



SEMAPHORE

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Challenging “Environment” Ahead for Shippers!

With shipping comprising 43% of its carbon footprint from orchard to consumer, kiwifruit exporter Zespri has committed to key goals to tackle its supply chain emissions head on.

Those goals include the Zespri corporate becoming carbon-neutral by 2025, the kiwifruit industry through to retailers becoming carbon-positive by 2030 and working with partners for all to be carbon-positive by 2035.

An organisation is “carbon-neutral” when it has achieved net-zero carbon emissions by “balancing” its total carbon emissions – typically, by reducing, removing or avoiding (ie, offsetting) carbon in its value chain.

An activity or organisation is “carbon-positive” when it goes beyond achieving net-zero and creates an environmental benefit by removing additional greenhouse gas emissions (GHGs) from the atmosphere.

Preparing for the impact of climate change is also important and Zespri is working on an industry-wide adaptation plan with the industry, Zespri shipping manager Mike Knowles told the MLAANZ New Zealand Branch Conference.

Mr Knowles said international shipping (along with aviation) was not covered by the Paris Agreement in 2016 so the International Maritime Organization (IMO) started developing its own strategy, which culminated in what is known as IMO 2023 to further reduce ocean shipping’s carbon emissions.

IMO 2023 is a technical and operational approach adopting two new measures: the Energy Efficiency Existing Ship Index (EEXI) and the Carbon Intensity Indicator (CII) rating scheme. The EEXI is based on the ship’s specifications, not on its actual operating performance. Mr Knowles noted an example with ships carrying kiwifruit, in which the vessels would be less-than optimal under the CII, purely because the carrier had several long-stay port calls on its rotation, which reduced its CII rating.



Mike Knowles

According to the consultancy group BV, only 30% of the global container fleet will be EEXI compliant by 2023. Older vessels will therefore be scrapped.

From 2025, all newbuilds above a certain size (segment dependent) need to meet a 30% reduction from their baseline emissions. The best tool ship operators currently have to achieve a better grade is to slow the ship’s speed, which works against the interests of New Zealand’s perishable exporters. This also works to reduce capacity unless additional ships are introduced into service to maintain a weekly frequency.

The other potential major environmental gain is in alternative fuels but there are multiple choices there, all with pros and cons including that their energy density is less than heavy fuel oil. This raises the challenge of what size of fuel storage tanks would be required on the ships. If these have to be much

larger, the vessels will either have to sacrifice cargo space or bigger ships will have to be built – also detrimental to New Zealand because of the size limitations of the country's ports.

Another challenge will be the extension of the European Emissions Trading Scheme (ETS) between 2024 and 2027 through the proposal to include 50% of the emissions from voyages starting or ending outside of the European Union (EU) plus all emissions that occur when ships are at berth in EU ports.

With the New Zealand ETS, the Climate Change Commission is recommending bringing international maritime emissions into the scheme after December 2024.

The question for shippers is what can be done by them? One option is to maximise vessel utilisation by using as much space as possible on each ship, including deck space. Zespri has achieved vessel utilisation capacity increases of 27% since 2020 on some charter ships to Asia.

Carbon offsetting programmes are a good, short-term solution as well as collaboration with shipping line partners to bring in new “greener” ships.

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