A SUSTAINABLE FUTURE: WHY YOUR SUPPLY CHAIN NEEDS TO GO GREEN OR GO HOME

THE IMPORTANCE OF BEING GREEN

The “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 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.

Many factors have contributed to creating a challenging situation that shippers are now struggling to navigate.

VOLATILE FUEL PRICES

In 1998, diesel fuel prices hovered around $1 per gallon. In 2018, diesel fuel regularly cost more than $3 per gallon, and there have been many fluctuations in price during the 20-year span in between.[1]

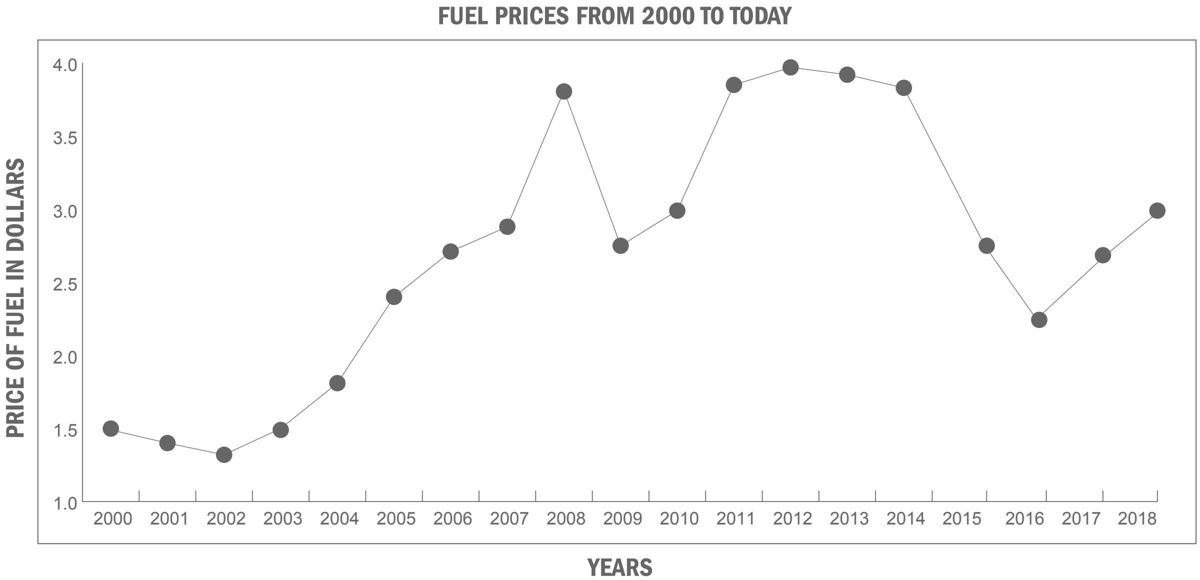
Facts tell the story: Oil is a finite resource, and fuel prices will continue to be volatile. If developed countries don’t continue to make efforts to both conserve and find new sources, the price of oil will rise to a point where the economy simply cannot sustain it.

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 2000, the U.S. Environmental Protection Agency (EPA) developed a comprehensive national control program to regulate heavy-duty vehicles and their fuel as a single system. Since then, the EPA has regularly updated its rules on greenhouse gas emissions and fuel efficiency standards for heavy-duty vehicles, with the most recent update announced in late 2016.

1 U.S. Energy Information Administration



Source: US Department of Energy (Annualized Average Price of Diesel Fuel)

The California Air Resources Board (CARB) requires even stronger mandates for trucks that drive through California. With more than 30 percent[2] 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 latest requirements for truck manufacturing. The EPA and Department of Transportation have proposed standards for a rule for model years 2021–2027 that will force manufacturers to reduce carbon dioxide emissions by 1.1 billion metric tons and reduce oil consumption by up to 2 billion barrels over the lifetime of the vehicles sold under the program.[3]

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

2 Port of Los Angeles
3 United States Environmental Protection Agency

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 a motivating factor for having a solid sustainability record.
- **Governmental bodies:** Many shippers know 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 remains 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 a while — 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.

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 claims for environmental damage will soon extend to entities connected to the supply chain.

EPA = FREIGHT INDUSTRY = ENERGY EFFICIENCY

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.