

# SUSTAINABILITY: POSITIONING TO DO WELL BY DOING GOOD

Gary Kalmin from HG Storage International looks at the challenges shaping the tank storage industry

**GLOBAL AWARENESS** of sustainability needs and initiatives is rightfully increasing at a rapid pace. Those of us in the energy sector are facing evolving challenges and opportunities which are reshaping the future of our industry. Real change and progress is happening very much at the micro level within specific companies, partnerships and individuals challenging the status quo. There are also clear macro themes and patterns driving innovation, creativity and advancements including regulation, incentives, disincentives, carbon markets, technology and investment.

## WHAT IS SUSTAINABILITY?

Sustainability (as defined by the United Nations) is 'meeting the needs of the present without compromising the ability of future generations to meet their own needs'. Such considerations are broader than just climate change and decarbonisation, and would generally include activities across the environmental, social and governance (ESG) spectrum, specifically:

- Environment – positive impact towards our planet
- Social – wellbeing of employees, suppliers, customers and communities
- Governance – compliance and risk management across stakeholders

What is true today but was not necessarily true just a decade ago is that no matter which lens sustainability is viewed through, it is clear that there are benefits in pursuing such initiatives. Whether the intentions are purely 'financial' or purely 'green', the incentive and disincentive structures are increasingly creating outcomes whereby the various interests are largely aligned (even if not perfectly aligned). Social responsibility and profits can, do and increasingly will go hand in hand.

## SUSTAINABILITY MODELS

Interestingly, but not surprisingly, is that there are various 'old school' models (Figure 1) which go a long way towards bringing core issues to the surface, simplifying considerations and driving 'new world' actions. Positive and genuine sustainability activities will develop from some common understanding of the issues coupled with personal and organisational behaviour.

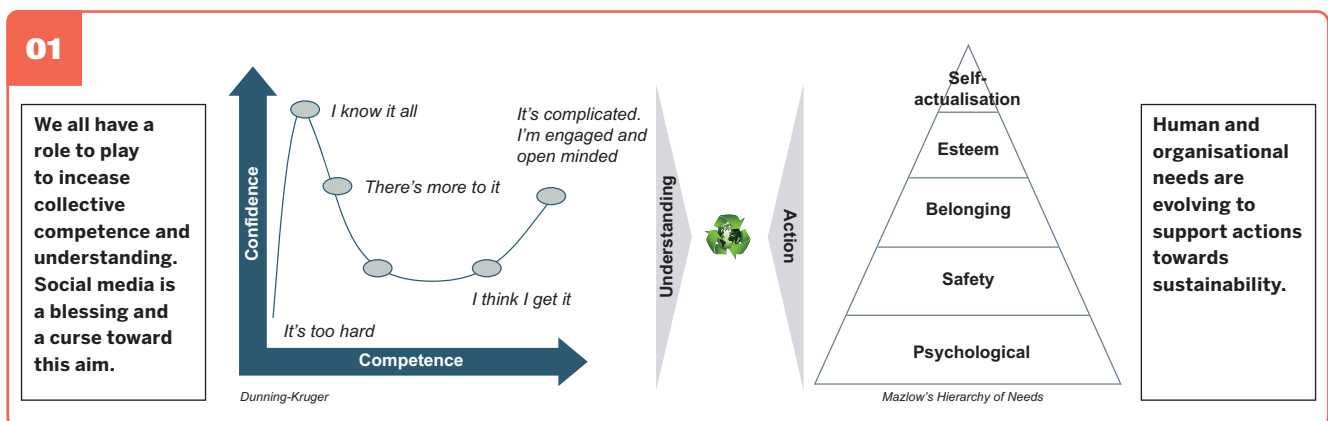
The Dunning-Kruger model is particularly relevant towards decarbonisation activities with a significant amount of tweets, posts and likes occurring with high confidence and little competence. To increase competency levels and recognise the complexities requires an investment of time and resources which are not capable of instant gratification. However, this is exactly where those of us

in the industry are actively working each day and are tasked with considering such matters looking decades ahead. Maslow's hierarchy of needs comprises the building blocks of personal and organisational needs where self-actualisation of personal responsibility towards sustainability is not only increasingly being internalised but is also being effectively communicated externally.

## DEFINING TARGETS AND MAKING PLANS

There is widespread familiarity with the Paris Agreement and ambitions towards net zero and it is easy to become lost in a maze of long dated aspirational targets generally lacking clear and realistic plans towards such goals.

- Are there internationally accepted reporting standards for emissions? How are we assured around the completeness and accuracy of such data? Given the complexity of supply chains, how are we comfortable that we are not double counting? or not counting at all?
- What are the global, regional and corporate commitments towards the 17 UN Sustainable Development Goals?
- How will IMO impact refining, blending, combustion/recovery design and regional flows?



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Aspirations	Inconvenient truth today	The future	Path
100% renewable electricity globally	<ul style="list-style-type: none"> <li>Reliability, infrastructure and scale is not there today</li> </ul>	<ul style="list-style-type: none"> <li>Can and will continue to gain market share at the expense of fossil fuels</li> </ul>	Regulation, investment, technology and behaviour driving a combination of: <ol style="list-style-type: none"> <li>reduced carbon sources, and</li> <li>increased carbon sinks.</li> </ol>
Low carbon transportation/mobility	<ul style="list-style-type: none"> <li>Road transport progressing</li> <li>Limited scaled feasibility for sea and air transport</li> </ul>	<ul style="list-style-type: none"> <li>Will see quantum improvements towards road (short term), sea (short-medium term) and air (longer term, including sustainable aviation fuels)</li> </ul>	

- How will greenflation impact the adoption and timing of sustainability initiatives?
- Is greenwashing providing opportunities for genuine improvements or just for net immaterial, superficial and ineffective initiatives?
- How do scope, liquidity, maturity and voluntary vs compliance-based considerations towards carbon markets, offsets and abatement options influence adoption?
- Developed countries have benefited from low cost, high carbon fuels for many decades. Is it reasonable or even feasible to expect developing countries to not have the same opportunities?
- What are the true economic costs of alternatives taking account of infrastructure, reliability, maintenance, waste, remediation, opportunity cost and subsidies?
- How does the food vs fuel debate impact on feedstocks, production and capital allocations?
- How will geopolitics and the associated market dislocations affect the adoption mix and pace towards sustainability initiatives?

The short answer to these questions is that we don't know yet how this all plays out. But if there is a collective drive to address these questions, acknowledge the trade-offs and to engage in activities which are more sustainable across our activities then the undeniable outcome is that we are moving with momentum and purpose in the right direction. Our focus must be to continue to build awareness, simplify the complicated and support sustainability in all its forms. It is clear that there is a move towards lower carbon fuels and whilst there is always room for improvement, it also needs to be acknowledged that such a move can and will take time.

A key challenge towards addressing the issue is the advancement of social media

with algorithms feeding reinforcing echo chambers, which limits the degree of constructive conversations and thus feasible solutions. The world is also increasingly polarised seeking instant gratification and encouraging intolerance towards views not aligning to one's own. Such ingredients are not conducive towards a global approach or consensus towards appropriate initiatives. It is important to recognise such realities but also to not lose focus and momentum towards addressing sustainability in a positive and impactful way and engaging in dialogue across views.

**INDIVIDUAL AND COLLECTIVE ACTION**

So how does this practically translate into our individual and collective abilities to address sustainability initiatives? There is no silver bullet but it is clear that whilst different terminology may be used, there are two primary means towards decarbonisation within the power and transportation sectors being to reduce carbon sources and increasing carbon sinks. Whilst not a focus here, it is worth noting that agriculture, manufacturing and construction collectively account for close to half of all greenhouse gas emissions and are themselves all subject to similar considerations and positive initiatives towards greater sustainability. As it relates to power generation, renewables continue to benefit from investment, acceptance, reliability, technology, cost and adoption. There is hype around emerging technologies including ammonia, hydrogen and fusion but in terms of proven technology, the conversation around nuclear power generation should continue. Nuclear power rightfully has some issues and image problems but is equally a proven, reliable and low carbon form of scaled baseload power.

In terms of transportation where many within our industry participate, there are multiple developments across

ethanol, e-fuels, biodiesel, biomethane, hydrogen, re-refineries, LNG, LPG etc which all contribute towards mobility sustainability. It is foreseeable that the combination of such activities (including their origins across the brown/grey/blue/green rainbow) and extraction-to-combustion lifecycle considerations will contribute materially towards reductions in global emissions.

Individual actions will collectively drive further network benefits where a combination of micro/internal commitments coupled with clear and positive macro/external factors create the local tides and global waves of significance. Human and organisational behaviours are evolving rapidly with the sharing and circular economies. The macro and micro factors will continue to converge to promote sustainability, as it is not only the right thing, but is a necessity for continued corporate existence and environmental wellbeing.

Those of us working within the industry have an obligation to understand the messaging from the side-lines and to acknowledge the positive aspirational directions of individuals, organisations and governments. We however also to need recognise and lean into the unknown, the difficulties, economic realities, challenges, trade-offs and combinations of imperfect solutions which individually may not move the needle but will collectively make a real difference in the short term and for generations to come. Whilst working in the energy sector may sometimes be quite topical at the dinner tables with extended family and friends, we should be proud of the work we are doing each day. The energy transition is as the name suggests, a 'transition', which for the most part, we are active within and central to ensuring that it becomes a reality. We do have the ability to drive global sustainability, where we can and must play our part as we continue to advance everyday life.

**For more information:**

Gary Kalmin is the CEO of HG Storage International, a leading global oil and gas storage and distribution group comprising eight operational businesses across five continents. Kalmin will give a presentation at StocExpo 2022, which will be held from 23-35 May 2022 in Rotterdam, the Netherlands.

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02 Energy transition is a 'transition'