may already be identifying this and making plans to take action. According to our survey, more than 1 in 2 respondents have already started reducing their GHG emissions through logistics services, while only 1 in 6 have not.

And despite the combination of a reluctance to accept the higher cost base for low-GHG-emission transport and the current economic climate, it appears businesses in Europe do have decarbonised logistics in their sights in the near future as well.

Of our surveyed companies, just over 1 in 2 indicated that they have plans to reduce emissions from logistics within the next two years; only 1 in 8 disagreed or strongly disagreed with the statement.

The logistics industry does indeed have a great responsibility on its shoulders to decarbonise operations as swiftly as possible, but such numbers suggest that it's moving in the right direction and companies are buying into sustainability-focused incentives.

But has such a positive trend been observed in everyday reality by logistics service providers?

"If you wind the clock back only three years or so, the appetite for investment into lower-greenhouse-gas-emission logistics simply wasn't there. Today, if we look at our top 200 global customers, two-thirds of them have laid out net-zero ambitions for the future and around 10-15% are already investing in logistics to take them on that journey. That's a really great development in what is actually a rather short space of time, but we still have a big gap to fill moving forwards. At this time, the majority of companies are still developing their strategies and understanding what's possible within logistics – and it's our challenge to steer them in the right direction and provide exactly what they need to meet their targets. If we see 40-50% of business investing in the near future, that would be more than enough to scale solutions for the entire industry and ultimately bring about financial parity within lower-GHG-emission logistics. From then on, we hope to be able to help the remaining 50-60% of businesses on their sustainability journeys and ensure a brighter future for us all. So things are moving in the right direction – and that's certainly exciting – but we need to speed up and get more commitment from all parts of the ecosystem that will help get us to where we need to be faster."

Mads Stensen, *Maersk Head of Commercial Sustainability*

Consumer pressure: can companies afford to NOT be sustainable?

1 in 4

Businesses are subject to the highest amount of pressure to decarbonise logistics from new industry legislation

Elsewhere

1 in 10

Report direct employee pressure and shareholder pressure respectively

1 in 5

Businesses said they were subject to pressure from the public in general

While

1 in 2

Said their own customers demand logistics to be done in a more sustainable way

Being more sustainable in day-to-day operations may be for the good of the environment on the broadest level, but businesses worldwide have a number of reasons for adopting and indeed promoting sustainable practices beyond just doing the 'right thing'.

We've established that consumers are putting more and more focus on an individual product's sustainable credentials before purchasing, however pressure to be more environmentally friendly comes from a number of different avenues.

According to our survey, businesses are subject to the highest amount of pressure to decarbonise logistics from new industry legislation (1 in 4), while an internal push from company directors or boards stands at 1 in 5. Elsewhere, 1 in 10 report direct employee pressure and shareholder pressure respectively.

Even so, customers remain the key drivers for businesses adopting lower GHG emissions logistics. Of our surveyed companies, 1 in 5 said they were subject to pressure from the public in general, while a significant 1 in 2 agreed or strongly agreed that their customers demand logistics and transportation be done in a more sustainable way.

It's clear that end consumers are talking the talk in terms of their sustainability demands from businesses, but are they really putting that into practice? Should a company not meet sustainability demands, would they really be abandoned on ethical grounds?

History teaches us that it certainly can happen, and it could well happen a lot more as the new generation comes through.

FirstInsight's report reveals that 62% of Gen Z shoppers (born from 1997 to 2012) prefer to buy from sustainable brands, and a massive 73% would pay more for sustainable products. And as Gen Z will represent 27% of the world's income and actually surpass that of millennials as soon as 2031 *(Insider)*, it's clear that their *influence on the world's markets* is growing – so much so that companies now need to keep up or face being left behind.

The fashion industry, for example, is one that Gen Z has a monumental influence on. That's why fashion brands are putting so much focus on being more sustainable across the board and promoting as much, but they face an uphill battle to win the approval of conscious youngsters given that the industry itself accounts for around 10% of global CO2 emissions *(UN)*.

However, 'fast fashion' is where the main problems lie in the eyes of many. Fast fashion outlets mass-produce the latest trends at super low costs and bring them to market as quickly as possible to meet high demand. Such a short shelf life makes for *extraordinary levels of clothing waste* (an estimated 92 million tonnes annually), a heavy GHG footprint with the frequent manufacturing and delivery of unsustainable materials and much more. Plus, there are widespread ethical concerns about the conditions that factory workers are exposed to during the entire process.

And the modern-day consumer isn't just ignoring these concerns for the sake of being fashionable – instead, they're voting with their feet.

According to an OpenPoll *survey*, as much as 75% of young people are 'desperate to ditch fast fashion' in favour of more sustainable alternatives, and we've seen as much unfolding in reality in recent years.

Fashion outlet Forever 21, for example, filed for bankruptcy at the turn of the decade, and Professor of Marketing at the *University of Pennsylvania* Barbara Kahn says sustainability was one of the driving forces behind it:

> "Perhaps the biggest mistake made by Forever 21 was its leadership's inability to read the tea leaves and see a significant shift in consumer attitudes about fast fashion. That business model worked well, until the world woke up to the pressing problems of climate change. Young people are leading the charge for sustainability, demanding that businesses reduce their devastating impact on the environment. Customers that once flocked to fast-fashion stores like Forever 21 are abandoning them in favour of clothing that isn't disposable."

It's clear that pressure is growing and will continue to grow across all industries as the years tick by, so more sustainable logistics practices will indeed prove more and more important to companies looking to reach consumer-focused sustainability goals.

And if the Forever 21 situation has taught us anything, it's that consumers are not shy to take a moral stand against brands who find themselves on the wrong side of the environmental or ethical compass.

Greener options: end-to-end sustainability

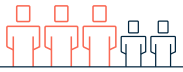
2 in 5

Surveyed customers said their company already shifts to transport modes with lower GHG emissions

As opposed to less than

1 in 4

who do not



3 in 5

Respondents agreed - environmentally friendly logistics and transportation are important as sustainable material sourcing and manufacturing

Whereas only

1 in 8

disagreed

Businesses and the general public are opening their eyes more and more to the advantages of being sustainable, and the value of logistics within that ecosystem is continuing to increase.

How far along companies are on their sustainable logistics journey certainly varies across Europe, but we're seeing a lot of simple incentives being adopted in order to be more environmentally friendly and indeed cost-efficient.

From consolidating shipments and reducing packaging sizes to opting for greener transport modes and more, the recent uptake in sustainable practices is encouraging for both the industry and the world.

In fact, 2 in 5 of our surveyed customers said their company already shifts to transport modes with lower GHG emissions – as opposed to less than 1 in 4 who do not.

Even so, there are still a lot of businesses who may well understand the need to be more environmentally friendly, but don't know where to start. So what's possible in the world of low-GHG-emission transportation that could act as a stepping stone towards greener overall operations?

One of the most common ways businesses reduce their emissions footprint is opting for rail solutions where possible. According to *Network Rail* in the UK, each tonne of freight transported by rail emits 76% fewer GHG emissions than if transported by road; and with trains reportedly able to carry as much as 110 trucks, the environmental benefits can be substantial.

In terms of electrification, Europe's rail network stood at 56.6% electrified in 2020 as per *Statista's* latest figures, with more investments being made in the following years to maintain an upward trend.

Switzerland remains the only country with 100% electric rail coverage, but the likes of Belgium (87%), the Netherlands (76%), Sweden (75%) and Austria (72%) aren't far behind. Still, there's work to be done in major territories such as Spain (64%), France (63%) and Germany (53%).

Phasing out regular diesel trains has also been the mission of *biofuel technology* within rail freight. Biofuels can be used on existing train engines without the need for modification, reducing not only carbon emissions, but also methane, nitrogen oxides and particulate matter.

Second-generation biofuels take those reductions a step further and are already capturing the attention of the industry.

"Second-generation biofuels can be used in locomotives without engine modifications and offer a significant reduction in GHG emissions compared to conventional fuels. In the entire life cycle from production to use these emissions can be reduced by up to 90% compared to traditional fuels."

Carlos Giner, *Chief Commercial Officer for Spanish energy company Cepsa*

As biofuel technology develops and electrification gathers pace across Europe, rail services will continue adding to their sustainability credentials. Getting the right products and scheduling in place for businesses to make use of rail freight is one of the major challenges for logistics companies to fulfil.

Elsewhere, electric vehicles (EVs) are becoming increasingly available in the freight market and offering significant emissions savings over their standard fuel-powered counterparts *(ICCT)*. As such, logistics companies are expanding their fleets to bring benefits to customers primarily on shorter journeys or indeed around facilities such as ports or warehouses. Hybrid trucks are also in operation for longer journeys, but conventional power continues to make up an overwhelming majority of the industry.

There are a number of barriers to overcome in this space, but advances in technology and infrastructure will make EV and hybrid trucking more commonplace and pave way for the sustainability-focused benefits to be brought to businesses. Robert Falck, CEO and Founder of Swedish freight company *Einride*, believes this should be happening sooner rather than later as well: "In the $4 trillion freight mobility space, between 40%-50% should be electric driven by the business case today. That means there's a $2 trillion opportunity already today."

However, it's in ocean freight where the real environmental gains stand to be made, as *Statista* reports that an estimated 80% of all global goods are transported on our seas. Decarbonising ocean services is naturally high on logistics providers' priority lists – and that means investing in future-proof technology.

Maersk itself has invested in vessels that have dual-fuel engines and can subsequently operate on green* methanol fuel, and it's that forward-thinking and responsibility taking that *ICCT* Marine Programme Lead Bryan Comer says is imperative in the journey towards net-zero emissions:

> **"**The global shipping industry as a whole needs to recognise that it has a responsibility and a role to play in decarbonising the global economy. The shipping sector is a key part of the supply chain for almost every industry, and so it really does have a responsibility to make sure that it does its part to prevent the worst consequences of climate change. To do that the industry needs to stop increasing its emissions every single year, which has been the trend over the last couple of decades, but to actually start reducing their absolute emissions and get it on a pathway to net zero."

Alternative fuels will be the name of the game as we move towards a greener future, and even conventionally unclean transportation like air freight is set to benefit from the technology in due course. With collaboration in the form of commitment from providers and investment from businesses, logistics will be decarbonising and reach its targets faster.

Even so, it's one thing worrying about your own direct emissions that you have some control over, but another getting the balance right both up and downstream on your supply chain.

In our survey, 3 in 5 respondents agreed that environmentally friendly logistics and transportation are just as important as sustainable material sourcing and manufacturing, whereas only 1 in 8 disagreed.

That's why complicated supply chains – as we see in the likes of FMCG or fashion – are more of a challenge in terms of sustainability. Take the *beer industry* for example; how can your average beer company claim environmentally friendly credentials with so many moving parts up and downstream?

Production and distribution involve the likes of farmers, maltsters, brewers, wholesalers and retailers, all of which would have their own set of processes and logistics to consider. Sourcing barley, hops, yeast and more potentially from overseas adds further complexity, and then there's packaging and waste to boot.

So much going on may seem difficult to manage, but beer supply chains are actually an ideal blueprint for the power of collaboration and what it can achieve across many industries.

Having complete visibility through the entire supply chain from raw material sourcing to the final product delivery is the only way of gauging your true environmental impact – and you gain that visibility through the implementation of technology. With that, ensuring you work with responsible and conscious partners both up and downstream means the visible data coming back your way will make for positive reading.

Steps are being taken in the beer industry to be more sustainable, and over time as awareness and commitment grows all the way across the supply chain, complexities can be ironed out and make for far greener operations.

*Maersk defines "green fuel" as fuels with low to very low GHG emissions on a life cycle basis compared to fossil fuels (min 65% reduction).

Thank you for reading

In this report, we set out to assess the evolution of low-GHG-emission logistics, where there's room to grow and what Maersk customers need to make their operations more sustainable for the good of the environment and their own business goals.

With 1,200 businesses across Europe responding to our survey, we expected a lot of interesting feedback that could help Maersk and the entire industry on its mission towards net-zero emissions – but also some surprises.

What didn't come as a surprise was the value of environmentally friendly practices to businesses across Europe, with more than 4 in 5 at least acknowledging the importance of being more sustainable within logistics. However, turning that into a concrete strategy is where there's room for improvement, with only 2 in 5 saying that they had one in place.

Perhaps that's a sign of the challenging social and economic times we find ourselves in, or indeed just how ready the technology is to give businesses what they need.

Logistics emissions visibility, for example, was deemed important by a significant 3 in 4 companies, but only 2 in 5 considered themselves to have 'good' visibility in this area. Technology still needs to be fine-tuned to set an industry standard and indeed ensure trustworthy data, and that will undoubtedly be a major area of focus for service providers.

Financial situations are also worth considering as reasons strategies aren't in place yet. The uncertainty that comes with widespread inflation has led to a lot of companies changing their priorities, and investing in the higher cost that low-GHG-emission logistics brings wasn't favourable to 2 in 3 of our surveyed companies.

Even so, it's clear that the trade-off for being more sustainable can be hugely beneficial to many companies, with a new generation of environmentally focused consumers coming through and voting with their feet. And with logistics making up a large percentage of overall operations emissions for many businesses, it's very much a solid place to start being greener and demonstrating as much to the public.

We've seen companies opt for more environmentally friendly transport options (2 in 5) in recent times, and the growth of investment into low-GHG-emission logistics in only the past three years has been incredibly encouraging. However, there's ample room for more.

The logistics industry as a whole is climbing the sustainable ladder at speed, but can it get over the wall? The answer is that it absolutely can, but only with collaboration, investment and unified goals across all avenues.

With that we'll see every side of the logistics industry elevated to the sustainable levels we all need for success; not just in one area or for a handful of providers, but every which way to turn sustainable practices simply into standard practices.

There remains a long way to go on the journey, but getting it right is of paramount importance for the planet we call home. And that's something we can all agree is a cause worth coming together for.

About the Maersk Europe sustainability survey

Quantitative online survey in English during the period 10th-20th February 2023 with a probability-based (random) sample of European Maersk customers.

In total 1,264 respondents, with a fair representation across all European geographical areas, customer groups, level of seniority and areas of responsibility.

Maersk Europe

ALL THE WAY

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