Stobart

EAST OF ENGLAND
NET ZERO & CLIMATE
RESILIENCE SUMMIT
18.07.2024

The Challenges of decarbonising UK Freight Transport

What's the problem?

- We have got 5 years before we increase the planet's temperature by 1.5 degrees Celsius
- Sea levels are predicted to rise by 0.5 m by 2050
- The sea has warmed by 0.9 deg. C - the sea is a massive volume, and some warming may lag
- At the end of the last ice age a 5deg warming caused sea levels to rise by 120m
- White snow reflects heat away from the earth, grey or green land isn't as effective, so it amplifies the impact of warming
- CO2 emissions were 45BnTe in 1900 in 2022 they were 1700 BnTe a factor if x 37
- If CO2 ppm in atmosphere was around 320 in 1960 it is now around 421ppm – 30% increase in 60 years

What's the problem?

- Australia normally sees 2% of forests under wildfire, in 2019/20 21% of forests were under wildfire - adding 715Mte CO2 to Australia's annual emissions (more than normal annual emissions of about 400Mte) 3Bn animals were destroyed or displaced
- The UK has the lowest land area under forest at 13% the lowest in Europe, France 31%, Spain 37%, Sweden 68%
- 75 % of worlds new infectious diseases originate from wildlife
- *'hasn't this years' weather (and last year) been terrible – it's the jet stream!'*
    - Changes in sea currents (Atlantic Meridional Overturning Circulation) driven by changes in salt and temperature gradients are bringing different and more erratic weather patterns , from history takes about 1000 years to recover -

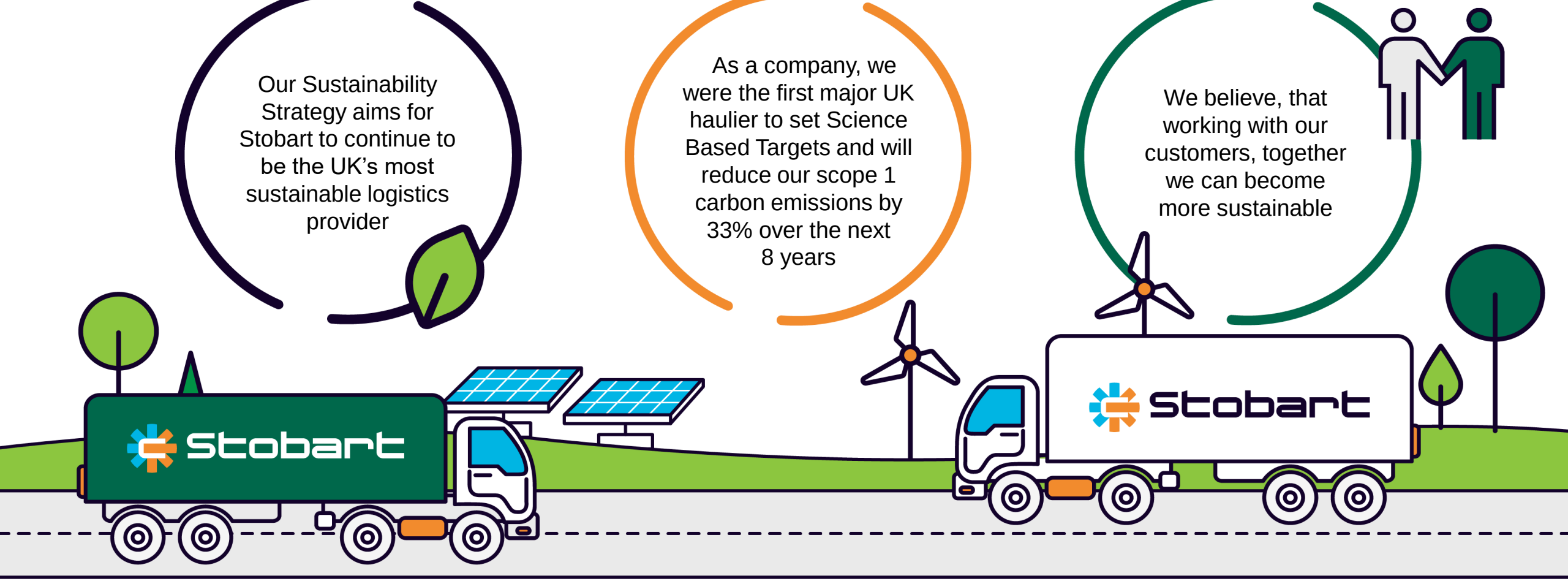
Environmental Roadmap

Multi Modal – Rail and Port Solutions
Real Time Carbon Reporting for Customers
Alternative fuel investment – Electric / HVO / Gas

Our Sustainability Strategy aims for Stobart to continue to be the UK's most sustainable logistics provider

As a company, we were the first major UK haulier to set Science Based Targets and will reduce our scope 1 carbon emissions by 33% over the next 8 years

We believe, that working with our customers, together we can become more sustainable



Delivering **Sustainable** Excellence

“Eddie Stobart Logistics has spent over 50 years developing the largest, and most efficient multi- modal logistics network in the country.

We will now lever that efficiency, to become the most sustainable and prosperous haulier in the UK, protecting the environment, our people, our partners and the communities around us.”

David Pickering CEO

2023 Strategy Progress

Sustainability Leadership:
Extended internal / external Communication

ZERFT BEV
Funding secured

SBTi target and Customer Carbon emission reporting live

Extended Rail Services

Extended Government and industry collaboration and lobbying

Alternative fuel extension
HVO / CNG live within network
Green LPG trials / Biomethane
Electric 2024

The challenges of Freight Decarbonisation

- Over 90% of the typical carbon footprint of Road Freight Transport is attributed to diesel,
  - in the words of ESOS all other opportunities to decarbonise are de minimis compared to the diesel carbon reduction challenge.
- Only around 30% of the UK RailFreight network is electrified which predicates the continued use of diesel motive engines and means that rail will only reduce carbon over road by about 45% currently
- In supplying haulage to our customers our carbon becomes their Scope 3 GHG emissions – there is no current requirement for companies to report publicly on their Scope 3 emissions
- There are various carbon taxes and incentives in the EU – there are none in the UK

The value of UK Freight Transport

- Contributing £185bn to the UK economy the sector has been dealing with global geopolitical volatility, Covid, new trade processes, a financial recession and pressures on the supply chain caused by changing climate conditions
- ”It demonstrates the sector’s resourcefulness and adaptability to keep the UK trading and satisfy the demands of businesses and consumers alike.” (Logistics UK - Jun 24)
- There are around 450,000 HGVs in the UK working for around 60,000 road hauliers
- There are over 600 freight trains running on the UK network every single day …..delivering goods 24 hours of the day. Over 4 million tonnes of product was transported by rail in the last 12 months, travelling over 1,155,000 thousand net tonne miles. (Network Rail 2024)
- -

What have we done to address these challenges?

- Stobart were the first major haulier to be accredited to SBTi carbon reduction targets in 2021
- We have the most efficient shared use transport network with our vehicles travelling loaded 86% of the time vs the industry average of c. 70%
- We have an award-winning training academy and work with our drivers using end to end visibility to continually improve our performance
- 100% of our vehicles are to the latest Euro 6 standard
- We have trialled all transitional alternative fuels and uptake remains low mainly due to cost and warranty pressures – we have managed to get 8% of our fleets onto these fuels
- We are investing in over 40 BEV and Hydrogen vehicles starting from 2025 as part of the government Zero Emission Road Freight Trials

What have we done to address these challenges?

- We have held sessions to educate our staff and drivers on these challenges
- We provide carbon report for our customers so as they can see how much carbon they spend with us
- We have a target of starting two new rail services per year – we currently run 7 per day
- We work hard at multimodality ports, containers, rail, and we are working hard to introduce a service on inland waterways
- We hope to provide thought leadership and work closely with government and trade bodies and collaborate widely with our industry and lobby for measures to decarbonise our supply chains more quickly

Questions


What more can operators do to reduce carbon?


What more do the government need to be persuaded to do to help?


What can we all do to help?

Reference Slides if Needed only

Alternative fuels

- Priority order for action and implementation;

Biomethane – saves money and 90% carbon –

- We now have 2% of our annual fuel usage on Biomethane
- Stage 2 Increase by 10 vehicles based on business case representing performance so far of the vehicles acquired last year

HVO – Cost needs to be recovered from customers (now c. 20p/l)

- Now in place for 4 major customers and will make up 6% of our overall fuel usage in 2024 saving c. 13,00 Te carbon
- Several other customer proposals out

Alternative fuels

Green LPG Dual Fuel saves 20% carbon and 7% on cost, now have resolved warranty issues.

- Collaborated with Great Bear as fits their operation better and now rolling out trial operations with Saica, Reckitt, Henkel

Biodiesel no warranty >10% mix, at 10% more expensive and increases carbon 10% increased R&M and capital costs increase costs by 8.5% on veh costs and 2.6% on lane rates

- Continue to lobby on fiscal incentives and OEM appetite

Alternative fuels

- Stobart have had grant awards confirmed in two of ZERFD projects and in discussion with third consortium
- Should provide majority funding for 30+ BEV vehicles and 3 Hydrogen vehicles
- In discussion with major customers on placement of these vehicles

Hydrogen

- Manufacturers Scania, Iveco and Mercedes, deliveries due Jan 2026
- We haven't seen prototype vehicle as yet
- Had discussed with primary possible deployment on Teesside primary moves to RDCs

Alternative fuels

BEV

- LOIs for placement of vehicles signed with two major customers
- Range 180 miles, payload c. 22Te
- First vehicle deliveries Nov 24 then from Jan 25
- Need to operate for 5 years under terms of Government Grant
- If operated within above payload and range constraints with a customer-based charger will break even with Diesel operating costs including depreciation of charger over 5 years
- Customer proposals developed so far see these vehicles well utilised and charging absorbed into current operational efficiencies

Stobart The Transport Partner of Choice