Singapore-Australia Green Economy Agreement

Toll submission to the Australian Government Department of Foreign Affairs and Trade

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Mr Andrew Todd
Chief Negotiator
Singapore-Australia Green Economy Agreement
Department of Foreign Affairs and Trade
RG Casey Building, John McEwen Crescent
BARTON ACT 2600
via email: AustSingGEA@dfat.gov.au

Dear Mr Todd,

RE: Toll Group submission to the Singapore-Australia Green Economy Agreement

Thank you for the opportunity for Toll Group (Toll) to make a submission to the *Singapore-Australia Green Economy Agreement* (the Agreement). As a company with a proud Australian heritage, now co-headquartered in Singapore and Melbourne, Toll welcomes the opportunity to engage on this important future dynamic in the trade and investment relationship between the two countries.

Singapore is a key strategic hub for businesses that are operating and growing in the broader Asia-Australia corridor. Closer industry-government collaboration across Singapore and Australia will enhance trade and supply chain resilience for cutting-edge future technologies. As businesses and governments commit to long-term significant reductions in emissions, Singapore and Australia will provide strategic hubs for the innovation that drives the decarbonisation agenda.

Together with our important subsidiary ST Logistics, Toll operates a network of strategically located offices, warehouses and distribution facilities across Singapore, Australia and Asia more broadly. The transport and logistics industry is key to our joint low-emission future, through both (1) decarbonisation of transport fleets and (2) broader sustainability enhancements to our customer and client base across the economy.

Governments will continue to play a key role assisting industries in their emissions reduction journey. In addition to setting vital policy parameters and investing in essential infrastructure, governments can also play a role in mitigating risk as companies invest in future environmentally friendly technologies. The transport and logistics industry is one of many that is committed to undertaking the heavy lifting required to realised genuine, material reductions in emissions and enhanced sustainability.

Toll is committed to measures and investments that improve our environment. The enclosed brief submission provides perspectives from our business, especially with respect to low-emission technologies. With modern and sophisticated warehousing, marine and heavy vehicle fleets across Singapore and Australia, Toll is proud to be an industry leader that strives for better environmental and safety outcomes – to the benefit of all Singaporeans and Australians.

Thank you for taking Toll's views into consideration. Please contact Leigh Obradovic, Toll's Head of Government and Regulatory Affairs on leigh.obradovic@tollgroup.com or +61 438 274 833 should you have any further questions.

Regards,

Thomas Knudsen
Managing Director

1. Executive Summary

Key observations:

Toll Group (Toll) welcomes the opportunity to submit to the Australian Department of Foreign Affairs and Trade's consultation on the *Singapore-Australia Green Economy Agreement*. These two economies will sit at the centre of efforts to decarbonise the transport and logistics sector across South East Asia and the broader Asia-Pacific region.

The transport and logistics industry is key to our joint low-emission future, through both:

- the decarbonisation of transport fleets; and
- broader sustainability enhancements to our customer and client base across the economy.

The transition towards electrified powertrains will be a key component of the freight transport sector's efforts to reduce carbon dioxide (CO_2) emissions. Technology and innovation will play a critical role in enabling the transport and logistics sector to transition towards a low-emission future.

As one of the largest transport and logistics operators across Singapore and Australia, Toll is a leading procurer of the latest transport technologies across our transport fleet. Technology is fundamental to Toll's strategy towards better safety and environmental outcomes. Policy makers should take a technology-agnostic approach towards zero-emission, and ultra-low emission vehicle technologies. It is important that policy settings enable the market to develop and deploy the most-appropriate zero emission technologies that are suitable to a range of commercial freight tasks.

In addition to new transport fleets, modern technologies also play a critical role in reducing the environmental impact of facilities such as warehouses and distribution centres. Initiatives such as the installation of solar panels is enabling businesses such as Toll to reduce the consumption power generated from fossil fuels. Furthermore, technologies that enhance the efficiency of both fleet and facilities enable businesses to reduce consumption of energy and water, with positive financial and environmental impacts.

The Agreement is a positive framework that has the potential to drive greater industry and government collaboration in green technologies between Singapore, Australia – and beyond.

Recommendations:

Toll recommends that:

1. Government and industry across Singapore and Australia should enhance collaboration to develop a hydrogen supply chain between the two countries.
2. Australia's vehicle design rules should be amended, and in line with Singapore enable greater uptake of Euro VI and low/zero emission heavy vehicles.
3. Policy makers in Singapore and Australia should remain technology agnostic when supporting the development of new low-emissions technologies.
4. The Singaporean and Australian governments should enhance cooperation with their counterparts in South East Asia to develop and commercialise new low-emissions technologies in the transport and logistics sector.

2. Overview

About Toll:

Toll is a leading transport and logistics provider, established in Australia more than 130 years ago. With a key focus on the Asia-Pacific region, Toll's team of over 20,000 employees supports more than 20,000 customers through approximately 500 sites in 25 countries, and a forwarding network spanning 150 countries.

With an expansive network of freight vehicles across, Toll is a leading procurer of the latest heavy transport technologies. Technology is fundamental to Toll's strategy towards better environmental outcomes, including emissions reduction.

Toll's commitment to the latest technologies to enhance environmental outcomes:

Toll is an early adopter of new low-emission vehicle technologies across Singapore, Australia and our other key markets. Strategic investments include:

- The roll-out of technologies in Singapore, including:
  - The introduction of four electric trucks to Toll's ST Logistics subsidiary in 2021, with the intention to progressively transition the entire fleet;
  - The installation of passenger electric vehicle (EV) charging stations at Toll's Singapore automotive hub, whilst exploring the installation of more charging stations across other sites;
  - The opening of Toll's next-generation warehouse facility ('Toll City'), which was awarded Gold Certification for Environmental design in 2018; and
  - Progressive upgrades to Toll facilities across Singapore to reduce the environmental footprint and generate greater volumes of renewable energy.
- The widespread adoption of High Productivity Freight Vehicles (HPFVs) under Australia's Performance Based Standards (PBS) regulatory scheme;
- The procurement of a fleet of Toyota Corolla hybrid passenger vehicles in 2021 for Toll's removals services team in Australia;
- The introduction of Australia's first all-electric truck in 2013; and
- The deployment of electric trucks to Toll Express Japan in Tokyo in 2019.

In addition to the innovations in our transport fleet, Toll's sustainability strategy is realising significant environmental benefits across our network of logistics properties. In particular, the next generation 'Toll City' contract logistics facility at Tuas in Singapore has received *Gold Certification in Leadership and Environmental Design (LEED)* and a *BCA Green Mark Gold Plus Award*. Initiatives at Toll City include energy efficient air conditioning and mechanical ventilation; highly efficient water fittings; energy efficient lighting; the use of recycled materials during base construction and 96 bicycle lots to encourage facility users to commute by cycling. Collectively, this accounts to:

- *Energy savings* equivalent to enough energy to power over 1,200 Singaporean homes per year;
- *Water savings* equivalent to the total consumption of approximately eight domestic households in Singapore per year; and
- *CO_2 emissions savings*, which are equivalent to the carbon capture of 1.8 million square meters of trees per year.

Building on existing initiatives, Toll welcomes the opportunity for deeper collaboration across Singapore and Australia to further enhance environmental outcomes into the future.

3. Toll response to key considerations for the Green Economy Agreement

Toll's response addresses the key questions posed by the Department of Foreign Affairs and Trade, from the perspective of Toll's business and the transport and logistics sector across Singapore and Australia more broadly.

Enhancing two-way trade and investment in clean energy and environmental goods and services exports between Singapore and Australia

Singapore and Australia have complementary economies, which are well-placed to assist each other through the growth of the green economy in both countries. As a trade and innovation hub for South East Asia, Singapore will play a central role in the development and commercialisation of the technologies that will help achieve optimal environmental outcomes. Furthermore, Australia is also a globally important innovation hub for technologies that are critical to key industries, including mining, agriculture and their supporting industries.

Leaders within the transport and logistics sector will be key partners in establishing future supply chains for clean energy and environmental goods. Early government-to-government and business-to-business collaboration will open fledgling energy trade, including cross-border renewable energy transmission (green grids) and the production/export of 'green hydrogen'.

Whilst Singapore has an advanced innovation ecosystem, its geography will necessitate the country to remain a net importer of energy well into the future. Without the abundance of natural resources or landmass, bilateral and regional relationships will remain central to Singapore meeting its long-term energy needs. As a global-scale energy exporter, Australia is well-placed to partner with Singapore as it transitions towards a lower-emissions future. Whilst clean energy produced in Australia (including renewable energy and green hydrogen) is not yet at mass export scale, forward-thinking partnerships in the coming years will help to shape the energy export supply chains of the future.

The transport sector is a key energy-intensive industry that is poised to be a key user of hydrogen once it reaches production economies of scale. Whilst there is scope for Australian firms to contribute to hydrogen fuel cell-related technologies, the most significant opportunities exist in the production and export of hydrogen as an alternative low/zero emissions fuel.

Australia is very well placed to be at the forefront of the fledgling hydrogen industry. Just as Australia has been a world leader in the production of energy produced from hydrocarbons, the country is also well-paced to lead in hydrogen production. Investment in Australia's hydrogen production capacity is largely backed by growing interest and demand from other countries including Japan and South Korea. Toll welcomes the partnership between Australia and Singapore for hydrogen in the maritime sector, announced in June 2021. Toll encourages policy makers in Singapore and Australia to further collaborate with industry in the development of a hydrogen supply chain between the two countries, as the technology expands to reach commercial scale.

Recommendation:

Government and industry across Singapore and Australia should enhance collaboration to develop a hydrogen supply chain between the two countries.

Enhancing the policy and regulatory settings to enhance Singapore-Australia green economy collaboration and existing barriers to trade and investment in environmental goods and services

As fledgling products and sectors develop at a rapid pace, it is challenging for government regulators to remain a step ahead in shaping regulatory frameworks. An open and transparent environment provides business and investors with the confidence to grow and encourage cross-border trade and collaboration.

Policy makers need to think holistically when considering domestic laws and vehicle design standards and their impact on the take-up of zero and low emission vehicles. Singapore introduced the current European Union (EU) 'Euro IV' emissions standards in January 2018. However, by contrast the

Australian transport industry, including Toll, remains engaged with agencies across government through the introduction of Euro VI heavy vehicle emission standards.

Toll has strongly advocated for the Federal Government to accelerate the timeline for mandatory Euro VI heavy vehicle emissions standards. Better-alignment of Australia's law with global production requirements will enable greater update of Euro VI and low/zero emission heavy vehicles. More than half of Toll's new vehicles purchased in 2018, and approximately two thirds of new vehicles purchased in 2019, are Euro VI compliant.

Whilst the Euro standards specifically focus on conventional internal combustion engine (ICE), vehicle original equipment manufacturers (OEMs) are developing emerging technologies to reduce emissions and enhance safety within this broader technology ecosystem.

Recommendation:

Australia's vehicle design rules should be amended, and in line with Singapore enable greater uptake of Euro VI and low/zero emission heavy vehicles.

Enhancing the pathway for low emissions technologies through a Green Economy Agreement

Toll is committed to a low-emissions future, which reduces the overall environmental footprint of the transport and logistics sector. Whilst it is industry that will ultimately make the investments in low emissions technology, governments will play an important role in the early years as technologies are in their infancy. In particular, government leadership will be critical for:

1. Ensuring the rapid development and deployment of recharging and refuelling infrastructure;
2. Setting regulations that enable and encourage the entry of new technologies; and
3. Providing assistance to lessen the cost differential between conventional ICE vehicles and zero-emission vehicles in the fledgling years.

As one of the largest integrated transport and logistics companies across Singapore and Australia, Toll has a diverse range of predominantly heavy transport vehicles within its fleet. The fleet of predominantly diesel vehicles utilises a combination of back-to-base and commercial public facilities (i.e. service stations) to refuel.

Presently, the most significant barriers to adding ZEVs to commercial fleets are:

- the significant price differential between ZEVs and conventional ICE vehicles over the vehicle life cycle; and
- the lack of infrastructure to support fuel cell vehicles in operation.

With respect to the cost differential, policy makers should consider initiatives that can assist commercial freight operators to lessen the cost differential between ICE vehicles and ZEVs. This is particularly relevant in the years where fledgling technologies are particularly cost-prohibitive for even large transport operators.

Commercial fleet owners of light and heavy vehicles should be a natural 'first mover' in efforts to decarbonise the vehicle fleets across both countries. As such, Toll supports the Australian Government's policy intent to drive the uptake of zero-emission vehicles through commercial fleets. From the outset, policy makers in Singapore and Australia should take a technology-agnostic approach towards zero-emission, and ultra-low emission vehicle technologies.

Whilst battery electric vehicles (BEVs) have grown in prominence in recent years, their use is generally better suited towards smaller vehicles such as light passenger vehicles and some smaller freight vehicles. In principle, BEVs are well-suited to densely populated urban environments, where vehicles remain in close proximity to the electricity grid and rapid charging infrastructure. As such, BEV light rigid trucks are entering the fleet in urban environments, including the Toll/ST Logistics fleet in Singapore. This technology platform will also play a role in decarbonising the urban freight task in Australia, including last-mile deliveries.

For heavier haulage, and across rural and remote Australia, freight and transport operators require a range of heavy vehicles that carry heavy freight across long distances. Whilst the technology can play a role in some applications, battery-powered motors are unlikely to be a cost-effective power train technology for many vehicles such as prime movers covering long distances. As such, hydrogen fuel cell technology is likely better suited to heavier long-haul transport services over longer distances.

The accelerated uptake of zero-emission heavy vehicles will require extensive refuelling and recharging infrastructure on key freight routes. This will be particularly important for longer-haul vehicles, which will require refuelling (i.e. hydrogen) facilities in remote locations that are located away from back to base facilities in larger population centres.

Given this dynamic, Toll is referring to 'zero emission vehicles' in this submission, as it better-captures the range of technologies including battery EVs and hydrogen fuel cell electric vehicles. It is important that policy settings enable vehicle original equipment manufacturers (OEMS) to develop and deploy the most-appropriate zero emission technologies that are suitable to a range of commercial freight tasks.

Recommendation:

Policy makers in Singapore and Australia should remain technology agnostic when supporting the development of new low-emissions technologies.

Opportunities for advancing cooperation across South East Asia

Given the connectivity of supply chains across South-East Asia, Toll encourages policy makers in both Singapore and Australia to take a technology agnostic in working with industry on low-emission transport technologies. Whilst BEVs may be well-suited to the domestic freight task within Singapore, other technologies such as hydrogen could play a key role in decarbonising the broader heavy transport sector across South East Asia.

The enhanced Singapore-Australia Free Trade Agreement (SAFTA) is a very positive step towards a consistent business environment across the two countries. However, given Singapore's role as a key trading hub in South East Asia, policy makers should work to ensure greater consistency in rules and regulatory standards across other countries in the region. Singapore and Australia should leverage the leadership under the Agreement to pursue similar outcomes through regional fora such as the Regional Comprehensive Economic Partnership (RCEP), Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA).

The COVID-19 pandemic has demonstrated that heavy road and rail transport is a viable and important alternative to sea and air freight to mitigate supply chain disruptions. As such, decarbonising long-haul transport will be important to communities right across the region – in addition to Australia with its domestic challenges associated with distance and low population density.

With significant and growing investments in Singapore and Australia, both countries will be central to Toll's future environmental innovations. It is important that policy makers 'think regionally' when collaborating with industry in new technology innovation. Toll encourages both the Singaporean and Australian Governments to also work with counterparts across South East Asia to develop and commercialise new low emissions technologies in the transport and logistics sector.

Recommendation:

The Singaporean and Australian governments should enhance cooperation with their counterparts in South East Asia to develop and commercialise new low-emissions technologies in the transport and logistics sector.

4. Conclusion and recommendations

Conclusion:

It is important that policy settings in Singapore and Australia enable the market to develop and deploy the most-appropriate zero emission technologies that are suitable to a range of commercial freight tasks.

Given the connectivity of supply chains across South-East Asia, Toll encourages policy makers in both Singapore and Australia to take a technology agnostic in working with industry on low-emission transport technologies. However, given Singapore's role as a key trading hub in South East Asia, policy makers should work to ensure greater consistency in rules and regulatory standards across other countries in the region.

Policy makers should take a technology-agnostic approach towards zero-emission, and ultra-low emission vehicle technologies. It is important that policy settings enable the market to develop and deploy the most-appropriate zero emission technologies that are suitable to a range of commercial freight tasks. However, given that Australia is likely to be a hub for hydrogen production and export, policy makers in Singapore and Australia should look to enhance collaboration to develop a hydrogen supply chain between the two countries. Toll welcomes the partnership agreement between Australia and Singapore for hydrogen in the maritime sector, announced in June 2021.

As businesses seek to reduce the environmental impact throughout their supply chain, strategies should consider opportunities to enhance environmental outcomes across both fleet and facilities such as warehouses and distribution centres. New technologies will play a key role in enhancing efficiency and reducing the consumption of energy and water and reducing waste.

Toll congratulates the Singaporean and Australian governments for the Green Economy Agreement initiative. Leadership from both governments will help to foster further and deeper collaboration with industry across multiple sectors.

Recommendations:

Toll recommends that:

1. Government and industry across Singapore and Australia should enhance collaboration to develop a hydrogen supply chain between the two countries.
2. Australia's vehicle design rules should be amended, and in line with Singapore enable greater uptake of Euro VI and low/zero emission heavy vehicles.
3. Policy makers in Singapore and Australia should remain technology agnostic when supporting the development of new low-emissions technologies.
4. The Singaporean and Australian governments should enhance cooperation with their counterparts in South East Asia to develop and commercialise new low-emissions technologies in the transport and logistics sector.

Ends.

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