



The Chartered Institute of Logistics and Transport

OPENING STATEMENT ON BEHALF OF THE CHARTERED INSTITUTE OF LOGISTICS AND TRANSPORT TO THE JOINT COMMITTEE ON TRANSPORT AND COMMUNICATIONS ON THE RISING COST OF FUEL

Cathaoirleach and members of the Joint Committee, on behalf of the Chartered Institute of Logistics and Transport Ireland (CILT) I would like to thank you for the opportunity to address the committee today. My name is Joe Kenny, and I am the Chief Executive Officer of CILT Ireland.

CILT is the globally recognised professional members body for all professionals involved in the mobility and supply chain industries. We are an independent membership body operating in over 40 countries and representing over 30,000 professionals globally promoting and supporting professionalism and enhanced standards.

CILT Ireland recognises the difficulties for our sector arising from increasing fuel costs. These difficulties need to be set against an already incredibly challenging and fast changing environment brought about by the global pandemic and Brexit. The supply chain industry is still adjusting to the enormous changes forced upon it by these events and now finds itself also affected by the volatility brought about by the tragic situation evolving in Ukraine. The combined effects of these highly disruptive events are felt right across the sector in all modes, Road, Rail, Air and Maritime. All parts of the supply chain have needed to adapt and introduce new methods of operations to maintain supplies and services. Passenger as well as freight movements have been affected and the industry's ability to economically move people and goods has been challenged as never before.

CILT Ireland believe that the long-term solution to the issues facing the industry is in a sustainable approach to decarbonisation for the industry aligned with clear transitional plans and combined with higher levels of professionalisation, education and training programmes, and the adoption of innovative technology.

This strategic approach will require appropriate plans and supports to transition from a reliance on carbon-based fuels as well as a whole of industry approach to professionalisation so that standards, capacity, and sustainability are prioritised. A sustainable approach may require the reassessment of lowest cost solutions and a reduction in proprietary and exclusive distribution lines for example.

Collaboration and shared resources are key to the long-term success of the industry with a recognition that much of the industry is made up of smaller independent operators who usually don't have significant economic or financial influence. These smaller operations may not have the same ability to adapt (often because of contractual obligations) and survive in adverse conditions and this must be recognised by industry as well as the customers it serves. There is potential to improve the shared understanding of costs, contracts, and the business environment within the sector.

There is a need to develop practical and viable plans for all parts of the supply chain utilising industry professionals who can help industry adapt to the inevitable unforeseen circumstances. Strategic planning covering input security, sustainable supply chains, decarbonisation targets and economic sustainability are crucial to the success of the industry. Investment in training and education and the promotion of professionalisation and standards will be required. The knowledge, skills and analysis which professional bodies such as CILT can contribute can be leveraged in the short, medium and long term.

The current volatility in fuel prices highlights several key challenges that require addressing. Security and sustainability of supply chains and the impacts of rising input costs on the economy are two of the most important. CILT Ireland recognise that short term measures will be required but believe that only a strategic response using appropriate policy instruments is now needed to effectively deal with the problem. The current crisis is a symptom of the much larger challenge to decarbonise our sector.

The latest environmental package 'Fit for 55' in the European Green Deal published in 2021 has set out the vision to make Europe carbon-neutral by 2050. **For the road transport sector, the emphasis is on the alternative and cleaner energy fuels for all vehicles, intending to phase out the sale of Internal Combustion Engines (ICE) vehicles for heavy goods vehicles (HGVs) no later than 2040.**

Based on the latest CILT Ireland policy research¹, we would like to bring to the attention to the Committee, two main findings:

1. **There is a divergence between the government's incentivised decarbonisation direction and the industry's preferences**, which might hinder the uptake of cleaner vehicles among HDV and HGV operators. The current decarbonisation policies indicate a trend towards 'electrification' for the transport sector in general, however the study shows that operators consider hydrogen and biofuel as a more feasible option. Given the limited market choice and technological support availability, electrification might not be a feasible option for the HDV and HGV operators in the near term. In addition, the high upfront investment of cleaner

vehicles and the availability of the infrastructure (vehicles and fuelling/charging facilities) across the country are also significant barriers.

2. **The current government policies on transport decarbonisation are less reflected in terms of measures and support schemes for most SMEs in the market.** Small and micro companies are the significant element of the transport industry in Ireland (similar in the European context), and they are aware of the green technologies, but less interested in adopting these 'green' practices in their operations or participate in the current decarbonisation schemes. During the engagement with the transport operators in this study, a sense of 'overwhelmed' has been felt. The operators are preoccupied with on-going workload, and hardly have the capacity or resources to make a strategic plan for decarbonisation in their operations.

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Thus, a few recommendations we would like to make regarding decarbonising the road transport sector in this era of disruptions.

- 1) A consistent roadmap with clearly defined quantifiable targets for the transport sector are needed for the industry to formulate their own action plans.
- 2) Clear carbon emission standards and regulations for different vehicle types need to be established. Clear standards need to be set and aligned with the EU (European Union) standards and made explicit on what a clean vehicle minimum standard is (e.g., Euro VI for road haulage). A study² in 2021 suggested regulating fuel quality and fuel economy standards can be a 'very first step' for decoupling carbon emissions from economic growth. Its effectiveness can be enhanced if mandatory standards are applied to both vehicle owners and manufacturers.
- 3) Contingency plans need to be introduced in the decarbonisation roadmap to prepare for unforeseen risks and disruption events such as Brexit, COVID-19 pandemic, fuel price volatility, geo-political factors disrupting global markets, and enhance security of our energy supply.
- 4) In the process of phasing out traditional fossil fuel vehicles, 'stepping-stone' vehicle and fuel technologies should be promoted and utilised, such as the cleaner Euro VI diesel trucks and

alternative biofuel for trucks. Potentially using the fuel rebate scheme to encourage transition.

- 5) The decarbonisation grants and other support schemes could be simplified in the application process.
- 6) In order to support decarbonisation policy promotion and dissemination to the wider transport industry practitioners, best practice handbook and case studies should be developed to convey policy messages in a practical manner.
- 7) In face of changing cost structures, consumers of services need consider all transport modes with a view to accessing savings and sustainability. This would include government strategies to aid with inter-modal connectivity. In contributing to the way forward, CILT as the professional body for the industry would seek opportunities to engage and work with the government, industry stakeholders and representatives, including those for small and micro-operators. There is potential opportunity to set up a working group as a platform for stakeholder dialogues, sharing knowledge and expertise and informing policy and practice in mobility and supply chain decarbonisation.

^[1] CILT Ireland (2022) *Towards a Decarbonisation Roadmap for Road Transport Companies in Ireland: A Gap Analysis of Policy Agenda and Industry Perspective*. The project is completed and the report is now available online at – https://www.cilt.ie/Portals/0/adam/FAQ%20with%20Categories/6wnyEgotTUupUyLHBT2MHQ/DocumentLink/CILT%20paper%202_Towards%20a%20Decarbonisation%20Roadmap%20for%20Road%20Transport%20Companies%20in%20Ireland_2022.pdf

A webinar was hosted by the Policy Committee on 24 Feb. 2022 to present the findings from this study. Online available at - <https://www.youtube.com/watch?v=-0Yn5bMHp8A>

^[2] Tsoi, K.H., Loo, B.P. and Banister, D., (2021). “Mind the (Policy-Implementation) Gap”: Transport decarbonisation policies and performances of leading global economies (1990–2018). *Global Environmental Change*, 68, p.102250.

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