



BSR Conference 2010

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# Beyond the Factory Gates: Extending Sustainability Into the Logistics and Transportation Sector

Breakout Session Summary

Thursday, November 4, 2010 | 4-5 p.m.

## Speakers

- » **Jacob Sterling**, Head of Climate and Environment, Sustainability, Maersk Line
- » **Linda Styrk**, Managing Director, Seaport Division, Port of Seattle
- » **Raj Sapru**, Director, Advisory Services, BSR (moderator)

## Highlights

- » The increased political focus on climate change, along with increased customer focus on transport companies, have meant shippers are starting to track their impact on the environment and make efforts to reduce their overall impact.
- » Shipping accounts for 3 percent to 4 percent of global greenhouse gases (GHGs).
- » The real driver of change for shippers is to have their customers require more efficiency and better environmental performance.

## Memorable Quotes

*"Challenge us on what we can do to reduce our environmental impact. Demand more of your suppliers, and if they tell you there's nothing more to do, it's probably not true."*—Jacob Sterling, Maersk Line

*"Communities are looking for reduced impacts. They want the jobs [provided by ports], but they also want reduced emissions."*—Linda Styrk, Port of Seattle

## Overview

Sapru kicked off the session by stating that the sustainability agenda has focused in large part on factories in supply chains, from workers' rights to energy efficiency. Issues are now evolving to also look at product life-cycle assessments and consumer choices for green products. This inevitably raises the question: What happens on the journey between the factory and the end-user?

Sterling noted that shipping is a huge part of commerce, with one-third of global trade being moved on ships, enabling 4.2 million jobs. This comes with a huge footprint. In fact, 3 percent to 4 percent of GHGs are from the shipping of goods. Sterling stated that this is the biggest challenge to Maersk. Customers such as IKEA, Nike, and Walmart—which have had huge efforts on sustainability in recent years—have been cleaning up their own supply chains and are now looking at cleaning up their transport means. Maersk has a partnership with Nike to look at how to optimize the supply chain from a factory in Shanghai to distribution in Europe.

Shipping lines therefore have a choice to do something about reducing GHGs or risk losing business. For Maersk, environmental performance will be a differentiator in the market. The



company wants to increase its environmental performance and plans to reduce emissions by 25 percent by 2020.

Maersk has also introduced the practice of slow steaming, which reduces the amount of fuel a ship uses by decreasing speed. This has reduced Maersk's emissions by 17 percent, and the practice is now becoming an industry standard. Maersk is also working to implement the [Ballast Water Management Convention](#) (BWM) that was approved by the International Maritime Organization. BWM has not been fully ratified by member countries yet; however, Maersk's ambition is to implement the Convention before it defaults into force one year after ratification.

Styrk stated that the ballast water issue is a focus area for ports because in Seattle there are active tribal fisheries that are a critical component of the economy. Wastewater treatment—especially by the cruise lines—is another critical issue, and the port is working to incentivize companies.

According to Styrk, ports are the interface to all transport; they are also the bridge to other public agencies and special interest groups. Ports need to balance business success and creating jobs with being good community citizens, and that includes environmental management. Communities want jobs, but they are not willing to risk health concerns, quality of life, or the emerging environmental issues.

During the Q&A, a question was asked about whether slow steaming affects lead time, which squeezes factories and the delivery times for products. Sterling said slow steaming is in the design parameter and that flexibility is built into the system in order to account for the schedule. Maersk has an 80 percent on-time rate. The industry average is 50 percent.

Health, safety, and labor conditions have also become important. Sterling emphasized that it is critical to harness a culture of safety rather than merely a culture of compliance.

BSR's [Clean Cargo Working Group](#) works on standards and transparency for this industry. However, there is no definition or methodology for rating green ports. Ports and their customers are looking toward the long term in order to optimize the system and create a green standard.

Next, a short discussion took place about the security controls and scanning tools of shipment containers. Currently, the practice is that customers declare what is contained in the box, and the shipper collects that information. Customs agents implement random screenings. The ports would like to see density screening on crane legs to achieve 100 percent screening.

Lastly, the speakers suggested that companies new to this process should start by mapping their emissions and engaging with suppliers to drive transparency and performance in this area. The speakers also urged customers to demand more of their suppliers, since this is how change really happens.

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