

SmartWay Europe Initiative

Towards a multi-industry voluntary programme for monitoring and reporting of carbon emissions in road transport

An Introduction

The name "SmartWay Europe" is only used to refer to the intention to create a program in Europe similar to the SmartWay program from the US Environmental Protection Agency

Green Freight Seminar, Beijing / China
24 May 2011

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Agenda

- Sustainability Challenges of Logistics Operations
- The SmartWay Europe Initiative

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Agenda

- **Sustainability Challenges of Logistics Operations**
- The SmartWay Europe Initiative

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Key driver and topics of logistics operations today

Source: SmartWayEurope Working Group

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Sustainability brings new challenges to logistics operations

Sustainability Challenges

- Are you able to capture and improve the fuel efficiency of your road transport operations?
- Is your company able to make sustainable procurement decisions for road transport?
- Does your company monitor and report GHG emissions – also including scope 3 emissions from subcontracted transportation?
- Are you able to engage with other companies to improve sustainability performance of road transportation in Europe?
- Do you incorporate sustainability development into its business activities?
- Can you meet the sustainability requirements of your customers?
- Do you agree on the need for a common methodology to calculate and report transport carbon emissions?

Source: SmartWayEurope Working Group

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Shippers demanding more data from carrier

Source: SmartWayEurope Working Group; 1) Logistic Service Provider

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A SmartWay-like program will result in higher credibility, better data quality and less effort

Source: SmartWayEurope Working Group; 1) Logistic Service Provider

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The program generates effective market-incentives

Source: SmartWayEurope Working Group

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Agenda

- Sustainability Challenges of Logistics Operations
- **The SmartWay Europe Initiative**

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The SmartWay Europe Initiative

More than 50 multinational shippers, carriers, logistics service providers as well as industry associations work on a common approach to implement the SmartWay concept and tools for road freight transportation in Europe.

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SmartWay Europe Working Group

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Source: SmartWay Europe Working Group
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The SmartWay Europe vision is concrete and has long-term ambition

SmartWay Europe is recognized as the leading independent voluntary program for improving environmental performance of road freight transport in Europe

The program drives reductions of carbon emissions by:

1. Establishing a platform for monitoring and reporting of carbon emissions, that could assist in the procurement of transportation services and based on existing standards¹⁾
2. Promoting collaboration between carriers and shippers in driving improvement actions and monitoring progress
3. Establishing a certification system to reward shippers and carriers who fully participate in the program

It is also the platform for companies to share best practices, promote innovations and communicate improvements on European road freight

Furthermore the SmartWay Europe program will foster cooperation with other related initiatives, programs and working groups globally

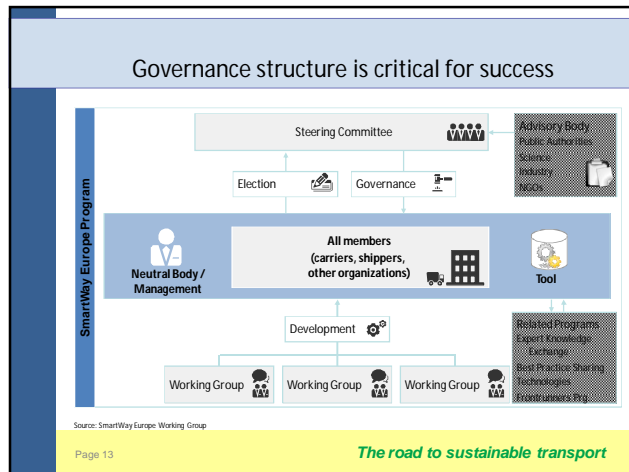
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Source: SmartWay Europe Working Group: 1) Like e.g. WRI/WBCSD Greenhouse Gas Protocol, GEN, etc.
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The SmartWay Europe Initiative is in touch with relevant stakeholders globally

Source: SmartWay Europe Working Group

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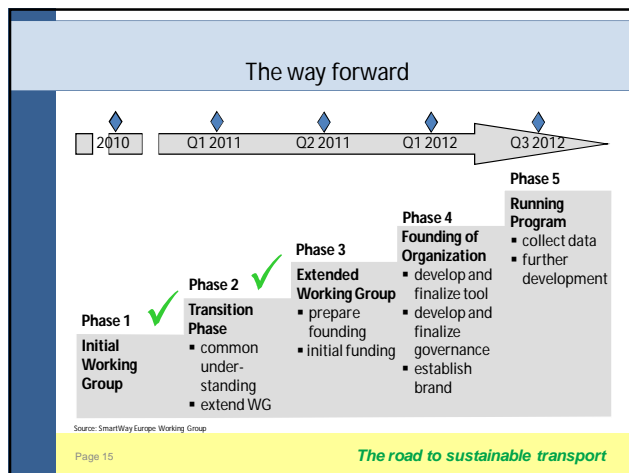


The work plan indicates a clear roadmap for growth

	Start-Up (2011) • Critical Mass • Organization	Growth (2012/13) • Report CO ₂ reduction • Branding	Maturity (2014) • Mobilizing the industry
Stakeholder mgmt	Map "big players", associations, NGOs, institutes	Map "medium players", reference model for other associations, NGOs, institutes	TBD
Branding / Communication	Name, webpage, press release	Advertise program, broadcast results and achievements	TBD
Tools	Develop basic tool, IT support and scientific background	More detailed data/model, prepare validation process	TBD
Legal structure / governance	Define governance structure, operating principles, legal framework	Further develop program (expertise centers, additional services, advisory board)	TBD
Funding structure	Develop budget, cost estimation, potential subsidies, initial funding plan	Develop funding principles and membership fees to secure funding	TBD
Program facilitation	Organize meetings, conf. calls, recommendations, facilitate decision-making	Moderate steering committee meetings, identify areas for development	TBD
Program certification	Develop certification process	Further develop label value	TBD

Source: SmartWay Europe Sub Working Group Stakeholder Mgmt & Funding (Datsche, Bost, Dittl, Heinen, IBM, KEA, PostEurop)

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Thank you for your attention!

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BACKUP

SWEP
 SmartWay Europe Programme

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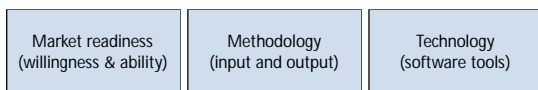
The SmartWay Europe working group tested the US EPA SmartWay process

- Test group involved large companies from different industries



- Companies invited its subcontractors to participate

- 3 dimensions were evaluated:



Source: SmartWay Europe Working Group

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Carriers identified SmartWay as a valuable concept

Market readiness	<ul style="list-style-type: none"> • Initiative is valuable for improving our environmental performance and to meet customer requirements • Critical to find the right incentives for carriers to join SW programme • If required from SmartWay, data would be collected
Methodology	<ul style="list-style-type: none"> • Model must contain very clear definitions and terminology • Need for more insight in relationship between input and output • Not all data is available with carriers <ul style="list-style-type: none"> – Fleet information available – Kilometre and fuel consumption not yet captured by all carriers – Information on specific driving conditions is only estimated
Technology	<ul style="list-style-type: none"> • Software needs to be user friendly to minimise workload

Source: SmartWay Europe Working Group

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Shippers identified SmartWay concept as the long-term solution for improving CO₂ efficiency

Market readiness	<ul style="list-style-type: none"> • Most effective way to improve environmental performance of carriers • High added value of primary data from carriers for scope 3 reporting • Critical source of information for sustainable procurement and subcontractor management
Methodology	<ul style="list-style-type: none"> • Model must contain very clear definitions and terminology • Not all data is available with shippers <ul style="list-style-type: none"> – Estimated kilometres based on origin and destination information – Estimated tonne* kilometre data, no actual figures • Need for a mix of quantitative KPIs (focus on results) and qualitative measures (focus on effort and action plans)
Technology	<ul style="list-style-type: none"> • Software needs to be user friendly

Source: SmartWay Europe Working Group

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Working group proposes to continue with a SmartWay-like programme for European road transportation

Market readiness	<ul style="list-style-type: none"> • Programme engages both carriers and shippers in improving the environmental performance of road transport operations
Methodology	<ul style="list-style-type: none"> • Common methodology for carriers and shippers to collect and report validated data makes benchmarking of shippers and carriers reliable • Hub of information avoids proliferation of templates and protocols, as well as data-collection effort with carriers • The collection of data by an independent body increases credibility and therefore adoption rate
Technology	<ul style="list-style-type: none"> • Confident that software and language issues can be solved

Source: SmartWay Europe Working Group

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The SmartWay Europe working group recommended

Market readiness	<ul style="list-style-type: none"> • Develop a strong brand for the initiative to mobilize the industry • Define independent governance structure to attract companies • Support data collection and validation process
Methodology	<ul style="list-style-type: none"> • Combine strong points from SmartWay US 1.0 and 2.0 • Limit scope of emissions to CO₂ (PM and NO_x calculations require sophisticated data collection) • Limit quantitative KPIs to CO₂ efficiency and fuel efficiency • Include qualitative information (e.g. Euro class, driver training)
Technology	<ul style="list-style-type: none"> • Multilingual is critical in Europe • Develop new software (internet-based) to meet requirements

Source: SmartWay Europe Working Group

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Two major work areas

Strategy	Technology
<ul style="list-style-type: none"> • Invite other interested companies / initiatives / other stakeholders • Find responsible body to host • Set-up of neutral organisation • Prepare conference to go public • Involvement of top mgmt 	<ul style="list-style-type: none"> • Further evaluate methodology and tool • Adjustments to European needs • Define KPIs • Set-up of technical working group • Develop certification system

Source: SmartWay Europe Working Group

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Findings from the **Anti-Trust** subgroup

AS OF APRIL 2011

Discussed the Anti-trust topic with a number of in-house lawyers with the following findings:

Anti-trust should not be problematic if:

1. No companies/associations are excluded from joining &/or there is no discrimination of members (ensure trucking federations are informed who can inform all their members)
2. A clear Agenda is sent out prior to all meetings
3. The Anti-trust statement is read at the start of all meetings
4. Everyone is asked prior to the close of the meeting if anyone feels that any anti-trust issues were breached during the meeting - the questions & reply must be documented in the minutes
5. Clear minutes are sent out after all meetings

There will be a Do's & Do not's document created for all participating, clearly defining what can & can not be done when meeting.

Ultimately all companies must discuss any concerns with their internal legal representatives to determine if they feel anti-trust issues could be a problem.

Source: SmartWay Europe Working Group

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A clear **SCOPE** helps focus our efforts

Environmental impact	CO ₂ emissions. Other greenhouse gases and pollutants will be included in the future.
Mode of transport	Road freight only. Rail and other modes may be incorporated in the future – preferably by cooperation with other initiatives, program or working groups.
Information reported	Quantitative data (e.g. fuel consumption, kg CO ₂ / tkm) Qualitative data (e.g. use of eco-driving training or other best practices)
Geograph. scope	Europe as an entire geographical region
Activities undertaken by the program	<ul style="list-style-type: none"> • Promotion, introduction of members • collection of data from members, 3rd-party verification of data • calculation of environmental performance and benchmarking • sharing information according to approved procedures • sharing best practice • reporting overall scores and performance of the industry • defining the certification process to reward carriers and shippers
Out of scope	<ul style="list-style-type: none"> • Warehousing or terminal / cross-dock operations • Sustainability aspects not directly linked to CO₂ emissions such as noise or traffic congestion

Source: SmartWay Europe Sub Working Group Vision (Dow, Deutsche Post DHL, Ford, Geofrost, H&M, Heineken, La Poste, Schneider Electric)

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Clear **OBJECTIVES** help us achieve our Vision

Achieve broad recognition with SWEP	<p>DATA: Be the preferred source of information on road freight emissions in Europe (e.g. statistics for EU COM)</p> <p>BEST PRACTICE: Be the preferred partner for European Government / NGOs / other organizations and association / etc. in introducing new legislation / new technologies / best practices / etc.</p>
Ensure broad coverage of SWEP	<p>GEOGRAPHICAL: Achieve participation in SmartWay Europe Program in 50% of European countries within xx years</p> <p>COMPANIES: Achieve xx% of tkm / revenue (EUR) within xx years</p>
Reduce CO₂ emissions for road freight transport in Europe	<p>REPORTING: Report carbon efficiency improvements through SWEP</p> <p>BEST PRACTICES: Foster implementation of best practices and report the application throughout SWEP members</p> <p>CERTIFICATION: Provide certification for both participation and outstanding performance in CO₂ reduction via SWEP</p>

target values / timing still to be defined

Source: SmartWay Europe Sub Working Group Vision (Dow, Deutsche Post DHL, Ford, Geofrost, H&M, Heineken, La Poste, Schneider Electric)

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Clear roadmap will lead to efficient **TENDER PROCESS** and selection of neutral host

Prepare RFQ document (WG)	Agree on process (and RFQ within one week) (all)	Distribute the RFQ to all SWEP members (WG) for further distribution (all) and create legal entity (WG)	Review of proposals submitted, shortlist and request for further info if needed (WG)	Select host and sign contract between host and legal entity (legal entity / host)
sub working group	20 Apr 2011	2 May 2011	27 May 2011	Mid Jun 2011

Source: SmartWay Europe Sub Working Group Stakeholder Mgmt & Funding (Deutsche Post DHL, Heineken, IBM, K&A, PostEurop)

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SmartWay Europe Initiative – Interested companies

NOT EXHAUSTIVE

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BACKUP

US EPA SmartWay

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US EPA SmartWay Program – What is it?

- Voluntary collaborative program between the US EPA (Environmental Protection Agency) and the industry
 - Designed to improve energy efficiency and lower greenhouse gas (GHG) emissions and air pollution from transport activities
 - Creating strong market-based incentives that challenge companies shipping products, and transportation companies delivering these products
- Started in 2004, currently has 2700+ partners (carriers and shippers)
- Covers over 650,000 trucks and 60 billion miles per year (approx 30% of US road freight)
- Strongly supported by American Trucking Associations (ATA)

Source: US EPA SmartWay Transport Partnership

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SmartWay Transport Partnership: Key Program Components

- 1. Supply Chain Partnership**
 - Multimodal Operations
 - Models and Benchmarking
 - Carbon Footprints
 - Technology Adoption
 - Fuel/\$/Emissions Savings
- 2. Technology Programs:**
 - Heavy-Duty truck testing
 - SmartWay Tractor/Trailer
 - SmartWay certified technologies
 - Technology verification
- 3. Finance Programs**
 - Innovative loan programs
 - Financial mechanisms
 - Grants
- 4. Brand Marketing**
 - SmartWay Logo
 - Successful multi-media campaigns
 - Educational Materials
 - Annual Awards
- 5. Light Duty Vehicles**
 - SmartWay certified vehicles
 - Consumer Education

Source: US EPA SmartWay Transport Partnership

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US EPA SmartWay Transport Partnership

"The SmartWay Transport Partnership helps progressive companies and organizations recognize that they can improve their bottom line and the environment at the same time. Companies that provide or hire freight delivery and logistics services can become SmartWay Transport partners by committing to improve the environmental performance of their freight delivery operations. When you become a SmartWay Transport partner, we help you calculate your environmental performance, set improvement goals, and calculate cost savings. And, when you meet your goals, you receive industry and public recognition."

Source: US EPA SmartWay Transport Partnership

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US EPA SmartWay – How does it work?

SmartWay Carriers commit to...

- ... strive to achieve environmental and fuel efficiency goals within three years.
- ... provide data to SmartWay on an annual basis, which quantifies the environmental performance of their operations and allow this score to be published in the SmartWay website.

SmartWay Shippers commit to...

- ... provide data to SmartWay on an annual basis, which quantifies the environmental performance.
- ... ship at least 50 percent of their goods using SmartWay Carriers and improve their environmental scores over a period of three years.

Source: SmartWay Europe Working Group

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US EPA SmartWay – Benefits for participating companies

SmartWay Carriers	SmartWay Shippers
<ul style="list-style-type: none"> Partners achieving a high score are rewarded with the ability of displaying the SmartWay Logo Reduced fuel and maintenance costs More appealing to SmartWay shippers when they decide which companies will haul their freight 	<ul style="list-style-type: none"> Identify carriers committed to improving their environmental performance Validated and standard measurements Improvement in operating efficiency and environmental impact

SmartWay...

- ... provides technical assistance to help carriers quantify emissions
- ... recommends carrier strategies to help reduce fuel consumption
- ... promotes successful companies on events, articles, and awards
- ... allow carriers/shippers to use SmartWay logo to position themselves as leaders

Source: SmartWay Europe Working Group

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US EPA SmartWay: How does it work for carriers?

Input	Output
<p>Fleet characteristics:</p> <ul style="list-style-type: none"> Operation (FTL, LTL, PuD) Truck types (weight classes), Fuel types used (in %) <p>Activity information:</p> <ul style="list-style-type: none"> Total fuel used last year (by fuel type) Total km driven last year (specifying empty km) Average utilization (by payload, volume) 	<ul style="list-style-type: none"> CO₂ performance (e.g. CO₂/mile, CO₂/ton-mile, CO₂/volume-mile) NO_x, PM performance Benchmark vs. rest of industry (published in 10 performance bins)

Source: SmartWay Europe Working Group

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