THE IMPORTANCE OF BEING GREEN

In our digital world, attention spans are shorter than ever, and today’s headlines are usually old news by tomorrow. Yet there is one topic just as hot today as it was when it first entered public consciousness in the late 1960s: environmental sustainability.

Because we all rely on natural resources to survive, it makes sense that the need to protect and conserve the environment is one that continues to elicit passion and concern in people from all walks of life.

The “go green” movement may have taken longer to reach business and industry, but it has a firm hold on the smartest companies now. These players know their success (and in some cases, mere existence) is solidly linked to how seriously they take their commitment to sustainability. This is particularly true for those companies that depend on the supply chain to grow their businesses or their customers’ businesses.

A myriad of sustainability-related factors have converged in recent years, creating a challenging situation that shippers are now struggling to navigate.

VOLATILE FUEL PRICES

In February 1999, the cost of diesel fuel was $0.959/gallon. The price started heading north shortly thereafter.

Facts tell the story: Oil is a finite resource, and fuel prices will continue to be volatile. If developed countries don’t continue to make efforts to both conserve and find new sources, the price of oil will rise to a point where the economy simply cannot sustain it.
INCREASED REGULATION

Government regulation has also indirectly tightened shippers’ purse strings since the dawn of the millennium by requiring the transportation providers they work with to invest heavily in new equipment.

In 1998, the U.S. Environmental Protection Agency (EPA) announced that as part of its billion-dollar settlement with manufacturers of heavy-duty diesel engines, all engines produced by 2003 would emit one-third less nitrogen oxide (NOx). Similar mandates, forcing the industry to create even cleaner engines, were issued and met in 2007, 2010 and 2014.

The California Air Resources Board (CARB) requires even stronger mandates for trucks that drive through California. With more than 40 percent of all incoming containerized cargo arriving through the ports of Los Angeles and Long Beach, these updates affect almost everyone in the supply chain.

It won’t stop there: the industry is now working toward the EPA’s 2017 requirements. The EPA and Department of Transportation have proposed standards for a rule that will force manufacturers to reduce carbon dioxide emissions by 1 billion metric tons on all 2018-model-year trucks.

The dramatic reduction in emissions required under ever-tightening EPA regulations has come at a steep cost. New truck prices have necessarily reflected the manufacturer’s large investment in research and new technologies; new truck prices have risen by approximately $50,000 per vehicle in the last decade.

FUEL PRICES FROM 2000 TO TODAY

Source: US Department of Energy (Annualized Average Price of Diesel Fuel)
PRESSURE FROM KEY STAKEHOLDER GROUPS

Whether it’s industry analysts, governmental bodies or consumer interest groups, many are looking to companies to become more environmentally conscious.

• Industry analysts: Some of the larger shippers know the louder the consumer interest groups are, the more apt the analysts are to hear them. A fear of getting negative reports by the analysts (and perhaps falling stock prices) is definitely a motivating factor for having a solid sustainability record.

• Governmental bodies: Many shippers know that it’s important to develop and maintain positive relationships with Congress and agencies like the EPA. An example: in the mid-2000s, shippers began asking transportation providers if they were members of the EPA SmartWay program (a voluntary collaboration between the EPA and the freight industry designed to increase energy efficiency and significantly reduce greenhouse gases and air pollution). Considering the regulation-heavy environment that continues to pervade the marketplace, it will continue to be important for companies to collaborate with legislative bodies focused on preserving and protecting our natural resources.

• Consumer interest groups: Companies that have been around for awhile – and that want to stay in business in the future – know to never underestimate the power of the people. Consumer interest groups supporting the environmental movement can wield much influence on consumer purchasing decisions. Companies that have wisely listened to their customers’ wishes for more environmentally safe products or production methods are remaining competitive in the increasingly crowded marketplace.

To remain financially competitive and become a good corporate citizen in the world we live in today and tomorrow, shippers must embrace green investments, technologies, practices and policies. Those policies and practices should go beyond business operations and extend to the multimodal providers hauling their cargo. Read Schneider’s helpful guide on how to choose a transportation provider that shares your commitment to environmental conservation.

RISKY BUSINESS

Environmental regulation affecting the transportation industry will undoubtedly continue to increase. Just as private plaintiffs in accident cases have sought to expand liability exposure to shippers, receivers and third parties in the supply chain, it is likely that claims for environmental damage will soon extend to entities connected to the supply chain.

EPA = FREIGHT INDUSTRY = ENERGY EFFICIENCY

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