

Customer Advisory

Energy Transition Contribution at DP World in the UK

At DP World we focus on making a positive economic and societal impact wherever we work. Our sustainability strategy 'Our World, Our Future' is woven into everything we do, supporting the UN's Sustainable Development Goals across safety, climate change, security, community engagement, people development, ethics and well-being.

DP World has invested in many measures to enable sustainable trade at its port operations at London Gateway and Southampton. We have made significant progress to reduce carbon emissions through maximising efficiency, using renewable energy and displacing fossil fuels. An overview of some of these measures can be found at:

<https://www.dpworld.com/southampton/sustainability/projects-and-initiatives>.

We have been at the forefront of innovation including electrification of yard operations and trialling fully electric 'shuttle carrier' operations at DP World London Gateway. At DP World Southampton measures include scaling up our use of hybrid 'straddle carriers' and trialling fossil free HVO fuel as a transition step towards net zero.

DP World UK has engaged Lloyds Register to independently verify the carbon dioxide (CO₂) generated from our operations. In 2015, for each laden container imported through DP World UK facilities we generated approximately 65 kgCO_{2e}. Through continuous operational improvements and the early introduction of carbon efficient choices, this has been reduced by 20% to around 52 kgCO_{2e} in 2020.

To continue our decarbonisation journey, we need to make considerable investments in the coming years to progress our energy transition. The incremental investment costs for sustainable container handling equipment are significantly higher than standard options and the multi-year journey to net zero is expected to exceed £100 million. The end game is carbon neutral operations by 2050 through electrification or green hydrogen, although an intermediate step through hybrid solutions is part of the transition.

The energy transition at DP World UK will benefit supply chain partners and the wider UK economy. To partially contribute towards the energy transition investments, we will be introducing an Energy Transition Contribution and we will be applying the following charges from 1st October 2021:

- the Energy Transition Contribution will be £5 per laden import container
- the Energy Transition Contribution will be made to the clearing agent who makes the customer clearance or removal request (as per the current Infrastructure Fee)
- the clearing agent will be credited 50p for each Energy Transition Contribution [paid] to cover administration costs

DP World UK will ensure visibility on carbon emission performance through independent certification by Lloyds Register. The Energy Transition Contribution represents a very small proportion of the value of import cargo into the UK, but can make a big difference in ensuring that UK customers have more sustainable ports to support international supply chains.

We will also provide updates on the improvement measures underway, and are open to discuss and explore how we can support your supply chains to become more sustainable at energytransition.uk@dpworld.com.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'J Trenchard', with a horizontal line underneath the name.

John Trenchard
Commercial & Supply Chain Director, DP World UK

Questions and Answers

What are the benefits to customers of the Energy Transition Contribution?

By being ahead of the curve and transitioning early to more sustainable operations, customers at DP World UK are reducing exposure to hydrocarbon cost increases, which will be imposed to international supply chains in the future. Moreover, customers also will have visibility on the carbon performance of DP World UK through independent certification by Lloyds Register and will be contributing to a more sustainable supply chain to service the UK economy. This visibility may assist with the increased need for carbon reporting across the supply chain.

Why are you implementing an Energy Transition Contribution when no other ports in the UK are introducing such a charge?

We have to accelerate the transition to net zero supply chains to serve the UK economy. The UK is the first major economy to legislate to end its contribution to global warming by 2050. We must step up, rapidly adopt new sustainable solutions and scale these across the supply chain. We have made early steps and the Energy Transition Contribution allows us to build on these foundations to accelerate our decarbonisation journey. We cannot comment on other UK ports other than significant investment will be needed across the entire international supply chain to achieve net zero.

Why can you not fund the energy transition yourselves at DP World UK?

We have continually invested in our operations by looking to displace fossil fuels, procure renewable energy and maximise efficiency. Our investment of over £2 billion in our semi-automated DP World London Gateway terminal and upgrade investments to handle the world's most efficient container vessels in DP World Southampton are examples of this. We have made good progress to date, but now is the time to accelerate the energy transition of supply chains serving the UK. The Energy Transition Contribution supports our considerable investments to date and will allow us to make faster progress towards net zero.

The ocean leg of container shipping is a heavy carbon producer, what is DP World doing to help here?

DP World has invested at DP World London Gateway and DP World Southampton to be able to serve the world's most efficient container ships (as measured per CO₂ tonne / km basis). These are the largest container vessels at maximum capacity to achieve maximum efficiencies. Our efficient operations and strategic locations with limited deviations to main trade routes, ensure that these container ships can steam at the most efficient eco-speeds. We continue to engage with Shipping Lines on how to support the energy transition across the sector. For example: www.dpworld.com/southampton/news/latest-news/cma-cgm-jacques-saade-makes-her-debut-call-at-dp-world-southampton

How much CO₂ are you producing in the UK?

Our 2020 scope 1 and scope 2 emissions are at 41,169 tCO₂e and have been independently certified by Lloyds Register Group who are known internationally for independent certification. This equates to c. 52 kgCO₂e per import container in 2020 and is already an improvement of 20% compared to 2015 (65 kgCO₂e)

What projects are you going to be working on?

We will be working in three main areas as set out below.

1. Displacing fossil fuels

There are several areas here, but we highlight the following:

- scaling the initial trials of hybrid and fully electric equipment across our facilities;
- trialling and scaling the use of HVO (Hydrotreated Vegetable Oil) for straddle carriers as a transition step at DP World Southampton with the aim to convert eventually to electric or hydrogen energy;
- scaling the use of electric shuttle carriers at DP World London Gateway; and
- evaluating further electrification of rail operations.

2. Use of renewable and carbon neutral electricity,

- exploring possibilities to increase use of carbon neutral electricity;
- Review of 'Solar on every Rooftop' possibilities; and
- exploring battery storage to supplement solar power generation.

3. Maximising efficiency

- continuous improvement to optimise operations; and
- reviewing options to increase rail efficiency and encourage modal shift from road to rail.

How can we be sure that projects are improving the CO₂ position?

All of our operations in DP World UK are measured by an independent certification organisation, Lloyds Register, which provides visibility on baseline performance and the impact of continuous improvement through sustainability investment. We will provide visibility on the progress of projects on our websites, including annual certification on emissions.

(www.dpworldsouthampton.com & www.dpworldlondongateway.com)

Are improvements expected in CO₂ emissions connecting to the hinterland?

We are looking to improve the situation for international supply chains serving the UK economy. The Energy Transition Contribution will enable both container terminal operations to reduce environmental impact and the wider supply chain to benefit through improved efficiencies in interchanges with road and rail supply chain partners over time. Initially we will concentrate investments to reduce use of diesel in our port operations

Will the Energy Transition at DP World UK reduce future impact of Carbon cost increases?

Yes – by taking proactive steps to reduce dependence on fossil fuels we are reducing the need for future tariff revisions to take into account the increased input prices for hydrocarbon usage. We are trialling electric, hybrid and substitute fuels to address the energy transition. If these trials are successful and can be scaled up these will reduce the reliance on ever more costly fossil hydrocarbon inputs.

When will this energy transition finish?

The target is clear, net zero emissions for the UK with the imperative that we get moving at a pace. We must accelerate the transition away from high carbon fuel

sources. The energy transition will continue until we achieve net zero so that UK supply chains can be assured of fully sustainable port handling capabilities.

How can I learn more about sustainability at DP World UK?

More details on the energy transition can be found on our websites at www.londongateway.com/about/sustainability and www.dpworld.com/southampton/sustainability. In addition, please feel free to email energytransition.uk@dpworld.com with any questions or advice.

Can you explain more about hybrid straddle carriers?

Hybrid straddle carriers are container handling equipment that run on diesel and partially electric. An explanatory video overview can be found at www.dpworld.com/the-smarter-trade-report/a-greener-uk

Can you explain more about electric shuttle carriers?

Our team at London Gateway are trialling an electric shuttle carrier. An explanatory video overview can be found at www.youtube.com/watch?v=v3qTFC38mU4

How will the Energy Transition Contribution be charged?

The Energy Transition Contribution will be applied to import full containers and collection will be through the customs agents in the same manner as the infrastructure fee.

What about the agents / declarants cost incurred in collecting the Energy Transition Contribution?

Our invoices will reflect this and will show a reduction in respect of a 50p administration fee per container. The net invoice charge to the agent / declarant will be £4.50 per container from 1st October 2021.

Why are DP World UK only applying the Energy Transition Contribution to import laden containers?

Import container flows dictate the capacity and therefore investment requirements of our container terminals in the UK. A high proportion of containers are shipped out of the UK empty, so that they can be repositioned for re-loading. We believe recovering a contribution for the energy transition equally across all laden import containers is a fair apportionment for international supply chains serving the UK economy.

When do you plan to start charging the Energy Transition Contribution?

The Energy Transition Contribution will be applied for all laden import containers leaving our terminals at DP World Southampton and DP World London Gateway after 00:01 on Friday 1st October, 2021.

How did you end up with a charge of £5 per container and what does it cover?

The charge of £5 per container represents a very small proportion of the value of import cargo to the UK, but importantly provides an important contribution to sustainability investments to accelerate the energy transition at DP World UK.

Will the learnings from the Energy Transition at DP World UK be available for others to learn from?

As part of the global portfolio of DP World, the learnings from this transition will be shared across the globe. By adopting new technologies early, we will be driving innovation together with suppliers and ultimately the green premium for investing in more sustainable solutions will fall.

Can I use the CO₂ improvements at the port to count towards my scope 3 CO₂ reporting?

Customers signed up to Science Based Target initiative (SBTi) CO₂ reporting must report scope 3 emissions if they are more than 40% of the Scope 1, 2 and 3 combined total. Many UK import customers may be in this position. We are currently evaluating if there is demand to assign certified CO₂ emissions on an import volume pro-rata basis. If this is validated we may be able to introduce this service for an additional consideration to the Energy Transition Contribution.

Are you also getting funding from UK Government for energy transition initiatives?

No. The Energy Transition Contribution is necessary to invest in solutions specific to our ports because most of the government funding is for general energy efficiency and carbon capture solutions. However, we will consider tapping into these streams if they offer solutions that can aid us in meeting our climate targets.

For Customs Agents: This is just another charge that the port is expecting the freight agents to collect on their behalf?

We understand that there will be additional administration burden in invoicing and collecting the Energy Transition Contribution and that is why we are offering a 50p per container administration consideration.

How can we collaborate more in accelerating the energy transition?

The whole economy is in a period of adjustment as we learn how to make this energy transition. DP World UK are open to joint ventures and co-investments with customers to develop and implement energy transition technologies in our ports. We invite you to join the dialogue through energytransition.uk@dpworld.com and explore how we can scale UK innovation across the globe.