

HFW

# SQ

Sustainability Quarterly

## Decarbonisation and sustainability

IATA's Sebastian Mikosz, discusses the most significant issues for the aviation industry

## Fuel Tilt

Maersk's Amit Agarwal talks about the growth in SAF

## A Life of Sacrifice

Mission to Seafarers Feature

## Odfjell's journey through climate risk and fleet transition

Øistein Jensen, Odfjell SE

## Practical ESG

Embracing climate adaptation opportunities and international trends

SUSTAINABILITY  
IN OUR SECTORS



OCTOBER 2022

# HFW

**SUSTAINABILITY  
IN OUR SECTORS**



HFW is a leading global law firm with deep, sector-focused expertise, that is committed to promoting sustainability in its sectors.

## Welcome to the latest HFW Sustainability Quarterly.

We take a deep dive into the most significant developments, latest news and cutting-edge innovation from the world of sustainability.

We kick off this issue with a write up of the most recent in our sustainability webinar series. This session, led by Sebastian Mikosz, IATA's SVP for Environment and Sustainability, looks at the main issues faced by the aviation sector on the road to decarbonisation, including the scarcity of non-conventional fuel, the importance of agreeing global long-term goals, and why reducing plastic waste is essential.

A fascinating interview with Maersk's Global Air Freight Sustainability Manager Amit Agarwal reveals more about the need for investment into sustainable air fuel, how consistency and collaboration are key, and why he remains positive about future growth in the face of challenges still to overcome.

The Mission to Seafarers is an organisation which provides support and welfare to the 1.5 million people worldwide who work at sea and is one of HFW's global charity partners. We hear from Maurizio Borgatti, its Head of Corporate Partnerships, about the work the charity does in helping those working in dangerous, and often isolated conditions on global waters.

As well as our regular insight into the most significant legal updates, we also hear from Odfjell SE's Chief Sustainability Officer, Øistein Jensen, about climate related risk and threats, as well as learning about how best to embrace climate adaption opportunities from meteorologist and climatologist Dr Bruce Buckley. Finally, we have a round-up of our latest sustainability initiatives and news from our offices.

We hope you enjoy the analysis provided by industry experts featured in this issue, and of course if there is anything you'd like us to investigate in future editions, please get in touch – it is always a pleasure to hear from you.

**GILES KAVANAGH**  
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and Sustainability Partner  
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# Legal Updates

Edited by Amanda Rathbone, Knowledge Counsel

## UK Government launches Jet Zero Strategy

The UK Government launched its Jet Zero Strategy in July. Developed after an extensive public consultation process, it sets a trajectory for the UK aviation sector to reach net zero by 2050. Milestones along the way to 2050 include having at least 5 commercial SAF plants under construction by 2025 and the introduction of a 10% SAF blending mandate by 2030. By 2040, the aim is for all domestic flights to achieve net zero and all airport operations in England to be zero emission.

The intent is to both decarbonise and protect the UK aviation industry by allowing people to keep flying, and the tag line “guilt-free flying” has been used. SAF is high on the agenda, with production incentivised by a new Advanced Fuels Fund, launched with a £165 million competition.

Efficiency of the aviation system will be improved, with a target of improving fuel efficiency by 2% every year and provision of £3.7 million over the next year to support airports to modernise their airspace. The UK will also take a leading role in tackling international aviation emissions through ICAO.

They will expedite the development of zero-emission aircraft and invest in greenhouse gas removal technologies to drive decarbonisation and offset any residual emissions and enhance the UK Emissions Trading Scheme (UK ETS). Further research into the non-CO<sub>2</sub> impacts of aviation will also be commissioned.

The scheme will be reviewed against targets every 5 years. Activist groups welcome the strategy in principle but have said that technological advances will not, on their own, be enough - net zero cannot be achieved without encouraging people to fly less.

For further information, see the full [Jet Zero strategy paper](#).



**ASHLEIGH OVLUND**  
Knowledge Counsel,  
Aerospace

## Australia moves on emissions reduction targets

In an historic move, the Australian Federal Government has passed the Climate Change Bill 2022 (**Climate Bill**) to legislate ambitious emissions reduction targets. The Climate Bill commits to reducing Australia's net greenhouse gas emissions by 43% from 2005 levels by 2030, and net zero by 2050. Other key commitments include requiring the Minister for Climate Change and Energy to produce annual climate change statements about emissions reductions progress and reviving the role of the Climate Change Authority as an independent advisory body. Further details are in [HFW's Climate Bill Briefing](#). The Climate Bill, which has passed both houses of Parliament with crossbench support, has signalled to industry and investors, both domestically and abroad, that Australia is ready for actions that will help it reach its emissions reduction targets. In further measures, the

Australian Federal Government is calling for submissions on its proposed changes to the Safeguard Mechanism. The Safeguard Mechanism imposes baseline emissions which facilities cannot exceed unless they use offsets. Significant impacts are expected for industry, as emissions baselines will be consistently lowered and a carbon credit trading scheme introduced.

Read more [here](#).



**JO GARLAND**  
Partner

## Partial success in judicial review of UK government's net zero strategy

A number of environmental charities and campaign groups have obtained a partially successful judicial review decision against the Secretary of State (SoS) for Business, Energy and Industrial Strategy (BEIS), requiring publication of a fresh report on the government's Net Zero Strategy by 31 March 2023 (**R (on the application of Friends of the Earth Ltd) v SoS for BEIS [2022] EWHC 1841 (Admin)**). The SoS is required, under the Climate Change Act 2008 (**CCA**), to prepare policies and proposals to enable reducing carbon budgets to be met on the pathway to net zero (section 13) and to prepare a report for Parliament setting out details (section 14). The High Court found that the SoS had not been informed of the quantitative contributions of individual policies to that budget or how the 5% shortfall for meeting the budget would be made up. Further, the SoS had not set out the proper information in the Net Zero Strategy report.

However, the Court rejected the claimants' human rights-based challenge that the CCA should be interpreted in such a way as to be more conducive to protecting European

Convention rights by minimising climate change impacts. It was held that this would raise questions of degree and cross the demarcation between the Court interpreting and amending legislation.



**KATE AYRES**  
Knowledge Counsel,  
Insurance

## Formation of the Global Minerals Security Partnership

Against a background of geopolitical insecurity and increasing concerns regarding supply chains for the critical minerals essential to the global transition to renewable energy (as canvassed in our previous issue of [SQ here](#)), the United States has led the formation of the Minerals Security Partnership (MSP). Members of the MSP include the United States, Australia, Canada, Finland, France, Germany, Japan, the Republic of Korea, Sweden, the United Kingdom and the European Commission.

The MSP aims to ensure that critical minerals are mined, produced and processed in a manner consistent with the highest environmental, social and governance standards, better enabling its members to maximise the benefits of their natural resources, innovative technologies and manufacturing capabilities by encouraging government and private sector investment across the MSP. Ultimately, the MSP seeks to cultivate a more diversified and secure critical minerals value chain, bolstering trade relationships and assisting members in meeting their net zero commitments.

Elsewhere, the UK Government has published its first ever Critical Minerals Strategy and the EU has announced plans for a Critical Raw Materials Act. The EU anticipates a fivefold increase in the demand for critical minerals by 2030 and by introducing the Act,

aims to avoid the risk of becoming dependant on other countries (as has happened with oil and gas) by identifying strategic projects along the supply chain and building up strategic reserves.”



**KATE FISHER**  
Senior  
Associate

## Using biofuels as marine fuel – IMO approves a Unified Interpretation of MARPOL Annex VI

The IMO recently approved a Unified Interpretation (UI) of MARPOL Annex VI which clarifies that: (i) fuels with a biofuel content of up to 30% (B30) do not require additional testing for nitrous oxide before being used on vessels; and (ii) fuels of B30 and above can be used with certified engines. Whilst Member States will need to apply the UI on an individual basis, this development has led to increased interest in biofuels as a low-carbon alternative to traditional marine fuels. The use of biofuel does, however, have significant technical and safety implications which can lead to additional risks and costs; HFW is assisting clients with bespoke contractual solutions to ensure that these aspects are adequately managed.



**JOSEPH MALPAS**  
Associate





## DECARBONISATION AND SUSTAINABILITY:

# The challenges faced by the aviation sector today

In the most recent of HFW's regular webinars **Sebastian Mikosz**, IATA's SVP for Environment and Sustainability, discusses the most significant issues for the industry

While it has been a pressing matter for some time, the importance of sustainability for the global aviation industry was substantially ramped up during Covid, and today Mikosz describes it as 'existential'. It's an extremely broad issue, but one that will remain a priority for IATA (the International Air Transport Association, whose members represent 83% of air traffic in the world) and the industry as a whole for the foreseeable future.

The aviation industry contributes significantly to the economic growth of countries and encourages connectivity across the world. The sector must progressively reduce its emissions while accommodating the growing demand of a world that is eager to fly. To accommodate the growing demand, the global air traffic is predicted to grow **five-fold to reach 10bn passengers per year by 2050**. An increase in emissions will inevitably be part of this, and it is estimated that the industry will have **1.8 gigatons of CO<sub>2</sub>** to abate by this point.

The strategy to achieve net zero is to abate as much CO<sub>2</sub> as possible from in-sector solutions such as sustainable aviation fuels (SAF), new aircraft technology, more efficient operations and infrastructure, and the development of new zero-emissions energy sources such as electric and

hydrogen power. Any emissions that cannot be eliminated at source will be eliminated through out-of-sector options such as carbon capture and storage and credible offsetting schemes. Of course, success will depend on collaboration, and the targets will only be met through the collective efforts of the industry, involving governments, oil producers and investors.

### Developing alternative fuel

The challenge will also hinge largely on the development of SAF which stands to have the biggest impact in reducing emissions. The industry relies on SAF so strongly because at this time, it is the only reliable avenue to decarbonize the sector without disrupting the air connectivity that drives the global economy. **To achieve net zero by 2050, SAF production will have to increase from today's level of 100 million litres (in 2021) to 449 billion litres to contribute 65 % to the emissions reductions needed.** Scenarios vary, but one thing that is clear is that SAF will represent the biggest share of the solution identified to reach net zero. The main difference **between conventional fuel and SAF** is that the latter is made using sustainable recycled feedstock amongst other components, which has already emitted CO<sub>2</sub>. The most significant issue at the moment, however, is the gap between the demand for SAF and its availability.

SAF has been in use for several years, with more than 450,000 flights powered by a combination of SAF and conventional fuel already having

occurred. 'The biggest problem we have today is that we have a tremendous lack of supply,' says Mikosz. 'Every single drop of SAF produced last year was used by airlines, and we **are seeing a tipping point on the horizon as capacity increases rapidly.** Some airlines who committed to buying SAF in 2023 and 2024 are sometimes reselling because there is so much need. There is an internal trade off. This is why we are against mandates and taxation of conventional fuel because this will not create any money towards investment itself.'

Instead, Mikosz recommends the American system where SAF has a tax incentive for producers rather than airlines. Producing SAF is much more profitable than producing crude oil as the demand is so high and everything being produced will be bought – **today SAF is on average 2.4 times more expensive than traditional fuel.** However, currently it is prohibited to operate an aeroplane uniquely on SAF and a blend of petroleum-based jet fuel and **a SAF component with a maximum blend limit of only 50% is approved.** Although this ratio is set to increase in the future, 'probably for the next 20 years there will be some blend,' Mikosz explains, adding that continuing to analyse the supply curve will be very important.

### Sustainable innovation

The role of innovation is highly significant, and **new aircraft technologies could contribute around 13 % of the emissions reductions** needed based on IATA's net zero scenario developed in 2021, with electric, hybrid and hydrogen propulsion set to make big inroads. However, as Mikosz points out, we

are seeing rapid developments in this space, but most of the new propulsion technologies are based around short haul routes due to issues such as battery limitations or space needed for hydrogen, while the biggest emissions are as a result of long-haul flights.

While offsetting and carbon capture can contribute **19% of the emissions** reductions needed, Mikosz describes it as a 'gap filler'. Offsetting will play a diminishing role in the industry strategy as other technologies develop. 'We are not here to buy the right to emit,' says Mikosz, 'but to reduce emissions'.

### Long term goals

The upcoming ICAO (the International Civil Aviation Organization) Assembly, taking place in September, also has an important role to play. The ICAO Assembly will seek to adopt a long-term global aspirational goal (LTAG) of net-zero aviation carbon emissions by 2050 for international aviation, and IATA supports the adoption of this climate target that is aligned with the aviation industry's commitment, which does **require support from the ICAO member states.** In this light IATA has welcomed progress by states towards a LTAG of net-zero aviation carbon emissions by 2050 in line with the Paris Agreement's temperature objectives at ICAO's High-Level meeting in July held in preparation for the 41st ICAO Assembly later this year. (Note: *The LTAG goal was adopted at the ICAO Assembly on the 7th October 2022*)

In addition, member states will focus on the CORSIA initiative (the Carbon Offsetting and Reduction Scheme for International Aviation), the first global market-based measure for any sector and the focus is very much on cooperation and collaboration to avoid a 'patchwork' of various regulatory initiatives. Mikosz explains that in this respect IATA is keen to recommend that pre-Covid emissions are used to determine reference level emissions and determine a CORSIA baseline in order to reflect normal air traffic activities. While reducing emissions as well as raising climate finance is the main goal of CORSIA, it is also intended that the offsetting projects will harness

the economic, social and environmental benefits of sustainable development.

### Reducing plastic waste

The issue of single plastics is increasingly important for airlines, bearing in mind the volume of cabin waste that is generated and the fact that Covid has incentivised single use elements that are then discarded. Given that the average passenger produces **1.43kg of cabin waste per flight, and over 20 % of that waste is untouched food and drink**, Mikosz says that addressing this problem is a big priority.

The challenge here is the varying jurisdictional regulatory frameworks which create a significant lack of consistency about the definition of sustainability. On a positive note, this year the United Nations Environment Assembly resolution to end plastic pollution has agreed on an internationally binding agreement by the end of 2024 to address the full life cycle of plastics, the design of reusable products, and the need for further international technology. This initiative will include a role for both private and public organisations involved in the industry. Mikosz also indicates that there needs to be a commitment from green-minded passengers as currently the number of customers who are currently willing to contribute extra to the price of a more sustainable ticket is still low.

'There is no way our industry can achieve this by ourselves,' Mikosz concludes. 'We recognise the need to be leading and put in our fair share of effort but we have a value chain. We need everyone to have a common target and have a commitment throughout the whole value chain.'





# Fuel Tilt

*Sustainability Quarterly* talk to integrated logistics company Maersk's Global Air Freight Sustainability Manager **Amit Agarwal** about the growth in Sustainable Aviation Fuel (SAF). We ask how achievable global targets are, the contract Maersk recently signed in conjunction with Air France–KLM, and why Agarwal feels positive about the future of SAF.

*With thanks to Judith Prior for making the introduction*

## How important is it that the aviation industry is committed to the adoption of SAF?

There are multiple reasons behind a need for increased commitment. SAF is the most feasible solution today to provide immediate and effective GHG emission reduction. There is no other tech that can provide the same amount of reduction. SAF is a drop-in fuel, so you don't need any technological changes in the aircraft to use it, and that is a big boon for the industry. Having said that, everybody knows that SAF is expensive and the whole value chain recognises that more investment is needed for the financial security of the producers. There is currently much-needed industry wide momentum towards more investment into SAF.

## The European Parliament has recently backed a landmark ruling on aviation fuel. Realistically, how far are we from less polluting aviation fuel being used as the norm?

If you look at the different regulations across geographies, the EU is quite advanced. The US has some targets which are not as stringent, and the same can broadly be said for the rest of the world. If you look at the targets that IATA has set for 2050, SAF will contribute 65% of the reductions

and rest will be achieved via new technologies, operational efficiencies and offers. That said, there are a lot of projects and knowledge under development that will certainly accelerate SAF production. All in all, it makes me confident we can reach our air emissions targets at Maersk – moving 30% of our volumes to SAF based solution by 2030 and contributing to a net-zero company across all emissions scopes by 2040.

## Are global targets broadly ambitious or achievable?

The targets are definitely ambitious considering the availability of SAF today, but yes, they are also achievable. People talk about the scarcity of SAF, but for long-term targets one also needs to consider ongoing development of new technologies. No one can really say when they will transpire or how much seeding it will take. These advances are definitely ramping up, but it will take collaboration from all angles, areas and parties to make it happen. As Maersk we are pro-active in collaborating with our partners to explore new technologies and solutions.



**“I see a lot of positive momentum when it comes to SAF and there is certainly growth in investment.”**

## How far does a rapidly changing policy landscape affect the development and usage of SAF?

It doesn't really have too much of an effect on development, but we must remember that the standards are relatively fluid right now. It is important that there are partnerships between global companies, governments, and regulatory bodies to increase consistency and so that adoption across the board is accelerated.

## Is there a danger that increased used of sustainable fuels in the coming years will occur at the expense of other environmental concerns, such as food supplies for people or animals?

SAF is produced from sustainable feedstocks which cannot be used any further. It would otherwise go to landfill or incineration, so it really won't have any impact on the scarcity of food supplies. However, we do need to be cautious about widening the definition of feedstock, whether that be first, second or third generation, and for the industry to have consistent criteria across geographies.

## Maersk has recently signed a Sustainable Aviation Fuel contract with Air France – KLM. What do you hope to achieve with this?

Maersk has signed an agreement with Air France – KLM to purchase SAF in a market-leading two-year deal which will cover around 40 000 trips taken by Maersk's Marine & Corporate travels annually. On top of that, there is an additional purchase for 400 thousand litres to be used on cargo transportation. This deal is a very tangible example of how innovative commercial arrangements can help drive forward the uptake of SAF.

In the past Maersk only had net zero targets for ocean cargo, so expanding to all products and transport modes is a big step towards reducing our carbon emissions on the airfreight side. Airfreight made up less than 0.1% of total Maersk emissions in 2021, but the figure will rise significantly if we don't take action. Our first initiatives include joining United's Eco Skies Alliance and a collaboration with Air France KLM to procure SAF and offer sustainable solutions for airfreight. This contract also compensates carbon emission for our corporate travel.

We need to be making impact today in line with customer expectation, and this deal is a great platform to accelerate the crucial green energy transition in aviation that is needed to lower the overall global environmental impact from logistics.

## How far have you seen increasing pressure from customers or shareholders to engage meaningfully with the development and increased usage of SAF?

We have seen a great shift in our customers, with a growth of two thirds of them interested in SAF solutions over the past year alone. This increase is stemming from customers wanting to achieve their own low carbon emissions targets across the supply chain. We do already have Maersk ECO Delivery (our low-carbon product manufactured from recycled sustainable biomass) on the ocean side. Our customers pay a green premium for it and the product has grown in only a few years to represent 2% of our entire ocean volumes in the last quarter. However, our customers want climate neutral transport for the entire voyage of their cargo, so we are working to launch similar products for our other transport

modes, including a Decarbonised Airfreight offering with SAF soon.

## What other options is Maersk exploring to help meet its 2030 target of having a minimum of 30% of its air cargo transported using SAF?

Despite the scarcity of SAF at the moment, no one knows what technology is coming so we are keeping our eyes and ears open. We are continually speaking with our partners, producers and industry bodies, and especially watching what's happening in the technology space, such as the growth in other biofuels. We will also leverage on the know-how which Maersk has developed in recent years for procuring biofuels for its ocean vessels.

## How far do you feel positive about the future of SAF? What are the main challenges to overcome?

I see a lot of positive momentum when it comes to SAF and there is certainly growth in investment. One challenge I see right now is that a lot of SAF is coming from the West coast of the US, and a few countries in Europe. But when you move to other geographies, the availability is not there. There has been a lot of talk about China and India, but there is no actual SAF production, and with more and more airlines wanting to have a SAF based product, a lack of production means a limited offering at elevated prices. Similarly, there are some governments giving subsidies, making that particular jurisdiction an attractive prospect for SAF producers. This in turn makes the price more attractive for the airlines, and subsequently the customers, which drives the industry forward. Public and private collaboration is essential for the successful future of SAF.



# A LIFE OF SACRIFICE: MISSION TO SEAFARERS FEATURE

Maurizio Borgatti, Head of Corporate Partnerships, The Mission to Seafarers

**Day and night, 365 days a year, the Mission is on call providing help for seafarers in over 200 ports around the world. Seafarers need our help because they are often working in dangerous conditions, with no one else to turn to. Our Port Chaplains send us stories about the sea men and women they support, and we tailor our help to each and every one of them.**

The coffee or tea we will drink today, the furniture we will sit on, and the car we drive, is most likely to have come in by sea. It's an often-quoted fact that 90% of the items we all use and consume come in by sea. Seafarers keep the global economy afloat.

When I first joined the Mission, I had the opportunity to join one of our Chaplains on some ship visits and went to the port at Tilbury as part of my induction.

On one ship I was invited to join the Filipino crew for lunch, and I enjoyed the most amazing regional fried fish dishes prepared by the Filipino chef, in what was to me, a slightly claustrophobic and windowless canteen. I soon discovered the crew were Filipino and the officers were Italian. They ate separately and the officers had their own Italian chef. The realities and divisions of a life at sea became apparent to me.

A conversation with one of the Filipino seafarers stays with me to this day. He told me he was married and had two sons, he worked nine-month contracts, returned home for two or three weeks, and then took another nine-month contract. I commented that this must be a very difficult life, especially all the time he spent away from his family, and the special family occasions he must have missed. He said simply that it was, but his life was

a life of sacrifice, he worked to support his family and ensure his children could have a good education and good careers. I have come to realise that for many seafarers their lives are without doubt, lives of sacrifice. However, what is clear to me now, is how that sacrifice extends well beyond their families. For many of the estimated 1.6 million seafarers at work, their lives are lives of isolation, loneliness, danger, separation from family, and struggles with mental health.

## What the Mission does

We are there when seafarers need us most. We are active in over 200 ports across the globe, and we deliver a variety of welfare services.

Sometimes it is as simple as just being there to listen when a seafarer just wants someone to talk to. Other times we respond to needs such as, on-board bereavement, difficult communications with home, helping fix broken phones, the supply of much needed medicines, Wi Fi access, mental health challenges and contract issues. Sometimes the Mission brings joy with an order of burgers, pairs of shoes, port souvenirs, chocolate, or a particular fondly remembered food item.

The reality of post pandemic life is that in many ports it is difficult to gain access to a ship, crews are not allowed ashore, contracts are being extended, and journeys home remain challenging.

I saw a report recently that said a ship's Captain told our Chaplain it was down to him whether the crew could take shore leave. However, he had been told that if any member of the crew contracted Covid he would be personally responsible for any financial losses incurred. He choice was therefore no shore leave.

I am pleased to say the Mission adapted quickly during the pandemic and we created a 24/7 Chat to a Chaplain service, we started gangway visits, we took shopping orders when a ship was at sea, and we created on-line courses to cover financial literacy and social communications. We expanded our Family Support services in the Philippines, and we created family feeding programmes in India. Moving forward these are now amongst the projects that complement our core work of ship visitation and running port centre-based welfare.

## Abandonment

One of the hidden issues we deal with is abandonment. It may be hard to believe that you can abandon a ship and its crew, but abandonment cases are on the rise.

Abandonment tends to happen because the ships company, or owner, having serious financial problems, the cost of repairs no longer being viable, problems with cargo, or a ship breaking down. Last year there were over 1000 worldwide abandonment cases.

Abandonment carries a heavy human cost, in that a crew is often left without pay, stranded in a foreign port, with no means of getting home, and with diminishing food supplies. In recent years we have helped crews that have been left abandoned for over 18 months.

On a recent visit to Dubai, I got to visit the crews of two small ship that had been abandoned in port for over 15 months. It was very moving to talk to the friendly and hospitable seafarers who were stranded far from home and enduring such difficult conditions.

With abandonment the Mission helps by identifying the owners, applying pressure through international

associations, helping with legal issues, providing supplies, and working on wage recovery and repatriation.

It was great to hear shortly after I returned to the UK that the shipowners in this Dubai case had agreed to pay the majority of crew wages and action the crew repatriation, so they could get back home to family and friends.

## Ukrainian Seafarers

Another topical question is what is the Mission doing for Ukrainian seafarers?

The situation in Ukraine is without doubt horrendous, and since the start the Mission has made a point of seeking out Ukrainian seafarers and listening to their problems.

Emerging key issues directly impacting our immediate work include: the desperate anxieties felt by seafarers about family back home – creating high levels of welfare need; the urgent demand for enhanced communication provision and the capacity to support calls with family, especially for Ukrainians; and travel restrictions and bans having a very severe impact on travelling home after a contract.

*It is difficult to overstress the value of the financial, and pro-bono support, we receive from HFW. It has allowed us to deliver our welfare services across the globe and ensure we can be there when seafarers need us most.*

*What make me happy today is that as I write this article about seafarers, and what the Mission does to help them, I know it will be read by many people, and this means seafarers are in our thoughts, and they are not forgotten. In my mind these are two of the most important things we can all do.*





# ODFJELL'S JOURNEY THROUGH CLIMATE RISK AND FLEET TRANSITION

## Øistein Jensen

Chief Sustainability Officer,  
Odfjell SE

*With thanks to Alessio Sbraga  
for making the introduction*



# ODFJELL



**The summer of 2022 has been a stark reminder of the challenges of climate change. We have seen record high temperatures in many locations, leading to wildfires and destruction. The high temperatures directly affect people, infrastructure, nature, food production, business, and energy use. We must act to mitigate the damage, adapt to the changes and reduce greenhouse gas emissions.**

Climate related threats have long been an integrated part of Odfjell's risk assessment and strategy. Likewise, sustainability has been, and still is, an integrated part of our business. In 2007, we started to focus on energy use and emissions in our fleet, and from 2020 we have systematically focused on climate risk, how this would affect our business, and its impact on our fleet. We publish these risks in our annual reports, using the framework from Task Force for Climate-Related Financial Disclosures (TCFD).

### Perspectives

Sustainability for Odfjell is about having a long-term perspective on how we do business. It is about making changes today that will make a difference tomorrow. Our 108-year history speaks for itself. We plan to be here for the next 100 years but to succeed, we need to act responsibly and think about the long-term effects of our business on people and the planet. We have taken many steps to act and report on sustainability challenges. In 2021, Odfjell was awarded an EcoVadis gold medal for the quality of our sustainability management system, putting us in the top 5% of a total of 75,000 rated companies.

### Shipping and emissions

Around **90%** of the world's traded goods are transported by sea. Shipping accounts for **2.9%** of global CO<sub>2</sub> emissions, a number that will increase as demand for transportation increases. Still, shipping remains the most environmentally friendly way of transporting large volumes over great distances. So, we are a part of the problem but also the solution.

Decarbonizing shipping is no easy task and is a significant challenge for our industry. Looking at current projections and IMO targets, we are not on track to achieve the goals of the Paris Agreement.

In 2020, Odfjell set ambitious targets to reduce its environmental footprint. We aim to reduce our carbon intensity by 50% by 2030, compared to the 2008 baseline, and to have a climate-neutral fleet from 2050. Both targets go beyond the International Maritime Organization's (IMO) targets. These targets are the drivers for our fleet transition plan.

Since 2014 we have implemented a raft of technical, operational, and digital measures to improve fleet efficiency and reduce emissions. Collecting high-quality data has been fundamental to those efforts. As an integrated shipping company, we have been able to capitalize on an internal wealth of technical, commercial, and operational expertise to achieve our goals.

Our ships have been retrofitted with several energy-saving devices. Since 2014 we have completed more than 100 installations, and in 2022 we intend to install 24 more. These technical upgrades and investments have improved the performance of our fleet significantly. We also focus on how the vessels are operated, utilizing weather and currents, optimizing routes and speed to reduce emissions. In 2021 we reduced our CO<sub>2</sub> emissions by 2,573 tonnes, just on optimal routing.

Our efforts are paying off; the Odfjell fleet's carbon intensity is now 52% below our IMO baseline for 2008 and is the most energy-efficient in the industry segment,



but our journey to reduce emissions and decarbonize continues.

### Sustainable finance

In 2021, we linked our climate targets to our financing by issuing the world's first sustainability-linked bond in our industry, and all new mortgaged loans have since been sustainability-linked. The bond was substantially oversubscribed and attracted a lot of new investors due to the sustainability link. Marine Money awarded the deal 'Norwegian bond deal of the year'.

Sustainable finance has become increasingly important for access to, and cost of, financing. We are convinced that this trend will continue. Given our ambitious targets and active role in sustainability initiatives, this is a development we welcome and encourage. We believe that sustainability elements will be linked to most financing in the future, and we want to be at the forefront of this trend, in close collaboration with the finance industry.

### New regulations and focus

In 2023, the IMO will implement requirements for a ship's design and performance, through the EEXI and CII indexes. Some ships will have to reduce power and speed to comply with the requirements, and ships will be rated on their carbon intensity (CII). We believe that these measures will make charterers pay more attention to the rating of vessels they use. Odfjell is well prepared for these new regulations.

There is also increasing attention on value-chain emissions. Investors and customers have started focusing on their scope 3 emissions. Shipping is an integrated part of the industrial value chain. Shipping's direct emissions (scope 1) will be a significant portion of companies' scope 3 emissions. It will therefore be beneficial to charterers to select a ship with lower emissions, to achieve their emissions targets.

The EU bodies have decided to include shipping in the Emission

Trading Scheme (ETS). Details of the implementation will be determined in the dialogue this fall, but it will significantly impact the industry. The carbon tax cost will have to be transferred from the shipping company to the charterer and again, charterers will be incentivized to select a shipping company with lower emissions. We also expect other proposals under EU's "Fit for 55" to impact shipping. The proposals will set requirements for maritime fuel's carbon intensity, increase fuel tax and set requirements for infrastructure, through the FuelEU Maritime regulation, and the revisions to the Energy Taxation Directive and Alternative Fuels Infrastructure regulation.

We welcome these new regulations and focus on emissions. Due to Odfjell's significant investments in improving efficiency, we see this as an opportunity to be a preferred provider. Reduced emissions will mean reduced cost and beyond that, a contribution to climate change mitigation.

### Future

Odfjell will continue to reduce its carbon intensity, but low intensity is not the end target. What really counts is the number of CO<sub>2</sub> molecules in the atmosphere. That is why zero is the real target. Unfortunately, this is no easy task, as there are currently no commercially viable zero-solutions for deep sea shipping. The technology is there, but the infrastructure and amount of renewable energy to produce renewable fuel are not. It will take time.

So Odfjell's strategy is to be fuel flexible. Our next generation vessels will have to have engines that can be upgraded to run on the many possible future renewable fuels, for example e-fuels and ammonia. We are also focusing on how future vessels could be as energy efficient as possible, and are looking at all available technology to improve efficiency. Our goals are clear: We shall offer the safest, most efficient and sustainable services, worldwide.

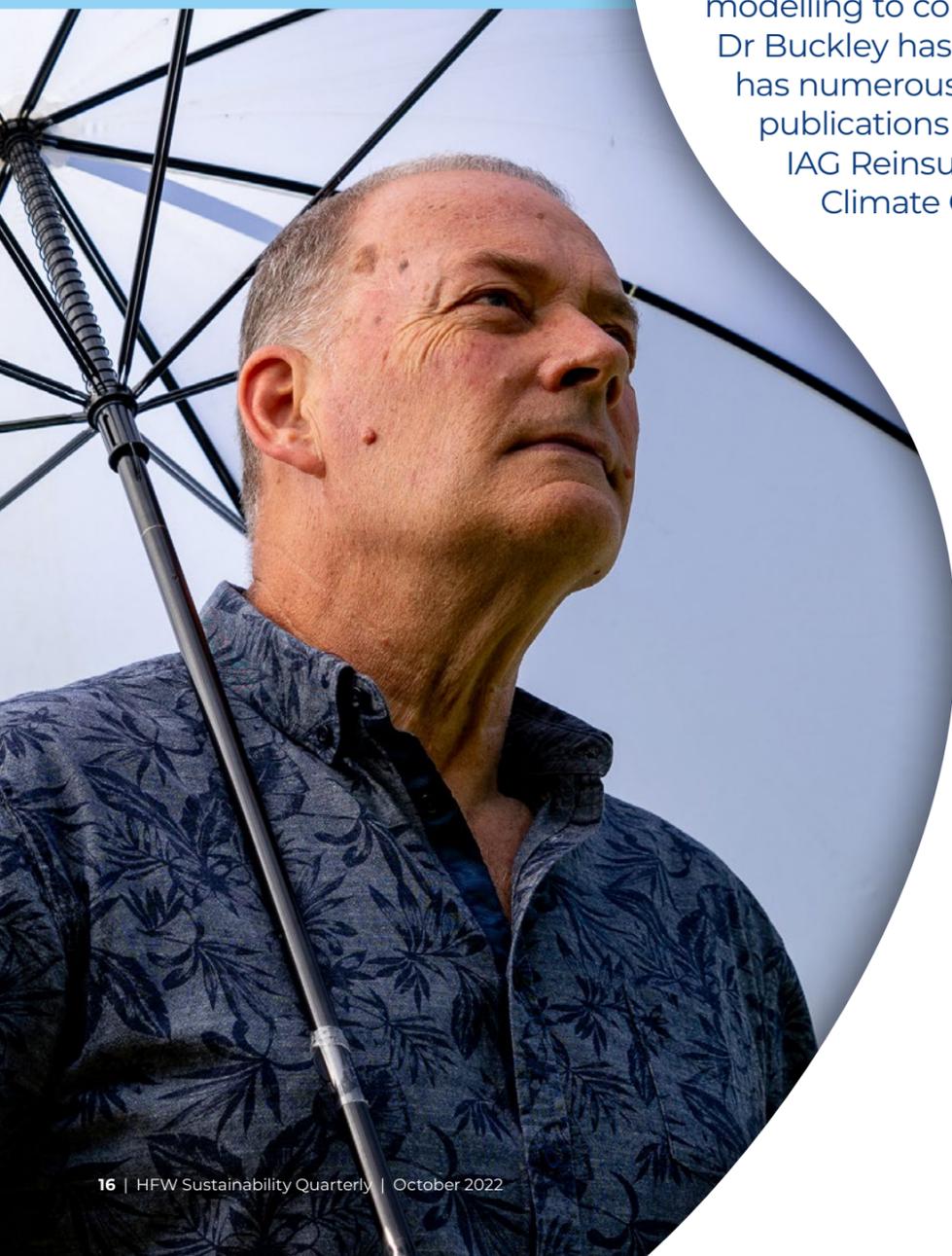
“What really counts is the number of CO<sub>2</sub> molecules in the atmosphere. That is why zero is the real target.”





# PRACTICAL ESG

## Embracing climate adaptation opportunities and international trends



**Dr Bruce Buckley** is a meteorologist and climatologist with over 45 years' experience. He has been involved with the IPCC since its inception and in the development of sophisticated climate models. He's worked in senior roles at the Bureau of Meteorology and the UN, and as an environmental advisor and researcher for BHP, IAG, Woodside Energy and Rio Tinto. He has also worked alongside Dr Michael Maxwell at HFW in an advisory capacity for several years, applying sophisticated climate modelling to complex legal scenarios.

Dr Buckley has co-authored five books, has numerous peer-reviewed scientific publications and has been involved in IAG Reinsurance's Natural Perils and Climate Change Research.

### Thanks for joining us, Bruce. How did you first get into climatology?

When I was growing up, I spent a lot of time at our family's orchard in the Perth hills and I was inspired by the weather records my Grandfather had there that dated back to 1906. I then worked as a fruit picker in the orchard while I was completing my studies, so I saw severe weather impacts first-hand – anything from tornadoes, hailstorms, flash floods and bushfires. That led me to study meteorology and eventually joining the Australian Bureau of Meteorology.

### How did you start working with corporate organisations? What role do you play?

I've been working with corporate organisations since 1980 – as part of my role in the Perth Regional Office I took over the management of the climate and consulting section of the Bureau in Western Australia. We provided all the specialist weather and climate support for industries across Western Australia that had a requirement for such information. That included energy and resources and agricultural sectors.

After working at the Bureau for several years, I moved to Saudi Arabia in 1986 and worked closely with the IPCC on climate change issues. I also worked with international contractors, as well as international research organisations and the United Nations itself.

### What is the most significant change you've seen over your career?

The most dramatic change has been the approach to climate science. In 1988, it was regarded as being a minor inconvenience. Now, the urgency has increased. There has been more evidence of the severity and rapid rate of climate change – businesses around the world are realising it's imperative for us to act immediately. We're seeing change in government policies and huge changes in the direction of energy policy based on climate science.

### How do you think the role of ESG is changing in organisations?

All aspects of ESG are coming more into focus, it's not just about climate. We have a long way to go globally, but it's an area where Australia can really champion a lot of initiatives.

The requirements of ESG have evolved – there are much more comprehensive requirements for all organisations to adhere to, and we're seeing far more focus on the potential impacts of climate change on businesses. It is encouraging for me to see that there is now a legal requirement for organisations to disclose their financial exposure to weather and climate change related issues. As a climatologist, and from my work with Dr Maxwell at HFW, it has become apparent to me that businesses need to understand and plan for specific climate risks to their business, account for them and disclose that information to relevant stakeholders.

The role of ESG can vary dramatically, depending on how exposed individual businesses are to the weather and climate. The insurance industry of course, which is where I've spent most of my time over the last 14 years, is heavily exposed to weather and climate impacts. But other financial institutions, such as banks and credit societies,

as well as mining and agriculture are also highly exposed. Supporting these industries includes looking at the short term and long-term requirements and helping to identify the changing risks of climate extremes.

To that end, IAG in conjunction with the US Center for Atmospheric Research, published two papers in 2019 and 2020: "Severe Weather in a Changing Climate" – which covers both an Australian and international perspective. The report is available publicly, and has been shared broadly with organisations, financial institutions and the Federal Government (in Australia). It highlights the fact that there's a lot of science behind severe weather and its impacts. It's been shared widely so that decision makers, both financially and in the political arena, are aware of what the science tells us and can better prepare society.

### What are the opportunities for organisations to utilise sophisticated climate science to improve and demonstrate their sustainability credentials?

It is important that businesses appreciate where their risks lie. Climate models can provide a lot of information in this respect. In particular, trends can reveal areas where risks are escalating or declining.

Not only does this help in the long term, but it can have immediate impacts. For example, I have worked

with Dr Maxwell to utilise highly sophisticated and powerful climate models with exceptional spatial and temporal resolution to enable real time monitoring and planning of business operations (eg in shipping and agribusiness) to better define or take advantage of rapidly evolving local conditions and address relevant regulatory requirements.

### Is there more organisations can be doing?

Definitely. We're entering a new era where companies will be held far more accountable for the impacts they have on the environment, the climate and their people – business practices that may have worked in the past will no longer be acceptable.

### What are the most important considerations for Boards over the next 12 months?

It gets down to boards truly understanding environmental impacts and interactions of their business and what that means for future wellbeing and sustainability. In my experience working with HFW, combining cutting edge scientific input with legal insights on relevant obligations has been an extremely effective way to navigate risks and opportunities from climate change. Boards must understand what the risks are, what their actions mean and make sure they're addressing these risks in a meaningful way. The time for action is now.



Catch up on recent HFW Sustainability Webinars here

**Practical ESG: Embracing climate adaptation opportunities & global trends**  
Michael Maxwell, with guest speakers Dr Bruce Longley and Dr Robert Leeson

**The Future of Green Building in Australia**  
Carolyn Chudleigh and Ian Gordon with guest speaker David Walsh, Founder & CEO, CIM)

**Disputes in Energy Transition**  
Kate Fisher, Jo Delaney, Jo Garland and Dan Perera





# HFW SUSTAINABILITY INITIATIVES



## European Logistics & Supply Chain Sustainability Report 2022

HFW and Panattoni, in conjunction with Analytiqa, have published their first European Logistics and Supply Chain Sustainability Report, assessing Environmental, Social, and Governance (ESG) strategies and activities across Europe, focusing on logistics and supply chain operations.

The launch of the report comes at a time when the profile of the supply chain sector has, arguably, never been higher, in part due to the realisation of society's reliance on logistics during the Covid-19 pandemic. A number of trends are driving behavioural change in the sector and performance improvements, not least the growth of eCommerce, widespread skills shortages and the role of technology and digitalisation. Alongside these, the importance and role of sustainability is a driving force and at the top of the agenda for boards in companies across most sectors.

Our expert and co-author of the report, Matthew Gore, one of the UK's leading commercial lawyers who specialise in logistics, transport, ports & terminals and supply chain agreements and solutions comments, "It is encouraging to see that companies are taking their ESG targets beyond the tender phase and implementing them into their contracts as obligations. However, the majority of respondents are only including them in their contracts as aspirations and we're keen to understand why this is. Whether it is challenging to define these obligations, measure and monitor compliance or even difficulties for counterparties to meet their obligations at all? Worryingly, another 28% of respondents don't include ESG targets as either obligations or aspirations. There's clearly a long way to go in reaching contractual maturity with the use of ESG targets."

For more information, speak to **Matthew Gore** or **Catherine Emsellem-Rope**.

Read the full report [here](#).

## Sustainability Series

We will be launching a new internal engagement initiative examining key sources of emissions in our lives. The first five sessions will run in alternate months into 2023 and will focus on:

- Food
- Fashion
- Travel
- Energy
- Money

For each area of focus, we'll share updates on HFW's decarbonisation efforts (if relevant), wider progress within those industries, and will help to give colleagues the facts they need to make informed choices about how their decisions can contribute to society's transition to a low-carbon future.

## Sustainability Syllabus

The final sessions of our Sustainability Syllabus took place in June and July 2022. This internal educational programme provided colleagues with a solid foundational understanding of ESG issues, particularly in relation to climate change.

Since its launch in October 2021, almost 220 people around the firm have attended one or more of the nine sessions in the Syllabus, from across the range of fee earners and business services, and in almost all of our locations. Our expert speakers have come from Perth, Sydney, Singapore, London and Geneva.

The syllabus comprised of nine monthly sessions with a series of modules covering topics such as the Paris agreement, climate change litigation, sustainable finance, and emissions trading. Delivered by a combination of internal and external sustainability experts via online presentations, the sessions each ran twice in different time zones to ensure the syllabus was internationally accessible and as far-reaching as possible.

Global Senior Partner and Sustainability Partner, Giles Kavanagh spoke to [law.com](#) about our Sustainability Syllabus:

"The world is changing fast – for us and our clients. Our syllabus is designed to ensure that every lawyer at HFW globally has the foundational knowledge to help our clients on the journey towards a decarbonised global economy and a more sustainable future".

Amanda Rathbone, the knowledge lawyer leading the initiative added:

"This is not a future issue, this is the present and so we need to be able to advise accordingly. New law is happening all the time, and clients have to respond to that."

We are in discussion with several clients about delivering sustainability training that is tailored to their business and industry.



## Greener Litigation

**Greener Litigation** was awarded the Highly Commended status in the Sustainability Initiative category at the Lawyer Awards 2022. HFW Litigation is a founding signatory of Greener Litigation, represented by Nicola Gare on the steering committee.

Global Senior Partner and Sustainability Partner, Giles Kavanagh says:

"This accolade recognises the significant impact and hard work of everyone involved and highlights the importance of sustainability to the London Disputes community. We are very proud to support it and its sister organisation: the **Campaign for Greener Arbitrations**".

HFW Head of Litigation, Damian Honey says:

"This award is recognition of the role taken by Greener Litigation in highlighting the carbon impact of in person dispute hearings. As a founder member of Greener Litigation, HFW is taking a leading role in both advocating for change in the disputes world, as well

as changing our own approach to the management of disputes".

## What is Greener Litigation?

Greener Litigation is an initiative to reduce the environmental impact of dispute resolution. The immediate goal is to change the way in which dispute resolution practitioners conduct litigation, so as to reduce the carbon footprint of litigation in line with the objective of restricting global warming to 1.5°C as set out in the 2015 Paris Agreement.

Longer term, Greener Litigation aims to act as a catalyst for change to policy and procedure, to embed meaningful and permanent change into the rules of litigation practice, reducing climate and other environmental impacts. It is also mindful of the risk of harm to health of court users and others arising from air pollution in and around the courts.

## What is The Greener Litigation Pledge?

The Greener Litigation Pledge is a mission statement setting out practical changes we as litigators pledge to commit to in the journey towards net zero. To date, **70 signatories** including solicitors' firms, barristers' chambers and other disputes professionals have committed to action.

In signing the Greener Litigation Pledge, HFW has committed to take steps to reduce the environmental impact of our practice in England and Wales, and to the reduction of our emissions in line with the objective of restricting global warming to 1.5°C, including by:

1. Taking steps to reduce the environmental footprint and GHG emissions of our dispute resolution practice
2. Engaging with the courts and other dispute resolution fora in which we operate to support changes to rules, procedures and practices to reduce the environmental impact of dispute resolution proceedings;
3. While always maintaining and promoting the highest standards of justice and client service and complying with the procedural rules of the courts, actively promoting





practical steps in litigation in which we are involved, which serve to reduce the environmental footprint and emissions arising from any dispute, including:

- Corresponding electronically, unless hard copy is expressly required, while recognising that electronic communication has a carbon footprint and accordingly seeking to avoid unnecessary emails;
  - Limiting the printing of hard copy bundles and other documents wherever possible;
  - Promoting the use of eBundles for hearings, and liaising with our counterparts at opposing firms and the court to seek agreement where necessary;
  - Walking, cycling or using public transport for journeys to court wherever feasible and appropriate;
  - Considering the appropriateness of witnesses giving evidence by video-link and, where appropriate, co-operating with our counterparts at opposing firms and the Court to implement the necessary procedures for giving evidence by video-link;
  - Whilst acknowledging the importance of in-person hearings to the administration of justice, actively considering for each hearing whether it is appropriate and amenable to being heard remotely, in whole or in part, including by telephone or by video-link, and, where it is, making that suggestion to the court and other parties to the litigation;
  - Avoiding unnecessary travel in relation to a dispute in which we are acting;
  - Committing to the use of renewable energy sources wherever possible;
  - Using suppliers and service providers who are committed to reducing their carbon footprint wherever possible and appropriate.
4. Notifying clients and other parties, including solicitors, counsel, experts and opponents, involved in disputes of our support for the Greener Litigation Pledge, and encouraging their participation.



## LONDON OFFICE MOVE

In April 2023, HFW's London office will be moving to a landmark new building at 8 Bishopsgate that will be London's most sustainable tall office tower.

We will occupy three floors of the 50-storey tower, including a private roof terrace that will offer colleagues and clients uninterrupted views across the City of London.

The new building is being developed to achieve low embodied carbon and be low-carbon in operation, featuring the highest solar panels in London, advanced floor-by-floor air filtering, light-responsive blinds that reduce cooling demands, and rainwater harvesting and greywater recycling, with rainwater filtered and reused for irrigation and toilet flushing to reduce water consumption.

Our Managing Partner Jeremy Shebson says:

"We are very excited to be moving to one of London's best and most sustainable new developments. We truly believe this will be transformational for HFW in London, giving us modern, agile and progressive space that allows us to adapt to the changing needs of our people and our clients. This includes giving us room to continue to grow in London, which is very much the plan.

Sustainability is always a key factor whenever we're looking at new offices around the world, so we're pleased to have found a building that aligns with our commitments as a responsible business, with impressively low carbon emissions as well as outstanding facilities for active travel and wellbeing."