

Powering the Future: Renewable2 Energy Supply Chain Logistics (Part 2)

Intro:

I'm Chris Riback. This is Logistics Live: Conversations & Insights on the Global Supply Chain.

Today we continue our conversation with Arno Veldkamp and Graham Hunter on energy supply chain logistics. Arno is Head of Client Relationship Management Automotive & Energy at Quick Logistics; Graham is Global Key Account Manager – Project Logistics at Kuehne+Nagel.

In Part 1, they described the incredible lengths to which energy companies go to resource and access global energy sources that power every aspect of our lives, and the extraordinary supply chain logistics required to make that happen.

In Part 2, they outline best practices and describe how they navigate various emerging geopolitical issues and overcome inevitable roadblocks. We began with Graham focusing on a case study involving shipping, sensitive electronics, and the high seas.

Graham Hunter:

So this is where the due diligence work takes easily six months before anything moves. And you really have to inspect the cargo, inspect every single lift. Everything has to be pre-planned, approved by engineering, health and safety. And you have to understand, we take the guide on which ship to use based on the size of the cargo and what's the total volume, big ship, small ship, is it self-geared, is it gearless? And also in relation to the nature of the cargo, some of it you can't always do much about sensitive cargo on a ship, but you can on land in terms of making sure there's a ride or special hydraulic systems. A lot of cargo has monitors fitted to it for shock, for things like dry air pressure to make sure that nothing happens to it. So there is a whole assurance package around that. This is extreme pre-planning in action.

Chris Riback:

And what about storage? What materials, logistics might be needed to build up that infrastructure?

Graham Hunter:

Yes, storage costs money, so customers tend not to like storage so much. What we do often find in our business is that you can move some giant pieces of cargo and then the job site isn't ready. That's a typical challenge. So you have to find storage. So it's always in the back of our minds when we're moving something to find adequate storage. An example recently would be in the north of Sweden where sensitive electronic pieces of equipment are coming in and they need to be temperature-controlled, which is not against the heat, it's to protect it from the cold. So there are challenges like this that we have to do.

Chris Riback:

Excellent. Any other global supply chain stories?

Arno Veldkamp:

There are plenty of stories. I mean, every day brings something new. I'm currently moving a big ship engine from Amsterdam to Chile. For some people that might be unique, but for us, it's almost our daily job.

Graham Hunter:

There are a lot of unusual destinations. So yes, there's plenty of war stories. Moved oil rigs to Yemen, Kurdistan through Turkey. One story as we were standing on a job site in Kurdistan and our car got attacked by a local sheep dog, which ripped the wing mirror off a Chevy Tahoe, which for those that know what a Chevy Tahoe is, it's not a small car. And then proceeded to try and attack the tire of the car. So there's, there's lots of funny stories over the years I think that we've had. And in terms of logistics, explaining to local villagers up there who'd come, hence the dog attacking the Tahoe, had come to inquire what this crane was doing in the middle of this concreted pad off area, which was a rig site. And we had to explain to them what was coming. So in our business, we tend to go to some often unusual locations.

Chris Riback:

What are the takeaways for clients as you're thinking about that intersection between planning well, but having to be ready for anything? Graham,

Graham Hunter:

I would say the message to customers really is, it's around partnership. Arno has 25 years of experience, I have just over 21 years of experience in this business. We tend to see a lot, and what you see with us with a suit and tie on a customer presentation is us talking, but behind our company is a lot of people with experience. And the best way to interact is through a partnership discussion in terms of, it's really about dividing tasks into employing the right people in the right places. And that's something that we enjoy, great relationships with customers today. The best ones being those with longstanding relationships and partnership discussions. Because when you're planning and you're contingency planning - it's less about when you're planning, but when the issues happen, because there will always be some issue, there will always be something you need to have that straightaway go-to solution. And it needs to be quick, fast, and open and honest with your customer and with us.

Arno Veldkamp:

Yes, exactly that. And I think that if you look at our setup, the combination between Quick and project logistics, the amount of experience which is available, the resources we can tap into, it's amazing.

Chris Riback:

Tell me about the Kuehne + Nagel and Quick relationship. How does that partnership work?

Graham Hunter:

Maybe I'd take this one because I would suggest that 20 years ago a customer would call us in Aberdeen and we would have an urgent air freight shipment or an urgent onboard courier that we had to perform. And there was nowhere to go for that. But today there is Quick, for me as a business unit, I don't have to invest in 200 people around the world who may have to perform this. This is what our team do every day. So for us, it's actually a real value add to our business. And when these calls come in, because they do come in on a regular basis, we have already made highly professional solution to go. So with us, Quick have become an extremely trusted partner with us. So there is no real division within the Kuehne+Nagel setup. If we need that service, we know we can rely on Quick and we do.

Chris Riback:

Before we move on to the global issues, what would you say in thinking about the various aspects of the supply chain that we've just been discussing, what are some of the top important things? What are the best practices for this sector? What keeps your clients up at night? And then as a result, what are the best practices that they should be thinking about so that they can get better night's, sleep in advance? Graham, Arno?

Arno Veldkamp:

Yes. Well, what keeps them up is when things go wrong. Speaking from my experience in my area of logistics, when things go wrong, especially in this industry, there's a lot of pressure of being at a financial impact because they have to pay fines every day. A refinery is not operating, it will cost you thousands if not hundreds of thousands per day when they're not operating. So if you can imagine that there's a lot of pressure and I see it as our job to bring some reassurance that they can sleep well because we got it covered, and we will make sure to limit all those risks as much as possible.

Graham Hunter:

I would say what keeps my customers up at night is probably the ongoing crisis, geopolitical crisis, Red Sea, the shipping lines, the rates. That's a challenge for them probably most. But in terms, I think as I would agree with though when he says that if there's a challenge, an urgent problem that requires an urgent transfer of freight around the world, then it's pressure is the key driver. So what our customers can benefit from with us really is a 24/7 professional ability to perform that. And that helps me sleep better at night, if I'm perfectly honest, to have that as well. So I think perhaps my customers might just expect it to happen.

Chris Riback:

Graham, you just mentioned the geopolitics. So let's move there if we can. China, let's start there. What challenges exist with logistics in and around Asia Pacific where renewable energy is growing very quickly? What are clients asking you for? How is it changing and is that resulting in a change in your plans or your processes or it just means applying your playbook to a new part of the world?

Graham Hunter:

I would say China for us is a major exporter of project cargo, whether it's oversized, over-gauge pieces of equipment or it's solar PV parts. There is an awful lot of exporting that goes on from China. So geopolitically for us, there is no change at this point in time there. Asia is booming. There are a lot of projects in Asia, but there's also new manufacturing base for the renewable sector coming up. There's some intricacies around the offshore wind, which probably takes quite a long time to discuss. But China is for us a major exporter and so is the rest of Asia Pacific. There's different sectors popping up, different countries, investing money. You were about to say, a big boom in Australia when it comes to renewable tech. So yes, the area is very important to us and extremely busy.

Graham Hunter:

It's always been a major exporting area and it always will be. And it's just the tech has perhaps changing and some of the kit is changing, but that's really the main change. You are seeing a lot more Asia cargo compared to the past. Typically you would be looking at China to Middle East, China to Europe, China to Americas, but we are seeing a lot more Asia project cargo, which is good.

Chris Riback:

Can you share with me any examples or interesting shipments that customers shipped? I know that we've been talking about various stories. What are some examples of interesting shipments that you have had to deal with?

Arno Veldkamp:

Yes, I have one which springs to mind a recent request where you really will need to think outside of box and combine certain things to make it work for the customer, but also from a sustainability aspect. So we got a request to move some oversized cargo to the Seychelles, which doesn't have any freight or capacity whatsoever. So the first go-to solution, you can think, oh, let's put it on an air charter and fly with those parts only to those islands where for me it was important to think, okay, but is that the only way? Can we only do it like that or can we ask an airline to have a diversion who's flying from Hamburg to Johannesburg already make a stopover on the island, which makes it way more efficient instead of using a full charter. That's one of the examples I was thinking of. Are there more? I mean there are plenty more.

Chris Riback:

Graham, what's the biggest thing you've ever had to ship?

Graham Hunter:

The biggest thing I've ever shipped is probably 1,600 tons. A giant module. That's the biggest thing we shipped. And I say I shipped it, it was largely led by the engineers and the chartering team of both us and the customer rather than me. But I got to watch it at the side of the port

Chris Riback:

And literally what is that? What is that going to, is that part of a wind turbine? Is that part of another type of energy functionality? What was it?

Graham Hunter:

Yes, that's more oil and energy sector. But you do see similar parts to this within the clean energy hydrogen sector. So giant module, so this is a giant, how to describe it, it's like a giant house or a building. You imagine a six story building that you basically, you drive onto the top of a ship, a special ship that takes it on the flat top and then it run with the destination.

Chris Riback:

What about sustainability to support this sector? How do you align your capabilities with environmental best practices?

Graham Hunter:

It's an interesting one because to be green costs money to invest in sustainability and to have sustainable logistics services. And now a lot of what can be done, there's a lot of action around sustainable fuel, whether it's aviation fuel or fuel around vessels. There's a lot of work to do. There's offsetting, there's a lot you can do. What Kuehne+Nagel does offer is say Explorer, which is a visible tool around container shipping where you can actually choose green solutions. You can really drill into the emissions of each and every container shipment that a customer performs. So that really forms the backbone of what we look at within the projects world. We really focus on a different class of ship. So multipurpose vessel is our typical ship that we would use within project logistics. The EU are taking a lot of measures in the next year or two, which will really drive the sustainability of the ships and what they're burning themselves. But sustainability is huge in ESG in general, is a real driving factor within our business or within our customer's business today.

Arno Veldkamp:

And I try to look at it from a slightly different perspective because when you operate in emergency logistics where you need to have last minute access to flights, et cetera, it's very hard to find the real sustainable model there. But on the long run, if I'm moving this part by air, having it across to wherever it needs to be delivered by there by tomorrow, if that means that the plant can operate two months earlier to produce their hydrogen or whatever, on the very long run we make it, it's an investment to have a non-sustainable solution. But the output is a sustainable part. But that's a very big, big scope for us. It's really difficult because I would love to send my onboard couriers on a sailing ship, but that doesn't help to get the part there very fast. So we need to make those sacrifices. But for us speaking for Quick, we often move only small parts, the bigger bulk, there we have the options with K-N, with sustainable fuel, things like that. Luckily we only play a small part.

Graham Hunter:

And I would also say a lot of our customers now require full carbon tracking of every shipment. So as your example, there are no, for a hydrogen plant construction, we need to track every piece of CO2 emitted. Every kilogram is scan to it, and that's important for our customers. Now, can we offer them sustainable solutions through the supply chain? Yes, we can, especially around the container ships, perhaps a bit less so at the moment for air freight. What you do see is the projects coming online, especially in Europe, would be sustainable. Aviation fuel is huge. Spain, UK, Germany, everyone as many EU, non-EU countries in Europe I should say, are investing sustainable fuel. So that's something that will come online in the next few years. So sustainability really is at the center and we're performing a lot in the background with our customers on that sphere.

Chris Riback:

Let's talk about visibility, transparency, and technology. What role does quick online 2.0 play as part of your digitization efforts in energy logistics and improving supply chain visibility for clients? How important is end-to-end supply chain visibility for your clients?

Arno Veldkamp:

Very much important. The whole digitization is an important topic, but there's always a, but I think the people element, you can't replace that by any technology. So the digitization I really see as a supportive tool. It's a great tool. So a customer can see where the shipment is at any time within the transport, which is great. You can book something online with an airline, get an EER bill, everything is digitized, you get your updates even digitized. Yep, plane took off. Yep, plane arrived, et cetera. That's great when everything works as it should be. But you'll also get the notification, oh, there's a technical problem. The plane doesn't operate today. We will automatically rebook it to the next day. But that's not what our customer often wants to hear it at that stage. They want to be assured. So that's where we have the luxury, or I find it a key element in our process, that there is a human factor.

So there will be somebody reassuring you that yes, there is a technical, we went up and over to look if there's another aircraft and there is a 24 hour delay. But my experience is that our customers really appreciate that they can actually talk to somebody and guide them through that whole process. Okay, what's happening now? What are the next steps? And that part, I find it very difficult to believe that we can digitize that part, but all the tools around it, giving that more visibility that will help not only the customer but also our team. So that's my point of view.

Graham Hunter:

I remember the days before mobile phones and telex machines in the offices. How did we manage track and trace back then? So for me, I think to answer that question is very similar. There's tracking and trace, there's live tracking we can do. I think a lot of the power of digitalization for some of our customers is data management, is big data. What does the data tell them? And we've been able to look at that and see also in the aid of sustainability, but perhaps let's say some inefficient practices or some inefficient sourcing areas or some combinations of cargo that can be made not only to save money but to save emissions. So for us, a lot of the digitalization processes is around the big data capture at this point. How can we make things more efficient?

Arno Veldkamp:

But in an emergency situation, you want to just speak to somebody who comforts you and giving you some additional assurance.

Graham Hunter:

Yes, comforts you, right? But yes, get my cargo moving. Absolutely right. True.

Chris Riback:

Nothing makes a client feel more comfortable than knowing that their cargo is moving. What about safety? How does that aspect of the partnership work?

Graham Hunter:

The beginning of every meeting, we have a safety moment of every single meeting, whether it's on Teams or face-to-face, there is a safety moment. Safety is absolutely top priority for us. It's safety of people, safety of cargo, safety of environment. It covers all aspects. So there's a tradition, our industry around these safety moments, which can be a little bit challenging, but it tends to be around personal experience or something on the news or something that's happened. We tend to do ours a bit more around specific challenges around lifting or project logistics, operations. So safety is so critical. A lot of our customers, we talk about safety for 20 minutes before we even start any meeting. There's literally nothing more important than ensuring everyone gets home every night and everything is performed in a safe manner.

Chris Riback:

And on the topic of workforce, I understand that there's also a maturing workforce in this space. What does an aging workforce mean around institutional knowledge though? And what role can you play in helping advance that knowledge? Arno?

Arno Veldkamp:

It's inevitable that we're getting old, but I think it's very important that we somehow transition our knowledge to the next generation. So it's about training people, trying to copy paste what's in my head to my colleagues, which can be a bit challenging. If I look at my kids or at the younger generation, you mentioned digitization, they live through it. But yes, we need to find a way to get the old experience, Graham's days in the warehouse. It's the same where I'm coming from. Try to bring that knowledge across to the future. I don't know how you see it, Graham. I find it a difficult question to answer on how to secure it because knowledge, well, it will be a pity if that knowledge will get lost at some stage.

Graham Hunter:

So I don't consider myself old in this business, but I suppose I am. When I came into this business, there were some older guys, great characters with great war stories who taught me the ropes. And that isn't always just, it's not formal school training. It's actually are you prepared to work late into the night, travel to a remote country for a few days or a few weeks, reasonably short notice. Are you prepared to work hard and take the pressure of some of these situations? I'm optimistic. The question is where do we find them and how do we coach them? And I think probably our training and coaching is a lot better than when I started in the industry, I would say. But there's still that raw experience out there for people who want to commit to our industry.

Chris Riback:

What about sharing knowledge with clients? To what extent do clients depend on you for insights and knowledge and that type of expertise as opposed to what one might think of as just pure logistics, moving big heavy things from point A to point B? Do you ever feel that you are with clients as much in the knowledge business as you are in the logistics business?

Graham Hunter:

I would say we are definitely as much in the knowledge business with our customers, but some of our customers perhaps have less experience than us in certain locations, but be fully aware, some of them have much more experience than us in certain locations and certain practices. So it's a bit of a mixed, it's a bit of a mixed bag. What you do see these days is perhaps less focus on that personal experience and much more of a process-driven approach to just its logistics, get on with it. Right. So it's a bit varies. I don't know how you see that, Arno.

Arno Veldkamp:

Yes, I totally agree. I don't per se see myself as being in logistics. We're just solving problems. We're more lost this logisticians, we just trying to do some magic. So it's more about the knowledge. I mean the conversations you have with customers when you bring out the war stories, then they see, ah, those guys actually know what they're talking about. So that's more valuable than telling them I have an MBA in logistics. So yes, it's a bit of both I would say.

Graham Hunter:

I was going to say I exactly agree with that and I think it's tricky. I mean if you're moving, there's certain things that are more routine, but I think what Arno and I do is a bit less routine and a bit less day-to-day. So if you suddenly have something you need to move to say, pick a random country such as Argentina, where do you get that expertise? And a lot of customers still appreciate that expertise is there and it's less routine to have knowledge of a remote part 300 miles from a port in Argentina, just as a blind example. So yes, it is a bit of a mix, but we don't see that going away really, that personal expertise.

Chris Riback:

No, I cannot imagine that it will and those conversations. And that's a really excellent point. The knowledge transfer, it sounds like it really occurs between you and your customers. It's not one directional, it's not unidirectional. It sounds like it's very bi-directional. And that's part of it, has to be part of the partnership that you both have discussed so much in this conversation. As we close the conversation, a couple of things that I find myself really wondering about. The first one is trends. What's next? What are tomorrow's must haves around the energy global supply chains that you are working on and thinking about today? Graham, why don't we start with you and then Arno, maybe you can give us your trends.

Graham Hunter:

I would say in terms of logistics trends, what we start to see is so many renewables projects that there aren't enough assets perhaps available to certain types of ships and so forth in order to fulfill all the project goals over the next 10 years. That's a challenge for the industry. I think the other trend is young people, getting them into our industry and getting them really engaged in what we do.

Arno Veldkamp:

I would add change to that. So we just need to be ready to adapt to all those changes and for all we know they make fuel out of next decade and we just need to prepare ourselves to, I don't know, being able to deliver somewhere in the desert. So we need to continuously adapt to whatever is happening in the world. And yes, I think we're good at that, we're ready for that, but we also need to take care of the next generation and make them ready.

Graham Hunter:

And that's right. And I think the thing that has changed for us is that change is completely normal and constant. Whether it's global crisis, change in technology, change of customers, there hasn't been such a seismic shift in our industry. I would suggest for many 20 years, 30 years as has happened over the past five, 10 years. So that change will continue. Where that takes us, we don't know. But going back to Arnold's point can make energy out of sand, not yet, but there are air carbon capture projects happening today in one in Iceland for example, that's attempting to take carbon from air. So if that technology works and that's scalable, then we'll see something different. So everything is evolving at a rapid pace.

Chris Riback:

What would be your top one to three to 20 tips? What's your clients need to do to strengthen their supply chains?

Graham Hunter:

I think Covid did a lot for the logistics I think within our customers. So no longer was logistics at the end of the chain. It became boardroom first, front and center were the logistics challenges. And I think that's something we would really talk to our customers about. Most of them do this now. Logistics has to really be at an early stage, early engagement, proper planning, proper attention to health and safety, engineering and so forth. That's important. That's what I would suggest to our customers. Prepare, prepare, and prepare again.

Arno Veldkamp:

And also trust. I mean especially if they're talking to 25, 21 altogether, 46 years of experience and that people do know what they're doing the majority, at least.

Chris Riback:

Graham, you've put some ideas in my head and maybe I'll give you a call at some point in the future.

Chris Riback:

Arno, Graham, thank you both very much. You used the phrase at one point that you hope to be or that you are doing some magic. You two are magicians. What you have talked about and what you are able to do and make things magically appear in places that for most of us would seem to be impossible. That is magic. And it's clear that you have your customers top of mind in every decision. Thank you both for your time

Arno Veldkamp:

And thank you Chris was my pleasure to have the chat next time Formula one, right, Graham?

Graham Hunter:

Exactly. So yes, nice to meet you Chris.

Outro:

That was Part 2 of my conversation with Arno Veldkamp and Graham Hunter on energy supply chain logistics. My thanks to Arno and Graham for joining and you for listening. For more information on the energy sector and global supply chain logistics, visit our website at quickstat.com.