

## **Position Paper**

# **Kuehne + Nagel's reply to SBTi - Call for Evidence on the effectiveness of Environmental Attribute Certificates in Climate Targets**

## 1 Purpose and Summary Position

This position paper aims to respond to the recent [SBTi - Call for Evidence on the effectiveness of Environmental Attribute Certificates in Climate Targets](#). Aligned with the call, we provide a case study describing the application of Book and Claim in the context of an international forwarding and logistics company. Our aim is to showcase the real-world impact of using Environmental Attribute Certificates (EACs) on decarbonizing the transport and logistics industry, share our learnings, and highlight the need of a robust Book and Claim framework to promote transparency and alleviate risks. We will complement our case-specific evidence by articulating the risks the current lack of SBTi official guidance on EAC accounting and reporting towards SBTi's emission reduction targets can cause.

Kuehne+Nagel has a strong position that Book and Claim as a tool can support scaling of low-carbon fuels and transportation assets, enable all value chain players to act, and thus accelerate the decarbonization of the transport and logistics sector. We would strongly emphasize that the lack of recognition of Book and Claim and EACs will restrict the ability of intermediate players like us to facilitate the net-zero transition for carriers and customers and to pursue our SBTi emission reduction commitments. Additionally, it will severely undermine the traction for the low-carbon transport solutions and slow the net-zero transition.

However, we recognize that a clear SBTi's position on EACs should be complemented with clear Book and Claim associated accounting and reporting guidance for companies to reap their full benefits. With proper guidance, we consider that Book and Claim is very similar to the renewable electricity certificates that are well established and accountable under Greenhouse Gas (GHG) Protocol, and thus SBTi and with well proven contributions in the net-zero transition.

## 2 Kuehne+Nagel's Commitment to Climate Change Mitigation

With 1,277 offices employing more than 80,000 people, Kuehne+Nagel is an established logistics provider, and one of the leading sea and air freight forwarders worldwide. Currently offering contract warehousing and transport solutions across almost 100 countries, we are witnessing the growing importance of sustainable supply chains.

As a supply chain leader, we take both our impact on the environment and our capacity to leverage industry change seriously. In 2021, we were one of the first companies in the logistics industry to set science-based targets, based on an absolute reduction method. We have committed via the **Science Based Targets initiative (SBTi) to 33% absolute reduction of total emissions (scopes 1, 2 and 3) against 2019 baseline**. For our scopes 1 and 2, we have additionally set the following tangible targets for 2030: a) 100% renewable energy, maintain 100% renewable electricity in all Contract Logistics locations and b) 60% representation of low-emission vehicles in our own fleet.

In March 2023, we announced our new strategy, Roadmap 2026, that will set us on the path to achieve our longer-term Vision 2030, of 'becoming the most trusted supply chain partner supporting a sustainable future'. Reflecting our ambition to be a frontrunner in sustainable logistics, Living ESG is one of the four material cornerstones of the Roadmap 2026. Our aim is to reduce our environmental footprint, support customers on their sustainable journey,

attract and retain top talent by being the best company to work for and work with, and safeguard our future success through strong governance.

Equally, with most of our services — be it sea, air, or road logistics — offered via subcontracted transport operators, we arrange handling of goods for our customers with those partners. This asset-light business model allows us the agility to continually evolve our value chain, optimizing our services, be it on cost, time, or environmental impact. But that means that more than 98% of our GHG emissions fall into the scope 3 emissions bracket. Sea and Air Logistics are the main contributors to scope 3 emissions, with approximately 12.3 million tonnes of CO<sub>2</sub>e being generated by logistics services via sea and air during 2022 (accounting for more than 85% of total emissions). Scope 3 emissions from Road Logistics accounted for almost 12% total emissions in 2022.

Our responsibility is therefore not to simply deploy an ESG strategy within our own immediate sphere of influence but contributing to the world's transition to more sustainable supply chains via our partnerships with our carriers, our strategic engagements with customers and the services we offer to them. As such, we invest in the electrification of our own fleet of trucks, as well as renewable energy for our offices and fulfilment centres, and offer a range of customer solutions emphasizing emissions measurement and low-carbon fuels in all transport modes.

We can facilitate the deployment and scaling of the low-carbon fuels production and consumption by aggregating low-carbon fuels demand and making them easily accessible and available to its customers while also participating in joint investments for future low-carbon transport technologies. Finally, we recognize the essential role that we can play on enabling the emissions transparency across our value chain. We actively invest in IT solutions to offer verifiable and auditable emissions as well as emissions reductions while being actively engaged in industry efforts to highlight the impact of different carbon accounting methodologies and to contribute to the development of standardized carbon accounting and Book and Claim frameworks.

### **3 The Role of Book and Claim and EACs on Accelerating Net-zero Transition of Transport Sector: Kuehne+Nagel's Position**

Before articulating our Book and Claim program, we would like to emphasize the need of Book and Claim as a tool for scaling the production and use of low-carbon fuels and transportation assets, enabling all value chain players to act, and thus accelerating the decarbonization of the transport and logistics sector. The high cost of reducing freight transportation GHG emissions is a significant barrier to the deployment of low-carbon fuels and transportation services in the sector. Typically, the cost of purchasing low-carbon fuels is paid by the asset owner or operator as they are under their control and operation. However, their high cost means that carriers often cannot voluntarily and without regulatory imperatives use them while remaining competitive. The net-zero transition of the sector requires a collaborative/cooperative approach on the deployment and scaling of the required solutions.

In our case, Book and Claim enables us to serve our role as an intermediary among carriers and customers in the decarbonization of the transport and logistics sector and to pursue our Scope 3 emission reduction targets. By using EACs, carriers but also every other actor in the

logistics value chain (i.e., shippers, Logistics Service Providers) can contribute to scaling the use of low-carbon fuels in a more reasonable financial way. Book and Claim as a tool gives the means to stakeholders with ambitious SBTi targets to build the much-needed collaboration for the decarbonization of the transport industry and accelerate their actions.

We believe that without a recognized by the SBTi Book and Claim mechanism and EACs the momentum created by major players that showed true ambition by investing in EAC pilot transactions will be lost. Logistics players with ambitious targets like us will not have the tools to offer low-carbon logistics services to our customers and support the decarbonization of the sector. We will be also obliged to significantly eliminate our investments in the voluntary low-carbon fuel market and slow down our initiatives for reducing Scope 3 emissions. As a concrete example, we are currently in discussions to invest into new capacities to increase the SAF production which is crucial for the aviation sector to reach its ambitious targets. If book & claim will not be accepted, we will be forced to postpone or even stop such investments.

Currently, we have a customer base of more than 80,000 customers and more than 40% of our largest customers across various industries are already committed to SBTi. Some of them have already engaged with emissions reduction programs via Book and Claim investing though on the assumption that it will be in some way recognized for Scope 3 reductions by SBTi. But currently, many more customers are currently not investing into low carbon fuels only because of a lack of clear guidance from SBTi. If this tool is not recognized, we would anticipate that current and under discussion large real transportation emissions reductions projects with these customers will be probably cancelled.

In a very recent case, a customer withdrew their large SAF purchase commitments due to its concern that Scope 3 reductions coming from SAF will not be accepted by GHG Protocol and SBTi. They clearly stated that they are keen and able to invest but they will not proceed without a clear statement about the accountability. We can share that the uncertainty of how EACs are accounted towards voluntary climate targets especially Science-Based Targets leaves many of our customers in a wait and see behaviour. They consider that there is a high financial risk for EACs with unsecured benefits on emission reduction claims and as a result, they decrease their investments into crucial technologies.

Concluding, it is critical that SBTi defines how EACs can be counted under the SBTi emissions reduction targets in a timely manner and clarifies the rules for applying them. Without EACs as a tool approved by SBTi, we will most likely witness a break-down of the voluntary low carbon fuels market that was meant to support the acceleration of the decarbonization. Additionally, the low-carbon transition will be significantly delayed and the ambitious SBTi emissions reduction targets by 2030 set by many companies will be even harder to meet. However, we recognize that harnessing the full potential of EACs not only requires a clear SBTi position but also a clear Book and Claim associated accounting and reporting guidance for companies without physical access to low-carbon fuels and transportation assets. In the next section, we therefore provide some insights based on our own experience of applying Book and Claim.

## **4 The Application of Book and Claim and EACs in Kuehne+Nagel's Case**

In line with our previous statements, we introduced a Sustainable Aviation Fuel (SAF) and Sustainable Marine Fuels (SMF) Book and Claim program already in 2021. The HVO Book and Claim solution for Road Logistics was subsequently introduced in France in 2023 with a plan to expand it in more European countries. In 2021, Book and Claim was the main available solution for the shipping and aviation transport logistics sector for us to invest in low-carbon fuels to support its customers on achieving their own emission reduction targets and pursue its SBTi emission reduction targets. Other alternatives, including specific emissions reduction low-carbon fuel projects, would have a low potential of scalability and would be associated with a long and tedious process of pairing specific customers and carrier. In the case of Road Logistics, however, we can also play the role of a carrier where we have our own fleet that consumes HVO and create the respective EACs.

More specifically, applying Book and Claim on SAF certificates means that the flow of the virtual certificates is not necessarily linked with the physical flow of the SAF. SAF can be (virtually) allocated to a flight that did not have any SAF in its fuel tank and treated as if the SAF was used on that flight to claim the environmental attributes, i.e., emissions reductions resulting from the SAF usage. Similar logic is extended to both the shipping and road sector. At Kuehne+Nagel, we stay as close to the physical reality by using EACs only for the transportation activity of our customers with carriers that we have transportation activity with. To stay credible, EAC are only tradeable together with a respective transportation activity and the same transportation partner. For example, for Road Logistics, a customer can't purchase more litres of HVO than the equivalent amount of diesel that is used by the customer's operations with Kuehne+Nagel to claim more emissions savings. In this way, we try to ensure that we stay as close to the physical reality and keep the value chain intact, while having the added benefit of high flexibility. In the case of Road Logistics, we also apply geographical restrictions as it does not have the same intercontinental characteristics as the aviation and shipping industry. For example, EACs created by the usage of HVO in France can only be claimed for transportation activity within Europe. Moreover, it is also important to ensure that no double counting occurs when using Book and Claim. For example, Kuehne+Nagel uses an accounting method that allocates the emission reductions of each litre of SAF only once by numbering and uniquely identifying them. This unique allocation is also visible on the certificates.

Kuehne+Nagel was an early adopter of the Book and Claim approach. In the meantime, this approach has established itself in the aviation and shipping industry as an acceptable and practical way to handle SAF and SMF emission reductions. As no universal and single guideline/standard is in place to which we can refer to for our Book and Claim program, our intention is to stay as much in line as possible with the principles and logic of the following standards/accounting guidelines/regulations:

- SBTi – Science-based Target Setting for the Aviation/Maritime Sector
- GHG protocol
- ISO14083/EcoTransIT
- CORSIA – Carbon Offsetting and Reduction Scheme for International Aviation

- Fuel EU
- French country specific guidelines
- Sustainable Aviation Fuel Greenhouse Gas Emission Accounting and Insetting Guidelines by Smart Freight Centre and Massachusetts Institute of Technology's Center for Transportation & Logistics (CTL)
- Sustainable Aviation Fuel Certificate (SAFc) Emissions Accounting and Reporting Guidelines by Clean Skies for Tomorrow
- Voluntary Market Based Measures Framework for Logistics Emissions Accounting and Reporting by Smart Freight Centre

SAF, SMF and HVO shall be certified according to ISCC or RSB and have a minimal life cycle GHG reduction factor compared to fossil fuel of 60 % (based on CORSIA, Fuel EU Maritime, regional or country specific regulations).

Overall, our program considers the following aspects/constraints:

- a. Vintage constraints
- b. Geographical constraints for Road Logistics
- c. Clear connection between EACs and transport activity/low-carbon fuel volume limit constraint.
- d. Modal constraint
- e. Additionality constraint
- f. ISCC traceable certificates

Considering the absence of a clear guideline and to ensure the credibility and transparency of our program, an external auditor has audited our program. We can share our detailed experience and outcomes upon request. As a conclusion, we stress the need of Book and Claim accounting frameworks as well as SBTi sets clear guidelines around the aforementioned constraints.

We conclude our position paper by providing some quantitative evidence about the effectiveness of EACs in delivering measurable emission reductions. Up to now, we have addressed 163'489 tonnes of CO<sub>2</sub>e emissions reductions through purchasing EACs (excluding the ones for electricity, i.e., RECs). We have also witnessed an important year over year growth on the low carbon fuels use. In sea logistics, our customer base is doubled yearly. In air logistics, SAF quantities used has been more than doubled yearly while a fast-growing interest for HVO solutions expressed by large customers in road logistics. Our emission reductions by using EACS are reported in a dedicated section in our sustainability report <https://home.kuehne-nagel.com/en/-/company/sustainability-report-2022>

Almost none of these reductions and progress on the use of low-carbon fuels would have been made without the ability to use EACs. At this point, we want to stress once more that the lack of accelerated action from SBTi on clarifying the role of Book and Claim and EACs hinders the efforts for co-financing and scaling the low-carbon fuels production and the decarbonization of the logistics sector. Acknowledging the challenges and risks of properly applying Book and Claim mechanism, we are keen to support SBTi to gain further insights into

the role of Book and Claim and its real case application and support the acceleration of actions on the development of industry-accepted accounting frameworks via SBTi and other initiatives or associations.

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