Reducing our environmental impacts

We assume responsibility for the environmental impact of our activities by integrating environmental management and targets into our business processes.

Adjusted CO₂ target

We take responsibility for our carbon footprint across the Group’s businesses and have a consolidated Group CO₂ reduction target of 20% relative reduction in 2020, compared to 2010. As we exceeded this target by one percent in 2014, we had adjusted the Group consolidated target, which is now to achieve a 30% relative reduction in CO₂ emissions by 2020.

Our CO₂ performance in 2014

In 2014, the Maersk Group improved its CO₂ efficiency by 5%. This was driven mainly by approximately 8% efficiency improvements in Maersk Line, amounting to a reduction in absolute CO₂ emissions of 530,000 tonnes and fuel savings of USD 98 million. The other two sizeable contributors to the Group’s carbon footprint, Maersk Line and Maersk Oil, have seen minor improvements in CO₂ efficiency in 2014.

Robust enforcement of maritime sulphur regulations needed

The use of fossil fuel also leads to other environmental impacts, in particular CO₂ emissions, which are significant in our industries. We focus on efficiency gains and employ technological innovation to minimize our environmental footprint. To address this issue, Maersk has joined the Trident Alliance in 2014, a coalition of shipping companies.

“Our industry alliance was formed to advocate for stronger enforcement of sulphur regulation to ensure there is a level playing field for business and also decrease the environmental and human health impacts of shipping.”

Roger Strevens
Chairman of the Trident Alliance.

Maersk Line and Maersk Tankers are preparing vessel tanks and fuel systems for the switch to low-sulphur fuel. Approximately 40% of Maersk’s fleet of vessels, nearly 400 ships, will be required to use the new 0.1% sulphur fuel, adding costs of an additional USD 200–250 million per year, based on current fuel prices.

The US enforces ballast water regulation

The US has moved ahead of the International Maritime Organization (IMO) and enforced regulation on ballast water. Maersk Line has ballast water treatment systems installed on all Triple-E vessels and 14 other vessels. These systems were granted a temporary acceptance by the US Coast Guard, which has not issued general approval for any ballast water treatment technologies yet. The rest of the fleet will be retrofitted pending the IMO Convention’s entry into force. Maersk Tankers is installing treatment systems on the six tanker vessels under construction and preparing five vessels for installation.

Hot topic: Recycling ships

Worldwide, more than 1,000 large end-of-life ships are recycled every year. Many of these ships are recycled under poor working conditions for employees and creating severe environmental damages.

In 2014, one Maersk Line ship was sold and placed at a shipbreaking facility in China for recycling. A Maersk Supply Service ship was recycled at a shipbreaking facility in Belgium. Both facilities meet our requirements for ship recycling and the work was supervised by an independent third party.

Encourage but not demand

Maersk’s policy is to recycle the ships we own in a way that follows the Hong Kong Convention. We also encourage other ship owners to recycle their ships in a responsible way, including those owners from whom we charter ships.

During 2014, Maersk was criticised for not ensuring that chartered ships once owned by Maersk and sold off to other owners were not recycled responsibly at the end of their contracts.

Two cases were cited, where the vessel owners decided to recycle the vessels on beaches in India and Bangladesh after the charter contract with Maersk ended. In both cases, we followed our policy which states that we do not sell off ships for unregulated scrapping. However, while we continuously encourage responsible recycling, we are not able to force our policy on to others.

What is needed is a global level playing field on ship recycling, which would be achieved if more nations were to ratify the Hong Kong Convention.

Arctic activities

We recognise the sensitive and unique Arctic environment and that the safety and natural environment of this region and its people must not be compromised.

Significant amounts of analysis still lie ahead before we can decide on any potential future offshore operation in the area.

Maersk Oil retains its 47.5% interest in an exploration licence for an area offshore the coast of North West Greenland. In 2014, Maersk Oil was awarded three new licences in the Barents Sea in Norway and now holds four licences in the region, all of which are operated by others.

Maersk Tankers has since 2012 been delivering oil to Greenland and is supporting the implementation of standards and regulations to ensure safe shipping activities in the Arctic region.

Maersk Drilling is exploring the possibility and potential of developing Arctic drilling solutions as part of ongoing dialogue with customers, including an all-year solution for drilling in the Arctic. In 2014, the technical elements of such a solution were further developed and an Arctic risk universe was explored.

Regulating ship recycling

In 2009, to improve ship recycling conditions, the Hong Kong Convention was adopted by the IMO and corresponding guidelines followed. However, the convention has been ratified by only three countries.

In 2014, the ship recycling debate was reinvigorated by the EU drafting new requirements for ship recycling facilities. These will enter into force in the coming years.

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Mitigating oil spills

We are committed to managing this material business risk, protecting the environment and preventing harm to our surroundings.

Oil spill performance and risk mitigation

In 2014, the Group had one category 2 spill and a number of minor spills.

Svitzer experienced a significant spill of 9 m³ (category 2) in Australia when marine gas oil spilled into the harbour. A clean-up procedure was initiated immediately and the marine gas oil was either recovered or evaporated. The investigation revealed that the incident occurred due to human error, when an engineer left the vessel during transfer of marine gas oil between internal tanks, in spite of rigid procedures being in place.

Maersk Oil had 36 spills – all of them below 0.1 m³ (category 5 spills). The company’s oil spill mitigation measures include stringent operational controls, regular equipment maintenance and training, drills for emergencies and oil spill response. The systems are independently reviewed and audited, for example, in the ISO14001 third-party audits.

The majority of the volume spilled from Maersk Drilling’s rigs is a result of water-based mud being accidentally discharged into the sea. Maersk Drilling experienced a total of 18 spills in 2014 (all category 3, 4 or 5 spills). Maersk Drilling operates with several containment systems to ensure that any discharges happen in a planned and controlled way in accordance with discharge permits.

Maersk Supply Service had six minor spills (category 5) mainly due to incidents during liquid transfer processes. To prevent spills Maersk Supply Service focuses on stringent operational procedures, training, oil spill prevention campaigns, drills and exercises.

Maersk Tankers experienced two minor oil spills into the sea (category 5). Maersk Tankers’ customers visit each vessel three times per year to ensure that safety standards are met. Even in the absence of spills, poor safety standards will debar the vessels from trade operations.

Maersk Line experienced 4 spills: 2 oil spills of 5.3 m³ (category 4) caused by a leakage due to malfunction of a seal of the stern tube and 2 at or below 0.1 m³ (category 5) due to leakages in thrusters. All overboard oil spills are registered and monitored in the environmental management system and action is taken where needed. Vessels are instructed to report contained spills and near-misses to learn from and improve on prevention and mitigation actions. They are inspected twice annually by internal auditors and technical superintendents.

APM Terminals had one (category 5) spill related to the bursting of hydraulic fluid tube on a crane. Spills occurring in port terminals are typically leaks from machinery occurring on the quay and are quickly contained.

The Group’s businesses involved in shipping, drilling or oil production have externally approved oil spill response plans in place in the event of a spill occurring. Training is carried out on both prevention and response.

WHAT IT MEANS TO MAERSK

Nearly all of our businesses have activities where the risk of oil spills must be mitigated to avert both human and environmental impacts as well as financial liabilities.

OUR AMBITIONS

Ensure that our operations have ZERO significant oil spills

OUR PROGRESS

Group oil spill categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Harbour &lt; 1 mi (m³)</th>
<th>Coastal &lt; 12 mi (m³)</th>
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<td>Oil film</td>
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</tbody>
</table>

Land-based spills will be included in our 2015 data collection and report.