MARKET UPDATE

SEPTEMBER 2022

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OUTLOOK & HEADLINES

- **MARKET:** Fossil fuel companies & backers led to combined profits in Q1 2022 nearing $100bn.
- **MARKET:** Carriers continue with strategic blank-sailing programme through September.
- **MARKET:** The shipping industry is facing a slowdown in the world economy due to high inflation, and geopolitical tensions.
- **OCEAN:** Spot container rates on the trans-pacific route were down more than 50% from their peak in September 2021.
- **AIR:** Port strikes at Felxistowe, Liverpool and some key EU Ports may drive some air freight demand on urgent orders.
- **AIR:** Indian Sub-Continent capacity has rebounded to near 80% of pre-pandemic levels.

OUTLOOK & HEADLINES (CONTINUED)

- **OCEAN:** Inflationary pressures globally raises fears of a possible recession.
- **AIR:** The USA has seen one of the fastest recoveries in terms of passenger flight numbers. We would expect pressure on capacity to increase in the last quarter, for now capacity and rates are stable.
- **OCEAN:** China's exports grew 18% in July compared with a year ago. Imports rose 2.3 % compared with a 1 % gain in June.
- **AIR:** The UK Government has approved plans to development Manston airport in Kent as a cargo hub.

SUBJECT QUICKLINKS

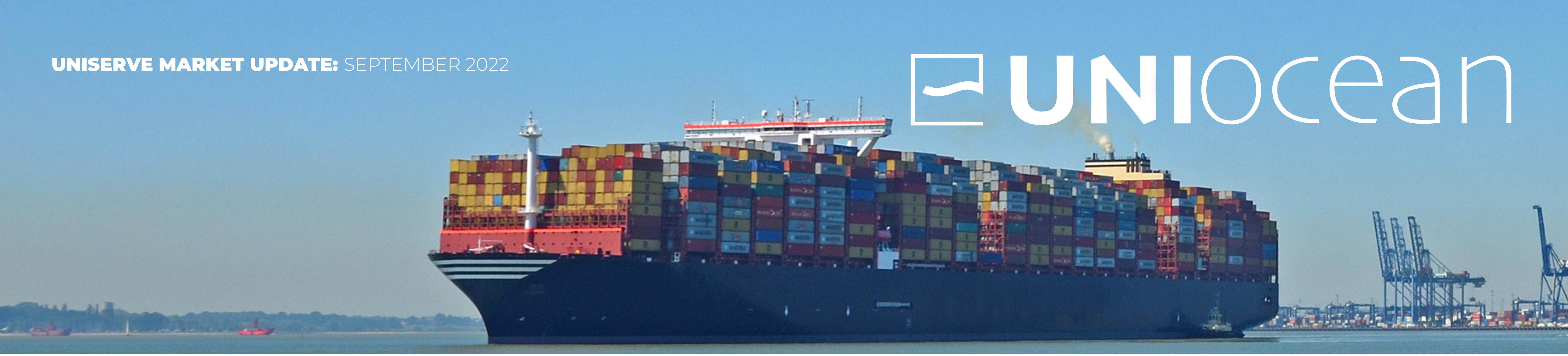
OCEAN FREIGHT

AIR FREIGHT

WAREHOUSE & DISTRIBUTION

EUROPEAN ROADFREIGHT

ENVIRONMENTAL COMPLIANCE



OCEAN FREIGHT GLOBAL MARKET OVERVIEW

> Despite evidence of some consumer demand slipping, there is no sign of imports from China slowing.

GLOBAL MARKET OVERVIEW & KEY TOPICS

- Container spot rates from Asia to Europe and the US are coming under increased pressure, as the peak season appears “muted” at best. “A decrease in consumer demand, together with the high starting point and the fact that many importers shipped peak season orders earlier in the year, could account for falling rates and volumes that, nonetheless, remain high by pre-pandemic standards,” said Judah Levine, Freightos Group’s head of research. Carriers are trying to get back on track and stave off further rate erosion, by continuing with a strategic blank-sailing programme through September.
- China, the world's second-biggest economy, narrowly missed a contraction in the second quarter, growing just 0.4% year-on-year, weighed down by COVID-19 lockdowns, a weak property sector and cautious consumer sentiment.
- The scale of the green challenges that the e-commerce sector faces came to light recently. The world’s largest online retailer emitted 71.54 million metric tonnes of carbon-dioxide equivalent last year, Amazon disclosed on Monday in an updated edition of its sustainability report. That’s up about 40% since the company first disclosed the figure, with data from 2019. Amazon aims to become a “net zero” emitter of →

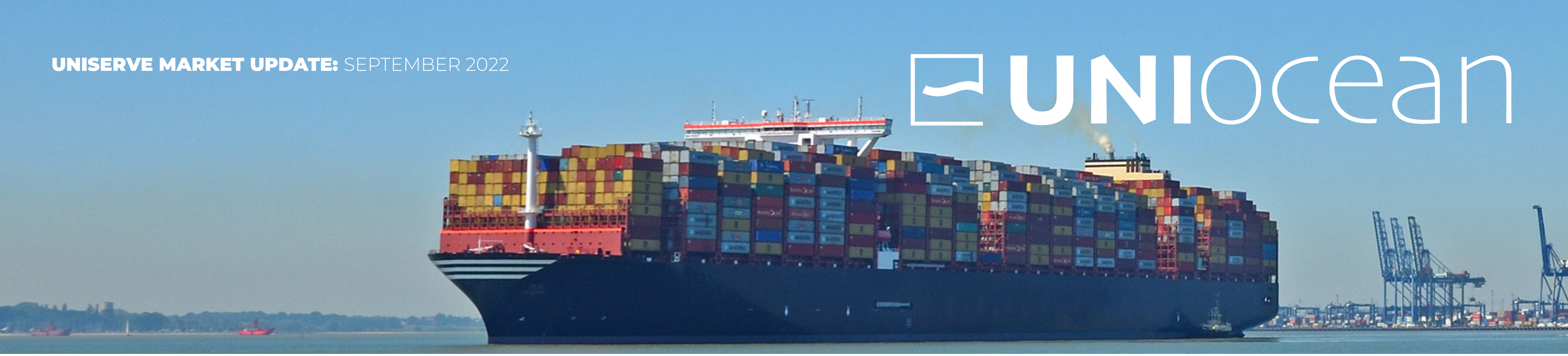
OCEAN FREIGHT GLOBAL MARKET OVERVIEW

GLOBAL MARKET OVERVIEW & KEY TOPICS CONTINUED

greenhouse gases by 2040. More on green issues. The UN secretary general, António Guterres, has described the record profits of oil and gas companies as immoral and urged governments to introduce a windfall tax, using the money to help those in the most need. Speaking in New York on Wednesday, Guterres said the "grotesque greed" of the fossil fuel companies and their financial backers had led to the combined profits of the largest energy companies in the first quarter of this year hitting almost $100bn.

- The shipping industry is facing a slowdown in the world economy, high inflation, and geopolitical tensions. The Russia-Ukraine conflict and the ensuing sanctions imposed on Moscow are adding to inflationary pressures globally and raising fears of a possible recession. The situation is adding pressure on central banks to tighten monetary policies including increasing interest rates.
- With Shanghai gradually returning to normal after the two-month city-wide lockdown in April and May, factory production is picking up and demand rebounded nicely in July with positive signs of a seasonal peak on many trades. Trucking in the city area has also been fully restored.
- Terminal congestion, especially in North America and Europe, is continuing to adversely affect schedule reliability. Strikes in Germany, especially at Bremerhaven, Hamburg, and Wilhelmshaven, have exacerbated the disruption caused by vessel delays.
- Things escalated quickly in the Far East in early August. Nancy Pelosi's visit to Taiwan has seen China launch live-fire military exercises in

Decrease in consumer demand, coupled with high starting point and many importers shipping peak season orders earlier this year, could account for falling rates.



OCEAN FREIGHT MARKET REGIONAL REVIEW & CARRIER OUTLOOK

GLOBAL MARKET OVERVIEW & KEY TOPICS CONTINUED

the Taiwan Strait, block Taiwanese imports, launched drones over Taiwan airspace, hackers attacked its ministry website, and summon the US ambassador. Taiwan is the world's biggest producer of semiconductors - electrical components found in most smart devices. We're monitoring any effects to merchant vessel movements. Contact your Uniserve customer team for the latest vessel movement information.

- On the US West Coast, we are starting to see the logjam building again at Longbeach. The current pinch-point is on the last mile, with a shortage of rail workers and equipment, along with some importers failing to move their containers quickly off quay, due to a shortage of warehouse space. It's reported that if there are no changes, the vessel logjam, with ships waiting to berth, will rear its ugly head again.
- Despite evidence of some consumer demand slipping, there is no sign of imports from China slowing. China's exports grew 18% in July compared with a year ago – the fastest pace this year. Imports rose 2.3 % compared with a 1 % gain in June. That was less than a median estimate for an increase of 4 %, indicating weak domestic demand.
- The uncertainties on a macro level include the ongoing Ukraine war, civil unrest in Sri Lanka, China's live-fire exercises around Taiwan, and adverse weather due to climate change, high inflation across Europe, and lower consumer confidence. Shipping in the Taiwan Strait began to return to normal on just a few days after China's military drills commenced, though China's announcement of a new →

Things escalated quickly in the Far East in early August China launched live-fire military exercises in the Taiwan Strait, blocking Taiwanese imports.

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OCEAN FREIGHT MARKET REGIONAL REVIEW & CARRIER OUTLOOK

GLOBAL MARKET OVERVIEW & KEY TOPICS CONTINUED

military exercise near the island signalled that risks remain for the industry. More than 40 vessels have transited through a China military drill zone south of Taiwan's main port in the first 4 days, according to ship-tracking data compiled by Bloomberg. The latest ship positions show four of the total six zones being traversed.

- Our conclusion remains intact.... Expect the unexpected, learn from it and be prepared.
- Space and equipment on the Intra-Asia trade has largely normalised except for Japan. Rates remain buoyant across the entire trade.
- Into the third quarter of this year, spot container rates on the trans-pacific route were down more than 50% from their peak in September 2021.
- To an increasing extent, ports on the route from Europe to the US east coast are having problems with congestion.
- Onto UK Exports now. On the Far East and Southeast Asia, rates are continuing to drop, baf levels remain same as previous months with no big increases as we initially expected. Space remains hit and miss but mostly hit so not so bad. Equipment and haulage availability have improved massively recently. For Australia and New Zealand, congestion via Singapore has eased somewhat, rates remain at a high level still with no sign yet of dropping. Trade has not lessened because of this and remains busy, for North America, trade remains brisk despite the extremely high rates, congestion and delivery delays are still significant adding around 2-3 →

Space and equipment on the Intra-Asia trade has largely normalised except for Japan. Rates remain buoyant across the entire trade.

OCEAN FREIGHT MARKET REGIONAL REVIEW & CARRIER OUTLOOK

GLOBAL MARKET OVERVIEW & KEY TOPICS CONTINUED / FAR EAST & ASIA KEY OBSERVATIONS

weeks at destination. For the Indian Sub-Continent, our volumes remain solid and busy on this lane. Rates are holding up, and space is an ongoing issue. Book early to avoid disappointment. Finally on South America, space and congestion remain at the forefront of the challenges we are experiencing.

- To mitigate the risk of liner equipment shortages as much as we possibly can, our international sea freight division, UniOcean Lines has brought over 24,000 branded new containers (HQ's and 20ft GP's) into service from China to Europe and the UK. We also have introduced a limited supply of brand new 45ft super cube containers. This helps us support all existing carrier contracts. Whilst some carriers close the door on the 3PL community, we continue to push ahead with our continued multi-carrier strategy, seeing new carriers stand shoulder to shoulder with our long-term carrier partners.

> **Chinese lockdowns, and the cancellation of Russian bookings, meant a 5% reduction in handled containers in the recent quarter for container carrier ONE.**

FAR EAST & ASIA

- Just two factors, Chinese lockdowns, and the cancellation of Russian bookings, meant a 5% reduction in handled containers in the recent quarter for container carrier ONE.
- Dock workers brought Britain's biggest container ship port to a standstill, worsening the country's supply chain problems amid a bitter dispute between unions and government ministers. Unite the Union said that 92% of its members at Felixstowe voted in favour of a walkout as they battle for steeper pay rises to offset inflation. Unite said the port operator's offer of a 5% pay rise was unacceptable. UK consumer price

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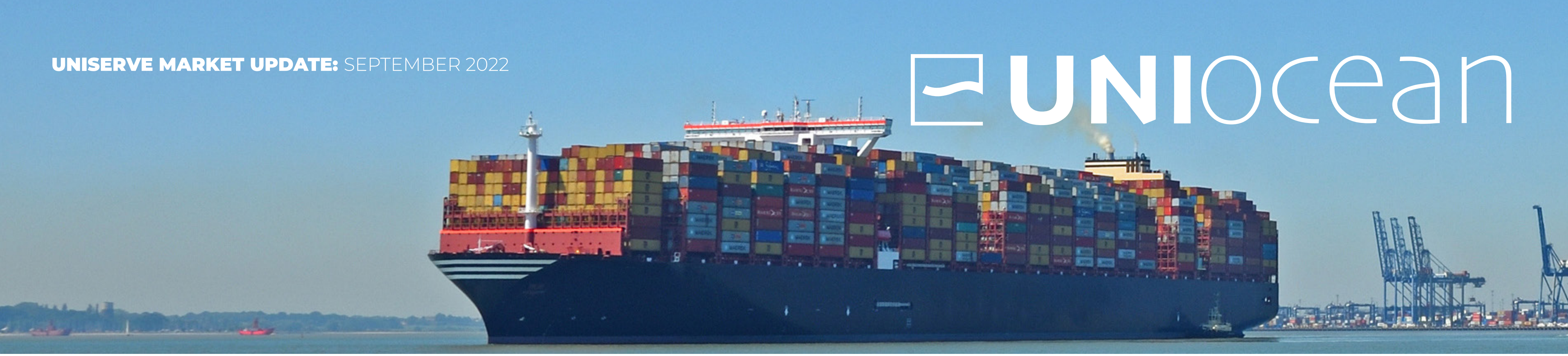
OCEAN FREIGHT MARKET REGIONAL REVIEW & CARRIER OUTLOOK

FAR EAST & SE ASIA KEY OBSERVATIONS CONTINUED

inflation was 8.2% in June. Strikes at the Port of Felixstowe occurred for 8 days - 21.08.22 to 29.08.22. The knock-on effects across the United Kingdom and Europe will prove challenging to say the least. Felixstowe is responsible for around half (48 %) of all UK container freight. As Unite authorised the strike, the Department for Transport worried, “This action by the union runs the risk of disrupting the delivery of vital supplies and freight, and we urge the union and port to remain at the table and agree a settlement”. The strike in the important British container port Felixstowe may prompt cargo delays for a value of USD 4.7bn, according to media. Container carriers have few alternatives to calling at Felixstowe.

- **BRUSSELS** After years of seeing freight rates skyrocket and fewer deliveries arriving on time, the European Union’s central competition watchdog, the European Commission, now begins investigating the conditions for liner shipping companies on the market, according to a Commission spokesperson.
- Even though Maersk has transported fewer containers in Q2, the carrier has more than doubled profits in its Ocean division. Increasing freight rates pull results up, and customers are increasingly signing long-term contracts.
- The first half of 2022 provided HMM with its largest revenue and profit to date. But ahead waits a market with squeezed demand, whereas continued congestion is keeping rates high for the time being.
- Asia continues to completely dominate the shipbuilding market, with South Korea and China in first and second place, respectively.
- More ships sailed to Singapore during July to refuel, pushing bunker sales figures up to the highest level in seven months. Singapore is the world’s largest bunker port, and the latest figures from the Maritime and Port Authority (MPA) show July marine fuel sales growing by 10% against June, reports Reuters.



OCEAN FREIGHT MARKET REGIONAL REVIEW & CARRIER OUTLOOK

FAR EAST & SE ASIA KEY OBSERVATIONS

- A year back, in July of 2021, the International Chamber of Shipping published a report containing a warning about an acute maritime labour shortage. It now seems the problem hasn't been rectified – quite to the contrary. The latest ICS report on the industry's labour needs was released, and the conclusion was clear: There's significant need to train more sailors and officers, the ICS concluded last summer.
- Demand for container transport is declining slightly, while new numbers on the three major trade lanes, Asia-US, Asia-Europe, and Europe-US, reveal that utilisation of capacity is also diving, thereby continuing to put downward pressure on spot rates. Thus concludes Sea-Intelligence, which has been analysing growth in demand, capacity, and capacity utilisation on the container market.
- Hong Kong-based container carrier OOCL, owned by Chinese Cosco, argues that several conflicting market signals are making it harder to navigate now. In its H1 financial report, the carrier on one hand says demand for goods is still high. On the other hand, the global economy and ultimately the economy of consumers are under pressure from, for instance, increasing inflation.
- The summer drought in Europe has rendered the water level of the Rhine so low that barge sailing has ceased in many places, and the problems are spreading to other links in transport chains.
- European container capacity drops significantly, benefiting long-haul shipping. An increasing number of mid-sized and small container ships are moved to deep-sea routes from traffic within Europe and Asia as well as from Africa traffic. The capacity decline is greatest on intra-European routes, according to Alphaliner. That development will benefit short sea operators over the coming years.

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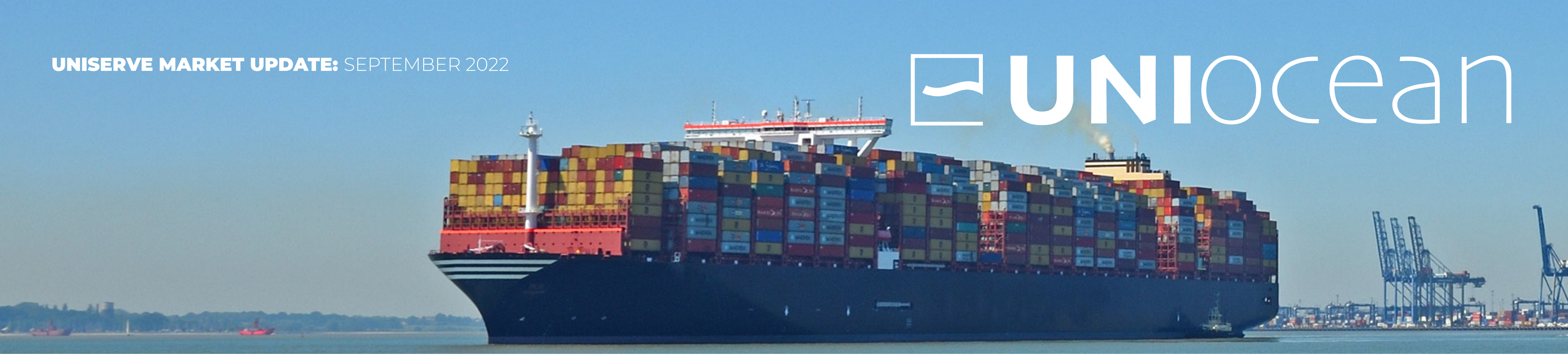

OCEAN FREIGHT MARKET REGIONAL REVIEW & CARRIER OUTLOOK

INDIA SUBCONTINENT

- The Indian Subcontinent market remains stable even as rates begin to creep lower carriers continue to be bullish on this trade lane.
- Supply is still relatively tight due to the substantial number of blank sailings, vessel sliding, and port omissions. The port congestion in Europe, particularly Hamburg and Rotterdam, has reached critical levels causing further delays and late return of vessles to Asia.
- Carriers are trying to manoeuvre through capacity management and blanks. IOS blanks alternatively Mundra and Nhava Sheva. There is continued rate pressure on spot rates due to lower demand.
- When we look at capacity deployment on the major East/West trades, we can see that while demand growth is slowing, capacity growth is increasing at the same time.
- While spot rates continue to decline, they are still more than three times higher than they were prior to the pandemic. The rates are at levels far lower than at the beginning of 2022, when consumer demand was very high. The pace of this continued decline points to the market returning to some semblance of the new normal
- Contract rates are still 60% higher than last year, leaving carriers in the driving seat in the rates tug-of-war well into 2023.

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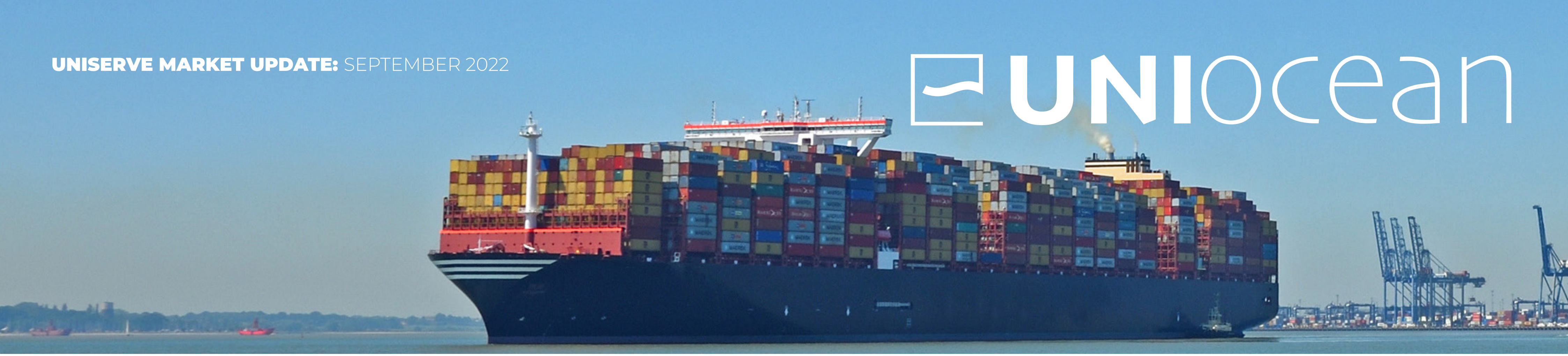

OCEAN FREIGHT MARKET REGIONAL REVIEW & CARRIER OUTLOOK

KEY OBSERVATIONS

- As the spot market rates continue to drop, carriers will be forced to renegotiate long-term contract rates that were set at the previous higher levels. Some customers have contracts that have built-in rider clauses pegging them with spot rates.
- Adani Logistics Ltd, a fully owned unit of Adani Ports and Special Economic Zone Ltd (APSEZ), has successfully acquired the inland container depot (ICD) at Tumb in Vapi from Navkar Corporation Ltd for an enterprise value of INR 835 crore as India's biggest private port operator bolsters its door-to-door capabilities en route to becoming a transport utility. The arrangement contains securing the functional ICD with the ability to deal with 0.5 million TEUs. The associated 129 acres of land will give an extra extension way to increase capacity and cargo in the future as extra industrial corridors and logistic parks get added along these DFC courses. The Tumb ICD also includes a private cargo terminal with four rails taking care of lines associated with Western DFC and has custom notified land and bonded warehouse facilities. Tumb is one of the largest ICDs in the country. Given its strategic positioning in the middle of one of the busiest industrial zones and access to the dedicated freight corridor allows it to meaningfully serve the vast hinterland with access to two of the busiest ports on both sides, Hazira & Nhava Sheva.

Carriers will be forced to renegotiate long-term contract rates as spot market rates continue to drop.

AIR FREIGHT MARKET OVERVIEW & REGIONAL REVIEW

Inflationary pressures are evident - capacity and rates are expected to come under some pressure in September.

KEY TOPICS

- Air freight volumes in most regions have seen a slow reduction over the last two months, with rates following that downward trend. As we move towards the end of the holiday period, we expect a slight rebound as the industry heads towards the traditional peak season. Inflationary pressures are evident in the demand being seen and whilst sea freight volumes might indicate a slightly softer peak, capacity and rates are expected to come under some pressure as we head into September.
- Ongoing manpower shortages in the UK, EU and US are still restricting flight numbers as passenger and cargo hubs work hard to stay on top of volumes moving through.
- Port strikes at Felxistowe and some key EU Ports may drive some air freight demand on urgent orders, and we are keeping a close eye on negotiations.

Far East & Southeast Asia

- Although rates from China have lowered in the last months, flight cancellations due to aircraft maintenance and ongoing slot negotiations, especially on US trade lanes, mean that capacity is restricted and as the market warms rates will increase.
- Hong Kong capacity remains stable with

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AIR FREIGHT MARKET OVERVIEW & REGIONAL REVIEW

KEY TOPICS

carrier contract rates including increases in September. The border crossing from mainland China into Hong Kong is still seeing slight delays due to localized COVID restrictions, although goods are still flowing expect anything from a 2 to 3 day dwell.

- Generally, in Southeast Asia demand remains stable with expected upturn as September progresses. Vietnam is still seeing growth opportunities at China's expense, although output is still dependent on some raw materials from China.

Indian Sub-Continent

- Although volumes in India "remain softened" they are stable following a drop in the holiday period of July & August. E-commerce is making a "soft but steady" contribution to air cargo volumes.
- Capacity has rebounded to near 80% of pre-pandemic levels.
- The market is expected to pick up post 15th September and we expect to see some increase in the rates accordingly.
- In Bangladesh volumes are picking up post the holiday period for all trade lanes and carriers are running on high utilisation.
- A gradual increase on volumes & rates is expected by 2nd week of September.
- Pakistan is obviously suffering from the terrible floods caused by unprecedented monsoon rainfall. The worst affected area is Balochistan with less impact in Karachi, Lahore and Islamabad. Air and sea services from the country have not been affected at this stage.

Southeast Asia demand remains stable with expected upturn as September progresses.

AIR FREIGHT MARKET UPDATE – REGIONAL REVIEW

KEY TOPICS

- Demand had been increasing slightly with airlines offering bookings after 3-4 days. However, the full impact of the current tragedy may affect output.
- Space ex Sri Lanka on major carriers to UK, EU and USA is available and the rates have remained stable.
- Air volumes are continuing at a steady pace and some increase in demand is expected as we move out of the holiday period into September. Rates with the National carrier into the UK & EU have already seen slight increases.
- Due to severe foreign exchange shortage government has allowed the Chinese to enter in Sri Lanka's fuel retail operations. At present, 90 per cent of Sri Lanka's fuel supply is through the State-owned Ceylon Petroleum Corporation, and the remaining 10 per cent by Lanka Indian Oil Corporation (IOC).
- The payment of freight in USD to airlines still in place and expected to remain until the dollar crisis eases.

USA capacity and rates remain stable.

- The island nation is desperate for an International Monetary Fund (IMF) bailout. Sri Lanka's central bank governor Nandalal Weerasinghe has expressed hope that the IMF facility would be made available by the year's end.

North & South America

- The USA has seen one of the fastest recoveries in terms of passenger flight numbers. We would expect pressure on capacity to increase in the last quarter, for now capacity and rates are stable.

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AIR FREIGHT MARKET UPDATE – REGIONAL REVIEW

KEY TOPICS

Middle East & Africa

- The main Middle East carriers, Emirates; Qatar and Etihad, have maintained higher flight numbers than most during the pandemic. Based on expected increase in demand, their hubs will become busier through September. As of now capacity to/from the region is stable but we should expect some pressure on flights to connecting destinations. Our sea/air services transiting Dubai are working well with competitive pricing.

Other News

- The UK Government has approved plans to development Manston Airport in Kent as a cargo hub. Owner of the site, RiverOak Strategic Partners (RSP), said it has received a Development Consent Order (DCO) from the Department of Transport for it's plans to invest £500m at the airport, which is expected to commence operations in 2025.
- Chandigarh International Airport Limited (CHIAL), North of Delhi in the Punjab region, has acquired all the necessary approvals and the Airport Authority of India Cargo Logistics and Allied Services Company Limited (AAICLAS), a specialised cargo operation agency, is already closing in on the agreement. The 3-acre facility inside the airport will be handed over to the AAICLAS for operations and it will be up and about in a month's time. Apart from the exporters and industrialists in Punjab, those engaged in the movement/export of perishables like vegetables, fruits and pharmaceuticals in Himachal Pradesh will also gain from this development. At present, the goods are first transferred to the Delhi International Airport by road, where they are lined up for 24 to 48 hours before being loaded on an aircraft.

AIR FREIGHT MARKET UPDATE – REGIONAL REVIEW

KEY TOPICS

India Subcontinent

- The air cargo market across ISC is witnessing aslight rebound after remaining flat for the last two months as the industry heads towards the traditional peak season.

India

- Although volumes "remain softened" they are stable following the peak drop seen in July & August 2022. E-commerce is making a "soft but steady" contribution to air cargo volumes.
- Capacity rebounded to 80% of pre-pandemic levels.
- The market is expected to pick up post 15th Sept, 2022 and we might also see increase in the rates accordingly.
- Chandigarh International Airport Limited (CHIAL) has acquired all the necessary approvals and the Airport Authority of India Cargo Logistics and Allied Services Company Limited (AAICLAS), a specialized cargo operation agency, is already closing in on the agreement. The 3-acre facility inside the airport will be handed over to the AAICLAS for operations and it will be up and about in a month's time. Apart from the exporters and industrialists in Punjab, those engaged in the movement/export of perishables like vegetables, fruits and pharmaceuticals in Himachal Pradesh will also gain big from this development. At present, the goods are first transferred to the Delhi International Airport by road, where they are lined up for 24 to 48 hours before being loaded on an aircraft.
- British Airways will scrap about 5,000 round-trip flights this winter after cancelling about 13% of its schedule this summer due to a staffing shortage and extended curbs on capacity at its London Heathrow hub. The carrier is adjusting its winter schedule consolidating some of its short-haul flights to destinations with multiple services. The cuts amount to about 8% of the timetable for the period. BA will also cancel 629 round trips through Oct. 29 after Heathrow extended its 100,000 passenger-a-day cap →

AIR FREIGHT MARKET UPDATE – REGIONAL REVIEW

KEY TOPICS

to rein in chaos due to ground-handling firms having insufficient staff.

Bangladesh

- Volumes are picking up for all trade lanes and carriers are running on full utilization.
- Further increase on volume & rate is expected by 2nd week of Sept,2022.

Pakistan

- Demand is going up slightly with airlines offering bookings after 3-4 days.
- Capacity is available for UK/EU with VS,EK & QR.

Sri-Lanka

- Space ex CMB on major carriers such as EK, EY, QR, SQ, TK, UL to USA and EU is available and the rates have not increased.
- Air volume has continued at a steady pace.
- Due to severe foreign exchange shortage government has allowed the Chinese to enter in Sri Lanka's fuel retail operations. At present, 90 per cent of Sri Lanka's fuel supply is through the State-owned Ceylon Petroleum Corporation, and the remaining 10 per cent by Lanka Indian Oil Corporation (IOC).
- The payment of freight in USD to airlines still in place and expected to remain until the dollar crisis eases.
- The island nation is desperate for an International Monetary Fund (IMF) bailout. Sri Lanka's central bank governor Nandalal Weerasinghe has expressed hope that the IMF facility would be made available by the year's end.

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WAREHOUSING & TRANSPORT UPDATE

KEY TOPICS

- The chronic shortage of available warehouse capacity still sees demand outstripping supply and prices continuing to rise. Experts from real estate advisory firm Colliers said a boom in the third-party logistics sector has kept demand strong as retailers have outsourced the processing and delivery of online orders.
- With the supply chain still facing issues from the pandemic warehouse property is still very much in demand for both large units and smaller final mile centres, even in the face of a looming recession. In addition, manufacturers return their actives to the UK from international locations spurred by Brexit, the pandemic and rising inflation. BNP Paribas Real Estate state that manufacturers accounted for 53% of the take-up of big box warehouses over 100,000 sq. ft in the first half of 2022. Logistics remains the most active in demand during H1, take-up increased 35% year on year, demonstrating that the fight for space is only set to increase.
- Labour shortages continue in the UK with the highest number of unfilled vacancies for warehouse and transport workers. Whilst Brexit has certainly had an influence on the available workforce, other factors which include an increase in early retirement and low numbers of new talent entering the logistics industry are having a far higher impact.
- Warehouses are now looking to resolve these issues by utilising automation to support requirements, this in turn allows employees to be redeployed and upskilled within businesses, retaining the knowledge and expertise of valued employees.
- Furthermore, as changes to recruitment strategies include reviewing attraction of

Warehouse property is still very much in demand for both large units and smaller final mile centres.

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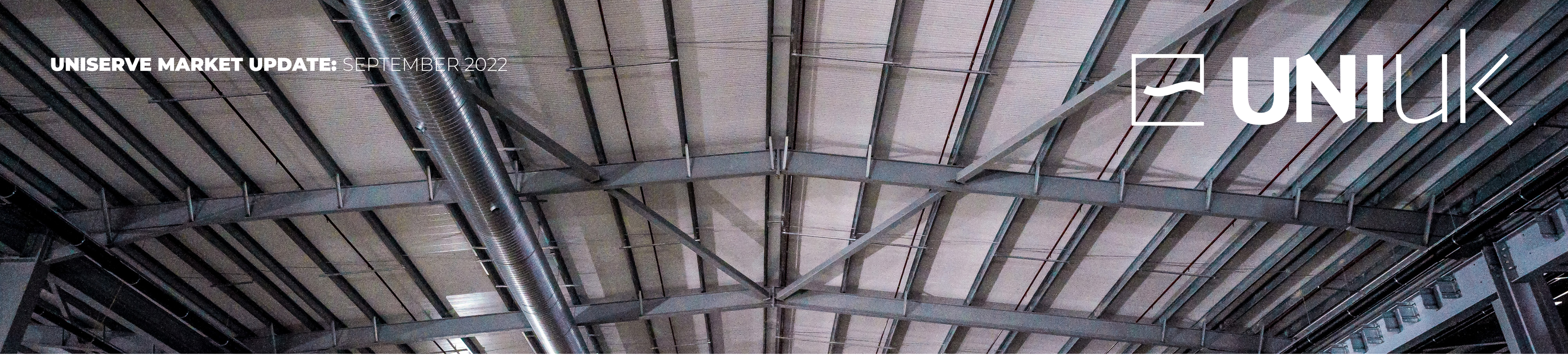

WAREHOUSING & TRANSPORT UPDATE

KEY TOPICS

talent into the sector and provision of flexibility in the workplace much need resource can be attracted into the logistics industry.

- Supported by the Generation Logistics campaign recently launched by the government, this lays the foundation to resolve recruitment issues on a long-term basis. The sector is often overlooked or misunderstood due to existing pre-conceptions by workers seeking new employment. Research conducted by Logistics UK revealed that 90% of the population has never considered working in the logistics industry which employs over 2.6 million people.
- Generation Logistics aims to raise awareness of the range of opportunities on offer across all ages, locations and educational backgrounds and secure the industry's talent pipeline for the long-term future.

- The energy crisis continues across the UK and businesses have not been protected from escalating fuel bills by the price caps that apply to domestic customers. Transport, logistics and warehousing companies are facing significant increases in the cost of energy, and many are being forced to pass these on to their customers.
- The Government has indicated that electricity capacity could fall short by a sixth of peak demand over the winter period, which could mean the UK may be forced to endure organised blackouts for industry. Days of planned power cuts would have a devastating impact on the logistics sector, impacting storage of products and critical supplies requiring temperature control such as food, drink and pharmaceuticals and many operations being forced to closed for days →

Electricity capacity could fall short by a sixth of peak demand over the winter period. Impacting storage of products and critical supplies requiring temperature control.

WAREHOUSING & TRANSPORT UPDATE

KEY TOPICS

bringing a halt to the supply chain.

- With imports of winter fuel from the continent under threat, on-site energy generation and storage will become increasingly important to enable warehouse to continue to operate amid the rising energy costs and blackouts.
- The volumes in the UK Container Transport Industry remain very volatile. We are experiencing very busy days and very quiet days to a level that we have not really witnessed before.
- Many customers are delaying the delivery of their containers due to space issues in their warehouses and as a result is impacting on our daily volumes.
- Xmas volumes have been slowly coming through and should ramp up over the coming weeks which will be welcome news for the Transport Industry.
- With retail spending on goods other that food predicted to drop over the coming weeks/ months the outlook for after Xmas looks challenging.

Disruptions are expected to continue for the remainder of September amid Felixstowe strike action uncertainty.


FELIXSTOWE
MEGA DC
As the warehousing sector heats up, here are 100,000 reasons to stay cool.
At 100,000 sq ft, the FMDC has the largest port-centric cold store in the UK.
Contact us now while space is available.

EUROPEAN FREIGHT TRANSPORT MARKET UPDATE

KEY TOPICS

- In much of Europe (especially Italy, France Portugal, and Spain), businesses partially shut down in July and August. Consequently, availability is limited during this time however is expected to improve from early September.
- In addition to Custom Insights CDS update, UniEurope will be contacting our existing clients with more information on how the change to CDS will impact their business and what can be done to reduce any risk or delay. If you would like any more information on how the new system will impact your import customs clearances, please get in touch.
- The levels of the Rhine River fell to a new low due to the ongoing drought in Germany and elsewhere in Europe, further restricting container transport capacity. This has caused huge supply chain problems as vessels have had to lighten their loads to ensure they can travel along depleted water channels which has caused a reduction in capacity by up to 60%.
- Due to escalating costs of fuel, energy, and human resource, both planned and flash strikes have been occurring throughout Europe at both deep and short seaports. In order to ensure continuity of service, UniEurope dynamically plans alternative routing to reduce the impact of delays and disruptions. However, we strongly recommend forward planning, especially on longer haul routes such as the Mediterranean and Maghreb countries.
- Speaking of Maghreb, we are pleased to announce that we have increased our number of departures from Tunisia into the UK and will be offering preferential rates for regular or large volume shipments. If you have suppliers in Tunisia, please get in touch with our UniEurope Commercial team.

CUSTOMS INSIGHTS: CHIEF TO CDS MIGRATION – ARE YOU READY FOR THE MOVE?

KEY TOPICS

- In 2021, HMRC announced after nearly 30 years, the closure of its Customs Handling of Import and Export Freight (CHIEF) system by 31st March 2023, as it was felt that the system was no longer fit for purpose.

The CHIEF closure is planned in two stages;

- **30th September 2022** – Import declarations to close on CHIEF
- **31st March 2023** – Export declarations to close on CHIEF and the National Exports System (NES)
- The closure of CHIEF means that you and your business will need to be up to speed with all of the changes, any new legislation coming into play and of course using the new CDS system.
- The closure will also see HMRC's Customs Declaration Service (CDS) brought into service as the UK's single customs platform.
- It is hoped that the CDS system, already in use in Northern Ireland, will be more secure, adaptable, reliable, resilient and cost effective, plus it is fully compliant with Union Customs Code (UCC).
- The governments long-term plans are that the CDS system will have the flexibility to grow in-line with their ambitious trade plans to have the world's most efficient customs system by 2025.
- Like most governmental platforms, there are strict procedures and a set up process to follow, before you can become fully operational on the CDS system.
- As your compliance experts, we are committed to making the migration from CHIEF to CDS as smooth as possible for you, which is why we have compiled the following guide CHIEF to CDS Migration Guide **CLICK HERE**.

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COMPLY DIRECT OVERVIEW

Strengthening the Energy Saving Opportunity Scheme (ESOS): Government Response.

KEY TOPICS

- On 28 July 2022, the Department of Environment, Food and Rural Affairs (DEFRA) responded to the Energy Saving Opportunity Scheme Consultation which closed on the 28 September 2021. You can read about what the consultation proposal encompassed in our full news story published at the time of consultation launch here.
- DEFRA consulted on proposals to strengthen and improve the Energy Savings Opportunity Scheme (ESOS). The main aims of this consultation were to:
- Increase the number of ESOS participants that take action to reduce energy use by raising the quality of their ESOS audit
- Increase the carbon and cost savings from ESOS by increasing the number and scope of ESOS recommendations taken up by participants
- Ensure that ESOS recommendations are consistent with the UK's net zero commitments
- The full consultation response from DEFRA can be accessed here and we have provided a summary below of the salient decisions for the scheme that will directly impact obligated companies.
- The Government has made the decision to delay some of the proposed changes →

COMPLY DIRECT OVERVIEW

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until phase 4, that would significantly affect site audits already completed in phase 3. The government will however be implementing changes in phase 3, that may require additional site audits to be completed due to change to the de-minimis thresholds. There are also changes to the report requirements and the information submitted to the Environment Agency. If you are a Comply Direct Phase 3 ESOS customer your account manager will be in touch to explain how these changes may impact your compliance shortly.

- ESOS Reporting will become more standardised, with additional requirements expected for Phase 3. These are mainly around group structure, qualification, and routes to compliance.
- The government intend to change the de minimis from 10% down to 5%, this is to allow organisations to identify further ways to reduce energy consumption (this is subject to Parliamentary approval). This change will apply for Phase 3 and may in some cases require more site audits to be conducted than would have been the case for Phase 2.
- The government will consider an energy consumption (MWh) threshold for any individual group, site, process, or fuel type to be excluded within the de-minimis exemption from phase 4 onwards. For phase 3 the government will provide good practice guidance on suggested thresholds however these will not be mandatory yet.
- Half-hourly energy use data from smart meters will allow ESOS assessors to effectively identify inefficiencies in energy use. Any organisation with a smart meter will be able to request free access to up to 12 months of their historic half-hourly (electricity) or hourly (gas) energy use data from their energy supplier or nominate a third party to do this on their behalf.
- From 1 December 2022, energy suppliers will have 10 days to respond to such requests.

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- The government will introduce a requirement that ESOS reports use an existing auditing standard such as ISO 50002 or EN 16247 from Phase 4 onwards.
- The government will take more action in ensuring ESOS lead assessors are appropriately trained and monitored. This will include considering a suitable means of displaying and evidencing information on lead assessors' skills and experience.
- The government will consider bringing the qualification date forward in future phases to encourage ESOS participants to start their site audits and assessments sooner.
- In phase 4 of ESOS the government will refocus ESOS to cover both energy efficiency and net zero. Phase 4 will see the introduction of a net zero assessment, which will identify potential risks to the business of moving to net zero. At this stage the government suggest that the net zero section will feature alongside the energy efficiency recommendations.
- The government will consider whether some ESOS recommendations might include adaptations to climate change impacts such as overheating or flood resilience, and whether these should be specifically flagged in the net zero methodology for ESOS.
- Obligated organisations will have to set forward looking targets and action plans, progress on this will have to be reported annually via the energy efficiency section in SECR reports. From Phase 4 a requirement

Join Comply Direct's upcoming webinar Extended Producer Responsibility (EPR) – The newly obligated on Tuesday 13 September.

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will be introduced which specifies that if a goal has not been met the participant must explain why.

- The government will take forward the requirement for additional data to be collected for the purposes of monitoring and enforcement.
- From phase 4 onwards the government will change the ESOS balance sheet and turnover thresholds to align with Streamlined Energy & Carbon Reporting (SECR). Organizations that meet one of the 3 SECR thresholds will be obligated to comply.
- Other changes include, a site sampling methodology document, which will not be mandatory for Phase 3; the introduction of reporting of an energy intensity metric (already a requirement of SECR); removal of rarely used compliance routes such as Green Deal Assessments
- The response leaves the door open for further consultations on: widening ESOS participation (including more organizations in the thresholds); and making ESOS recommendations mandatory.
- If you are obligated for ESOS and would like to speak with a member of Comply Direct's sustainability team, please do not hesitate to get in touch with their solutions team at **solutions@complydirect.com**

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