ETHAN Hathaway

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In this issue of Premium Procurement Bulletin…

[Case Study] Ford's Supply Chain Paves the Way for a Sustainability Partnership

As a major automaker that does business in just about every corner of the world, Ford has the potential to make a substantial impact on global supply chains. The automaker's forward-thinking Partnership for a Cleaner Environment (PACE) program does just that by encouraging supply chain transparency and environmentally conscious approaches to procurement. Find out how Ford's PACE program paves the way for sustainability around the globe.

Situation: Ford Aims to Shrink Its Environmental Footprint

Image via Flickr by JeepersMedia

For a company with a global reach as extensive as Ford's, waste from inefficient supply chains and environmentally harmful practices can have an immense impact. The automaker has long understood the necessity of improving its approach to sustainability. Since Ford sources materials and supplies from countless manufacturers around the world, however, the automaker must involve its suppliers in order to institute wide-reaching change.

Approach: Ford Includes Dozens of Suppliers in Its PACE Program

The automaker took the first steps toward a global sustainability program with the launch of PACE in 2014. The first stage of this voluntary program aimed to teach the company's primary suppliers how to incorporate the automaker's best practices for conserving water, reducing waste, and saving energy. The program encouraged suppliers to develop multi-year plans for improving their environmental performance, collect data along the way, report progress, and share their own best practices.

Since 2014, Ford has continued to improve the PACE program and roll it out to a larger group of suppliers. The program now includes over 40 suppliers and affects at least 40 countries. PACE provides participants with monitoring tools to help suppliers work toward the sustainability goals they have established, and the program also shares over 350 best practices for reducing energy, water, waste, and air emissions.

Impact and Advantage

The PACE program has already proven to be successful in improving supply chain transparency and reducing waste. Thanks to the sustainability programs they have instituted, program participants will reduce their water consumption by about 550 million gallons and lower carbon emissions by 500,000 metric tons over the next five years.

Participants have already adopted a wide range of approaches to increasing sustainability, such as using LED light bulbs and improving cooling tower operation. The PACE program also encourages suppliers to hire experts to advise about additional ways to save water and energy.

Ford may be just one company, but its ability to impact sustainability is massive. The automaker already has a selective approach to partnering with suppliers, taking care to choose those with good Carbon Disclosure Project results, and the company may adopt even more stringent criteria as its PACE program evolves.

The automaker's initiatives haven't gone unnoticed, either. Ethisphere Institute, for instance, has included Ford on its list of the World's Most Ethical Companies for several years in a row, due in part to the automaker's commitment to improving sustainability.

Ford's PACE program has proven successful thus far, and ethical organizations, industry heads, and suppliers alike will continue to monitor its results as the program expands its reach. The automaker has the potential to be a true game-changer for supply chain transparency and sustainability.

China Explores Newly Available Arctic Shipping Routes

Climate change has prompted countless logistical challenges for global shipping companies and supply chain managers, but some potentially lucrative opportunities have also emerged. Find out how newly available Arctic shipping routes could provide much-needed solutions for Chinese supply chains and understand the impact that these routes could have.

Why Arctic Shipping Routes Make Sense for Chinese Shippers

Image via Flickr by YLev

In recent years, melting ice caps have opened up new waterways, prompting many global shippers to rethink their routes. Chinese shipping companies operate numerous routes in the northern hemisphere, but due to available ports and waterways, routes can be prohibitively long and resource-intensive.

To transport goods between major ports like Shanghai and Hamburg, for instance, Chinese shipping companies currently rely on the Suez Canal. Transitioning to an Arctic route could reduce the total length of the trip by a third.

How Supply Chains Could Benefit From Polar Routes

As a leading global exporter, China could help to streamline supply chains around the world, as long as the nation's shipping industry can mitigate the risk involved with these potential new routes. As China's Maritime Safety Administration ministry spokesman Liu Pengfei states, "Once this route is commonly used, it will directly change global maritime transport and have a profound influence on international trade, the world economy, capital flow, and resource exploitation."

Indeed, Chinese officials have expressed interest in exploring the full extent of possibilities that opening the Northwest Passage could provide. In late 2016, the nation's Maritime Safety Administration released a lengthy guide discussing potential Arctic routes from North America to China, which could have a substantial impact on American trade with China.

What the Future Holds for the Arctic Shipping Routes

While it is still too soon to tell what the results of opening Arctic shipping routes might be, industry experts have already begun to speculate about some of the risks at hand. Since these routes currently aren't in use for global transit, for instance, infrastructure is nearly nonexistent.

Weather conditions may prove to be major deterrents, as Arctic waters are known to experience larger waves and higher winds than virtually any other shipping routes. In addition, shallow waters and lingering ice in the Arctic could make some areas impassable. Decades may pass before the industry can fully assess the risks and benefits of using these Arctic shipping routes.

In addition, it remains to be seen whether Chinese ships have permission to use these routes at all. While China has free trade agreements in place with Iceland and is actively involved in mining in Greenland, the nation may encounter resistance from Canada, which claims ownership over some of the waterways. As Reuters reports, several Canadian spokespersons have indicated that the nation fully intends to regulate these waters, potentially preventing China from using them freely.

These new shipping routes could make a substantial difference for Chinese shipping companies looking to save time, cut down on resources, and mitigate future risk. In the meantime, the shipping industry will observe this unprecedented move and eagerly await its results.

[Case Study] Maersk Line Makes Strides Toward Reducing Carbon Emissions

With increasing emissions regulations on the horizon, Danish shipping company Maersk Line has opted for a proactive approach. Learn more about the impending regulations and discover how Maersk Line has partnered with other global companies on environmentally friendly initiatives.

Situation: Global Shippers Expect Increased Emissions Regulations

Image via Flickr by Robert Lender

The International Maritime Organization (IMO) currently oversees emissions regulations for the global shipping industry, but recent actions by the European Parliament suggest that the latter group may take steps to increase oversight. The European Union (EU) relies on a cap and trade principle known as the Emissions Trading System (ETS) to lower carbon emissions and combat climate change.

The ETS doesn't yet include shipping in its regulations, but the European Parliament recently voted to begin incorporating this industry into its regulatory practices. The EU would begin

overseeing shipping in 2023 if the IMO does not institute a cap and trade or similar carbon emissions system by 2021. Global shipping companies have already begun preparing for required reductions in sulfur emissions in 2020, and many have started anticipating tighter restrictions on carbon emissions as well.

Approach: Maersk Line Targets Drastic Reduction in Carbon Emissions

Many forward-thinking companies have already begun to plan for decreased carbon emissions, but Maersk Line has announced one of the most significant plans. Using its 2007 carbon emissions as a baseline, Maersk Line has pledged to reduce carbon emissions by 60 percent for each container moved by 2020. By 2016, the company had already reduced its carbon emissions per container by 42 percent, putting its overall goal well within reach.

Maersk Line executives understand the impact that the shipping industry has on the health of the planet and the success of worldwide business. These are the primary reasons the company has sought partnerships with major vendors to help achieve its ambitious emissions goals.

The Danish shipping company recently signed a sustainability partnership agreement with AzkoNobel, a Dutch paint and coatings company, pledging to lower carbon emissions by 10 percent per container. The shipper signed a similar agreement with EQUATE Petrochemical Company, a Kuwaiti petrochemical producer, pledging to lower emissions by 15 percent per container. Maersk Line may announce more partnerships in 2017 as the company continues to fine-tune its approach to sustainability.

Impact and Advantage

Since Maersk serves as a supplier for both AzkoNobel and EQUATE, all companies involved have the potential to benefit. With results ranging from creating more efficient and transparent supply chains to establishing industry-leading emissions goals, these partnerships appear to be both effective and strategic.

The companies see nothing but positive results ahead. Responding to the partnership with EQUATE, Mohammad Shihab, Maersk Line's Regional Managing Director states, "We are happy to contribute to EQUATE's plans to reduce the emissions in the value chain, as well as to take our business relationship further through bringing more sustainability elements into procurement practices."

Many global shipping companies may opt to wait and see how emissions regulations will change in the near term, but Maersk Line has already taken action. Its strategic partnerships with vendors are likely to continue to benefit the individual companies involved and lead the way for the shipping industry as a whole.

Automotive Heavy Hitters Join Forces to Form DRIVE Sustainability

In recent years, the automotive industry has made great strides in improving sustainability and supply chain transparency. The 2017 launch of DRIVE Sustainability, a partnership that includes 10 major automakers, promises additional progress toward a more sustainable industry. Learn which automakers have joined DRIVE Sustainability and how this important partnership could impact automotive supply chains around the globe.

CSR Europe Launches DRIVE Sustainability

Image via Flickr by ahenobarbus

The European Business Network for Corporate Social Responsibility, or simply CSR Europe, announced the brand new DRIVE Sustainability in March 2017. The partnership draws on work by the European Automotive Working Group on Supply Chain Sustainability.

All 10 members of the initiative are based in Europe, and the initial membership list includes BMW Group, Daimler AG, Honda, Jaguar Land Rover, Opel/Vauxhall, Scania CV AB, Toyota Motor Europe, Volkswagen Group, Volvo Cars, and Volvo Group. Lead Partners for the initiative include BMW Group, Scania CV AB, Volkswagen Group, Volvo Cars, and Volvo Group. DRIVE Sustainability Partners include Daimler AG, Honda, Jaguar Land Rover, Opel/Vauxhall, and Toyota Motor Europe. All members will collaborate to determine best practices and strategies.

How the Partnership Could Impact the Automotive Industry

DRIVE Sustainability could have a substantial impact on the automotive industry, as its proposed initiatives are far reaching. Together, the 10 members of this partnership aim to implement environmentally conscious practices in the automotive supply chain. To do so, they plan to introduce sustainable initiatives in the procurement process and standardize eco-friendly methods throughout the automotive industry. They also aim to decrease the environmental impact of the automotive industry and help industry workers achieve healthy and safe working conditions, all while promoting integrity throughout the industry.

The partnership is also likely to increase the impact that many of the 10 automakers have already made on the industry. For instance, Daimler AG recently announced a $3 billion initiative to reduce emissions and streamline its auto production process. Along the same lines, Jaguar Land Rover plans to convert to renewable energy, while Toyota has announced a billboard that works to eliminate pollution.

Future Plans for DRIVE Sustainability

Although the initiative just recently launched, DRIVE Sustainability has already made plans for moving forward in 2017. This year, the partnership plans to organize sustainable supplier training sessions in Italy, Spain, Hungary, Turkey, and India.

Overall, CSR Europe's leadership bodes well for the future of DRIVE Sustainability, since the organization has extensive experience implementing sustainability initiatives throughout Europe. The organization also has countless partners around the globe, so it can draw inspiration from a large network of sustainable companies and work with supply chain models around the globe.

As Stefan Crets, Executive Director of CSR Europe, states, "Sustainability is well established among the buying criteria of these companies, therefore it is now the time to strengthen the way they work together and establish a Partnership focused on results, based on stronger collaboration, excellence, leadership and impact."

DRIVE Sustainability is still a new initiative, but it has the potential to produce exciting results. With 10 major automakers on board, this partnership could push much-needed changes to the automotive industry's approach to sustainable supply chains.

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