

Different Shades of Green



■ Trade and Transportation

By Thomas O'Brien

Since this issue of the Long Beach Business Journal has a green theme, I thought it was worth taking an inventory of some recent activity related to the “greening” of international trade. Here in Southern California, we have our own sustainable supply-chain lingo. The vocabulary lesson might start with clean trucks, cover cold ironing and end with “sock on a stack,” the bonnet - tested locally - that captures and treats ship emissions. They are all terms that have gained currency here because of the unique relationship between goods movement and environmental planning in the state and in the region.

But sometimes it’s good to look elsewhere for signs of changing trends, even if they reconfirm what we believe we already know. The recession has created new pressure points for those involved in global trade; it has also created new opportunities for port authorities, retailers, and others to distinguish themselves from competitors.

One bit of recent news comes out of the UK where, in March, the International Maritime Organization (IMO) approved an emission control area (ECA) for the U.S. and Canada. The IMO is a UN agency that develops regulatory frameworks for international shipping. The emission control area requires all ships within 200 nautical miles of the west coast of North America to use low-sulfur fuel. The regulation enjoys both political support (local Assemblymember Bonnie Lowenthal

introduced a resolution calling for the establishment of the ECA in the fall of 2009) as well as the support of the Pacific Merchant Shipping Association, which represents both marine terminal operators and oceangoing vessels. A coast-wide approach means the potential emissions reductions are greater. It also means a more level playing field that doesn’t put our local ports at a disadvantage relative to ports in the Bay Area, Washington State and Canada. The industry regularly argues against a piecemeal approach to the development of environmental regulations. The ECA is one way of ensuring a level playing field for vessels as well.

Another story, this one from the East Coast, also has ties to the Ports of L.A. and Long Beach. Last month, the Port Authority of New York and New Jersey announced a clean trucks program that borrows somewhat from the plans adopted by the San Pedro Bay Ports. The centerpiece is a truck replacement program. Beginning next year, pre-1994 model trucks will be banned from the New York and New Jersey terminals as part of the first phase of a multiyear program. Drivers can apply for grants to help subsidize the cost of truck replacements or retrofits. The development of the program saw the same debate that unfolded here surrounding the role of owner-operators in port drayage. In the end, the NY-NJ program will be launched without a requirement that trucks be driven by employee drivers. All in all, it’s more proof that the greening of the supply chain is no longer just a local issue.

Then there are the retailers. Wal-Mart, a supply-chain innovator, announced in February a plan to eliminate 20 million metric tons of greenhouse gas emissions throughout its entire supply chain over a five-year period. That means sourcing, manufacturing, transportation, and disposal. The company, which often finds itself on the wrong side of press coverage, now gets to report that it has developed sustainability performance metrics in

collaboration with the Environmental Defense Fund.

Given the volume of goods Wal-Mart moves, it will likely have the ability to convince its suppliers and other supply-chain partners to come on board.

Last month, another major retailer, Home Depot, established goals to reduce greenhouse gas emissions for its North American supply chain by 20 percent by 2015. The plan includes changes to Home Depot's distribution network that the company hopes will result in a reduction of 200 million truck miles. Streamlining your supply chain makes a lot of sense in a tough economy, and that was one of the driving forces for Home Depot.

Since the adoption of the Clean Air Action Plan in 2006, the Ports of L.A. and Long Beach have regularly argued that going green is good business as well as the right thing to do. Some have questioned that, and there are enough competitors out there looking to turn our often complex regulatory environment into their advantage, but over the past few months, it would appear that key supply-chain stakeholders are willing to give "green" a try. Some are more reluctant than others, but then again, there's more than one shade of green.