BUSINESS ENVIRONMENT COUNCIL 商界環保協會
30 YEARS
BEC Topical Digest

Issue No. 57
26 April 2022

Commercial Freight Transport Emissions Should Not Be Overlooked

Commercial freight transport, whether waterborne, land-based or by air, plays an important role in the world economy and global supply chain. By estimation, freight transport also contributes about 10% of the global greenhouse gas (GHG) emissions. However, since GHG emissions from international shipping and aviation were excluded from the Kyoto Protocol and fell outside the scope of the Paris Agreement, the conventional accounting practice is that these emissions will not be allocated to the national inventories. As a result, freight transport emissions, especially the international portion, are often being overlooked.

In November 2020, the Hong Kong SAR Government pledged to achieve carbon neutrality by 2050 and consequently announced Hong Kong's Climate Action Plan 2050 last October with a four-pronged decarbonisation strategy. More and more companies operating in Hong Kong are looking to engage their supply chain partners in order to reduce their Scope 3 emissions, and freight transport emissions become highly relevant to them.

This Topical Digest highlights key findings of the latest BEC report *Decarbonising Commercial Freight Transport: A Greenhouse Gas Emissions Blind Spot of Companies in Hong Kong*. Read full report here.

Why Should Companies Care About Freight Emissions?

Extreme weather events are disruptive to supply chain operations

- Freight transport service disruptions will lead to increasing operational costs, freight delays, financial and reputational losses

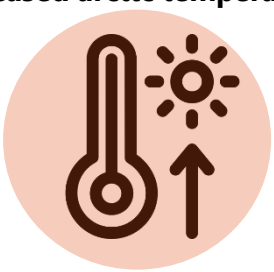
Heat waves

Sea level rise

Intensified precipitation

More frequent hurricanes

Increased arctic temperatures



Respond to changing investor expectations

- The financial sector has expressed increasing concerns towards integrating climate risks to financial decision-making and disclosures
- The official launch of the Poseidon Principles illustrated consensus within the financial sector on maritime decarbonisation

Economic opportunity of decarbonised freight transport is vast

- Decarbonising freight transport can bring financial cost and time saving, as well as economic returns
- Fuel switch and energy efficiency improvement help reduce energy consumption; electricity provided by municipal grid tends to have higher energy conversion efficiency

Policy Recommendations for Hong Kong

1. A more comprehensive policy roadmap that focuses on freight transport emissions, including road-based, shipping and aviation should be developed

- Setting targets of phasing out fossil fuel-powered commercial vehicles and other modes of transport
- Considering initiatives such as developing a data sharing platform for freight emissions, and GHG emission standards for vessels and airplanes

2. To harmonise corporate carbon footprints

- Using overseas freight emission guidelines as references or considering introducing local guideline to assist and improve companies' emission reporting

3. To support research and innovation, and encourage industry partnership

- Encouraging and prioritising transport-related research such as alternative electrofuels, machine learning and data sharing tools for intermodal
- transport etc.
- Considering launching local initiatives for experience and expertise sharing, particularly on freight emissions reporting, as part of the dialogue and action items on Scope 3 and upfront carbon accounting

About Business Environment Council Limited 商界環保協會有限公司

Business Environment Council Limited ("BEC") is an independent, charitable membership organisation, established by the business sector in Hong Kong. Since its establishment in 1992, BEC has been at the forefront of promoting environmental excellence by advocating the uptake of clean technologies and practices which reduce waste, conserve resources, prevent pollution and improve corporate environmental and social responsibility. BEC offers sustainable solutions and professional services covering advisory, research, assessment, training and award programs for government, business and the community, thus enabling environmental protection and contributing to the transition to a low carbon economy.

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