

Slow uptake of green shipping services, but momentum building: Maersk



Maersk says almost 60% of its top 200 customers have committed to or set science-based targets for their journey to net zero. Photo credit: Maersk.

Greg Knowler, Senior Editor Europe | Apr 9, 2024, 9:43 AM EDT

Maersk saw a 37% jump in the number of ocean containers transported on its low-emission biofuel product in 2023, but the total 660,000 TEUs that were shipped amounted to just 3% of the carrier's annual volume.

While shippers have been slow to embrace the premium-priced green services that have been offered by several carriers over the past two years, Maersk says there has been a definite shift in attitude from customers toward low-emission shipping.

"In the beginning, we have had many customers giving ECO Delivery Ocean a first try for some of their cargo volumes," said Maja Nyvold, head of surcharges, value-adding services and energy in the ocean business segment at Maersk.

“After they realized how well it is working, more and more customers either increased the cargo volume or committed themselves even to ship 100% of their seaborne cargo under Maersk care with ECO Delivery Ocean,” Nyvold said in a statement Monday.

The ECO Delivery product is similar to Hapag-Lloyd’s ShipGreen and other “book and claim” services being offered by some major carriers and forwarders. The products use biofuel blended with conventional fossil fuels; the carriers claim emissions from seaborne transport can be reduced by over 80% on a lifecycle basis compared with using conventional bunkers.

Using sustainable fuel in container shipping is a process known as “insetting,” where carbon dioxide emissions within the cargo transport value chain are reduced as a result. That contrasts with offsetting, which involves CO2 emissions in the transportation process being compensated by external environmental projects such as planting trees.

A step toward sustainability

Maersk says almost 60% of its top 200 customers have committed to or set science-based targets for their journey to net-zero, with some customers shipping more than 50,000 TEUs per year on its biofuel product.

“Reaching net-zero requires changing many aspects of how we source, make, and distribute our products,” Stephanie Hart, global head of operations at Nestlé, said in the Maersk statement. “The agreements we’ve signed with Maersk will help reduce emissions and deliver immediate positive impacts on our carbon footprint.”

Jens Burgers, supply chain director at European retailer Action, said in the statement his company has cut its GHG emissions “from various factories of origin to our distribution centers across Europe by at least 60% by using green fuel instead of fossil fuels.”

Maersk has also recruited Danish variety store Flying Tiger Copenhagen, Amazon, Spanish clothing retailer Inditex, Volvo Cars and Norwegian retailer Europris, among others, to its biofuel product. But despite the list of big names joining zero-carbon initiatives, the overall demand for ocean services with lower emissions remains muted relative to the market size.

Hapag-Lloyd noted that barely 1% of its annual volume in 2023 was carried via its ShipGreen product.

‘Open your pockets and pay’

There remains a disconnect between the huge costs required to achieve net-zero targets set by ocean carriers and the willingness of cargo owners to pay the significantly higher rates being charged for low-emission fuels while the cheaper fossil fuel alternatives are available.

Thorsten Meincke, board member for air and ocean freight at DB Schenker, last month estimated at the *Journal of Commerce's* TPM24 conference in Long Beach that the biofuel available today cost \$700 per ton more to produce than fossil fuel, and that to ship from Asia to the US West Coast using biofuel would add \$210 per TEU to the freight rate.

For Meincke, there was no question that cargo owners needed to pay up.

“The big step will cost money and there is no way around it,” he told shippers at the conference. “Open your pockets and pay. Don’t just focus on cost reduction.”

The International Maritime Organization’s (IMO’s) Marine Environment Protection Committee (MEPC 81) meeting in London last month took another step toward addressing the cost differential between alternative fuels and conventional bunkers. Member states reviewed several carbon pricing proposals and are working toward settling on one global mechanism that will be rolled out in 2027.

Equally essential to decarbonizing shipping was the establishment of robust emission reporting capabilities aligned with recognized calculation methodologies, according to Smart Freight Center’s “Procurement Playbook Toward Zero Emission Logistics Services.”

Smart Freight Centre (SFC), an international non-profit organization focused on reducing greenhouse gas emissions from freight transportation, believes freight buyers were pivotal stakeholders in driving transformation of current and future logistics services.

“It’s imperative to dispel the notion of sustainable logistics services as mere commodities, recognizing their inherent value and complexity,” SFC noted in the procurement playbook, released in March.

“Standing solutions such as a modal shift to low-carbon modes, increasing asset utilization and asset efficiency ... can all be achieved through including sustainability within the existing logistics procurement processes,” it said.

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