

Good Practice for Sustainable Logistics

Introduction

The closely related topics of the environment and climate change have attracted headlines for over many years. In many ways this is still an evolving discipline that many feel is difficult to fully understand and appreciate. Despite the recession, green transport is already important for business customers, 63% of whom believe that companies will regard transportation as a key lever to reduce carbon footprint.

The following statistics which include freight and personal transport show that the logistics industry is a major contributor to CO2 emissions.

- 10% of the EU's GDP is generated by logistics and transport activities
- 13.1% of global greenhouse gas (GHG) emissions are caused by the transport sector
- Within the second figure 60% of all emissions are road freight generated.

Within the transport chain there are two types of emissions:-

- Direct which relate to those activities directly undertaken by the freight forwarder and are within their capability to manage
- Indirect relating to emissions emitted by other parties within the supply chain, but it could be argued that they should be aware of.

Within our industry, considerable emphasis is placed on reducing direct carbon emissions. Our sector is a heavy user of diesel, gas and electricity, and more can be done to manage the use of these increasingly scarce and expensive resources. These costs are a significant proportion of our Members operational overheads and it is estimated that fuel accounts for approximately a third of the costs of running a HGV. Additionally this is something that is under their direct control. Managing the use of these resources is both financially and socially responsible, and will bring down the cost of green logistics.

BIFA's conclusion is that to implement a successful sustainable policy is at least a two stage policy. The initial emphasis should be placed on the achievable factors that are within the Members capability to control. At a later point, if it is thought to be appropriate this can be extended to cover broader environmental issues.

Definition of Sustainable Logistics

For the purposes of this Good Practice Guide we have chosen to use the following simple but practical definition of Sustainable logistics as:-

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“A planned and systematic approach aiming to reduce the environmental impact of a company’s activities by improving the efficiency of processes, reducing the use of energy, water and fossil fuel when providing transport and logistics services”.

Legal Case

There are numerous environmental regulations and laws which cover noise, emissions and pollution control including EU Emissions Trading Directive 2003/87/EC, Aviation Directive 2008/101/EC and Regulation (EC) No 715/2007 regarding emissions for light passenger and commercial vehicles (EURO 5 and EURO 6)

Also tax is an important driver of change and it is no coincidence in the UK since income tax on company cars has been linked to emissions that the latter have consistently fallen.

The Business Case

One of the main weaknesses of the environmental lobby is that they focus on ethical issues and largely ignore the business arguments for adopting sustainable policies. The brutal reality of the situation is that the world is currently heavily dependent on fossil fuels which are now more expensive than they were 10 years ago. The new technologies such as wind and wave power will need considerable infrastructure investment and will probably be as expensive as the outgoing technology they replace.

The main points when putting the business case for adopting the environmental policies can be summarised as follows:-

- **Financial**
Improving environmental policies often results in cost savings. Current research that this is the driver behind the efforts of 77% of organisations to cut their emissions
- **Corporate Reputation**
Environmental awareness amongst the business community and consumers is increasing. In certain cases it would appear that when all other things are equal it can be a differentiating factor in the market place. These factors can be as varied as companies ceasing using Asian sweatshops, only buying line caught tuna or using carriers who have stated that they support environmental projects.

Recent surveys have indicated that 57% of business customers surveyed stated that they would favour a greener over a cheaper provider.

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- **Risk Management**

Events in 2012, including the panic buying of fuel when it was thought that tanker drivers would strike in the UK and price volatility due to a lack of political stability amongst Middle Eastern oil producers once again highlighted the dependency of the West on a regular supply of oil. This is not something that could have gone unnoticed elsewhere, and many analysts are becoming increasingly concerned that a relatively few countries could use oil as an economic weapon.

Also there is increasing environmental legislation with the possibility of fines being imposed for non-compliance. These can be very severe and can run into many hundreds of thousands of pounds. The negative publicity can have a negative impact on **corporate reputation**

- **Staff Recruitment and Retention**

In particular amongst younger people, there is an increasing level of knowledge regarding the environment. Surveys clearly demonstrate that employees have a clear preference for working for sustainable companies. In a survey by the recruiting platform monster.com, over 90% of young professionals stated that they would be more inclined to work for a green company.

Developing an effective programme

BIFA believes that a staged approach towards implementing sustainable policies is the most practical in our sector. To make a success of the policy it is important to clearly define the areas to be reviewed and the objectives to be achieved.

Sustainability is a management process and the following general principles need to be in place before commencing on developing an environmental policy:-

- Management buy-in ensure that senior management support the programme
- Appoint an individual with sufficient authority to undertake the project
- Communicate effectively with employees and involve them
- Establish management functions such as a monitoring and review processes

It is probably wise to adopt the SMART acronym; Specific, Measurable, Achievable Realistic and Time Bound. In view of the international focus on reducing carbon emissions and the potential savings this is often one of the first areas considered for review. The other advantage is that much of the data is already available in management accounts: it may need expanding, but the basics are usually available.

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- **Carbon Accounting**

As a first step towards an environmental policy their energy usage and costs need to be **calculated**. When this has been achieved it should be possible to set clear targets to reduce energy usage and monitor progress towards achieving them.

- **Carbon Avoidance**

Once steps have been taken to accurately establish and monitor a company's usage of energy, thought should be given as how to **avoid** generating them in the first place. This may include using Skype or video conferencing to make presentations, eliminating the need for staff to travel to a specific location.

- **Carbon Control**

The third stage is to **reduce** consumption; in many cases it is impractical to avoid an activity that generates emissions. However, some thought should be given to ways to reduce the emissions; including improving building insulation, better resource utilisation and lastly introducing a policy to only replace older equipment including vehicles with energy efficient low emission products.

All of these steps are known to assist a company in identifying, controlling and eventually reducing its energy consumption. Sustainability is not about going without, but looking at alternatives to what is currently being done and making informed and sensible choices.

- **Carbon Offsetting**

Whilst emissions can be reduced they cannot be completely avoided and for companies wishing to reduce their emissions to zero will have to consider **offsetting**. Under such schemes the full effects of the remaining emissions that cannot be avoided can be mitigated by reductions elsewhere in the World. Under such schemes credits can be purchased to fund schemes aimed at reducing emissions elsewhere in the World. Assured credits are credited through a mechanism to ensure that emission savings as a result of funding through credits are additional and permanent. Offsetting is very much the last stage in energy management and should only be used after consideration has been given to **avoidance** and **reduction** schemes.

The other significant advantage of focussing on carbon related topics is that the lessons learnt and techniques used can easily be transferred to other areas such as waste and water management.

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Good Practice

Many companies may have implemented “ad hoc” and informal practices over a period of time, which if consolidated together can provide the basis of a coherent policy. Many of the following are both obvious and easy to implement, others need more careful consideration due to their cost implications.

- **Energy Consumption (carbon footprint)**
 - Turn of electrical appliances (The Carbon Trust estimates that an average offices waste £6000 a year by leaving equipment on over week-ends and Bank Holidays)
 - Reduce thermostat temperature (1 degree can generate a 10% saving in a heating bill)
 - Reduce the number of and use energy efficient bulbs
 - Consider replacing light switches by motion sensors
 - Consider switching to a green energy supplier
 - Review driving practices including excessive idling times

- **Premises**
 - Ensure regular maintenance of the building and equipment is carried out
 - Install insulation
 - Install double glazing
 - Install solar panels
 - Encourage the use of natural light and ventilation

- **Purchasing**
 - Consider changing type of power plants e.g. electric for LPG forklift trucks
 - Ensure energy efficiency is a purchasing policy criterion

- **Water**
 - Review the use of water at each site
 - Consider of dual flush/hippo systems for toilets
 - Push taps
 - Repair leaks
 - Consider water capture systems

- **Resource Management**
 - Review waste and implement a sorting process for recyclable items
 - Assess revenue that can be generated by selling recyclable items
 - Review usage with the aim of reducing it
 - Investigate re-use of items
 - Ensure maximum utilisation of equipment

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Standards

There are various standards that can be obtained to demonstrate that an organisation is meeting environmental standards. Below are links to three of the most relevant:-

ISO14001

<http://www.iso.org>

IEMA Acorn Environmental Management Scheme (BS8555)

http://www.iema.net/ems/acorn_scheme/bs8555

PAS2050 (free to download)

<http://shop.bsigroup.com/en/Browse-By-Subject/Environmental-Management-and-Sustainability/PAS-2050/>

Conclusion

Much has been written about the environment, in this brief best practice guide we have endeavoured to de-mystify the subject. It is important that the reader appreciates that this is one topic that is likely to become increasingly important over time, particularly when the statistics become more transparent.

Current thinking is that increasingly large companies will endeavour to use their green credentials to differentiate their product from that of their competitors. The modern economy is heavily reliant on the transport sector to move large quantities of raw materials to point of manufacture and the finished goods to market. In this evolving marketplace the freight forwarder is likely to find their role changing to include carbon management.