



TRENDS & OPPORTUNITIES IN THE USE OF PALLETS BY THE PETROCHEMICAL INDUSTRY

RESEARCH BY DELOITTE IN COLLABORATION WITH PRS

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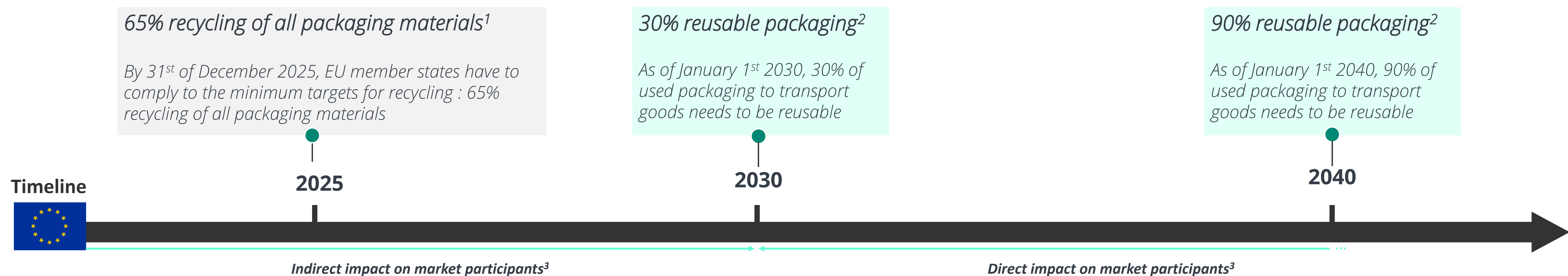


TRENDS & OPPORTUNITIES IN THE USE OF PALLETS BY THE PETROCHEMICAL INDUSTRY, BASED ON DESK RESEARCH AND **20 INTERVIEWS** WITH **+10 PETROCHEMICAL AND WAREHOUSE COMPANIES:**

- 1** Challenges in the petrochemical industry...
- 2** ... leading to changing purchasing criteria for pallets...
- 3** ... providing pallet suppliers opportunities to innovate...
- 4** ... while supporting petrochemical companies in their sustainability objectives...
- 5** ... highlighting packaging-pooling should be an industry-wide engagement

THE PETROCHEMICAL INDUSTRY IS FACING CHALLENGES AFTER RECOVERING OF THE COVID-19 PANDEMIC AND THE INITIAL UKRAINE-RUSSIA CONFLICT IMPACT...

-  The global petrochemical industry is currently in **economic downturn**, with **fiercer competition** from outside Europe
-  Increasingly complex supply chains, with **growth markets** outside Europe
-  Increasing **societal expectations** to move towards **circular ecosystems**, e.g. to reduce microplastics
-  Difficulty to keep track of fast-changing regulatory landscapes, including upcoming EU-wide packaging & packaging waste regulation:



¹Source: "directive 94/62/EC on packaging and packaging waste" information available on 05/04/2024

²Source: "article 26 – paragraph 7 on packaging and packaging waste" information available on 05/04/2024

'Reusable' refers to any act of reusing reusable packaging for the same purpose for which it was intended

³Market participants include: producers, suppliers, importers, distributors & service providers that use packaging for logistics

...LEADING TO A SHIFT IN IMPORTANCE OF KEY PURCHASE CRITERIA FOR PALLETS

TOP 5 PURCHASING CRITERIA PALLETS

➡ Consistent quality & strength

A consistent pallet quality & strength is always a top purchasing criteria, as it has a direct impact on operational stability & safety. No trade-off will be made on pallet quality in times of shortages

⬆ Availability

Petrochemical companies experienced limited pallet supply in times of market disruptions, leading to increased preference for trusted pallet suppliers with high availability

⬆ Transparent price

A clear price model is preferred in order to have a predictable invoice, even more relevant when market situation changes rapidly

⬆ One multi-site contract

Securing supply with one pallet supplier for multi-sites ensures standardized terms & conditions, including reduced sourcing efforts & reduced supplier management efforts

➡ Sustainability

Sustainability remains a key purchasing criteria, even during supply chain disruptions, partly due to regulatory push, but also because of mid – to long-term company commitments (often based on customer demands)



REGULATORY PUSH & CUSTOMER DEMAND IN THE PETROCHEMICAL INDUSTRY MOTIVATES LEADING PALLET SUPPLIERS TO FURTHER INNOVATE

CUSTOMER'S EXPECTATIONS ARE CHANGING AND REQUIRES INNOVATION FROM PALLET PROVIDERS

Innovation opportunity	HELP PETROCHEMICAL COMPANIES TO REDUCE THEIR ECOLOGICAL FOOTPRINT	DEVELOP PLASTIC PALLETS	MAKE PALLETS “SMART” ENABLING IOT
The business case	Upcoming EU-wide packaging & packaging waste regulations incl. carbon reporting	Plastic pallets can be produced with a core product of the petrochemical industry: (recycled) polymer granulate	Logging environmental conditions the pallet load is exposed to, including monitoring the exact location and the movements of the pallet
How is an authority in the pallet market responding?	Offering a pallet pooling system in order to re-use pallets in a qualitative way, <ul style="list-style-type: none">› Reducing carbon emissions› Reducing number of trees cut› Using less fuel resources	<ul style="list-style-type: none">› Development of a long-lasting plastic pallet via pilot approach through partnerships based on customer requirements considering standardization of specifications	<ul style="list-style-type: none">› Pallet tracking facilitates a higher recovery rate of pooled pallets, which increases the pallet lifetime and ultimately decreases the price› Piloting smart, cost-effective pallet trackers that log the location and environmental conditions



HOW PALLET POOLING HELPS TO REDUCE THE ECOLOGICAL FOOTPRINT OF THE EU PETROCHEMICAL INDUSTRY

“Pallet pooling can help customers preserve trees and prevent emissions, whilst meeting their logistical needs”

40%

CO₂eq emission
reduction

40%

Wood
preserved

30%

Less fossil
resource use

Note: Rounded numbers are compared to one-way CP pallets and based on 'average' customer circumstances (e.g. logistics) for PRS7 pallets. Source: independent LCA study, mandated by PRS. Numbers to be validated

EMBEDDING WIDER PACKAGED-POOLING PRACTICES CAN FURTHER INCREASE SUSTAINABILITY IMPACT

IN A DELOITTE STUDY CONDUCTED WITH +10 PETROCHEMICAL & WAREHOUSING COMPANIES, MORE THAN 50% INDICATED INTEREST IN POOLING OTHER PACKAGING¹ ON TOP OF TIMBER PALLETS. BUT **HOW TO SET-UP FOR A SUCCESSFUL POOLING MODEL?**



INDUSTRY-WIDE COLLABORATION

- › Necessary to align on standardized specs & jointly solve contamination issues *e.g. reuse of big bags*
- › Industry-wide reuse mindset to ensure high return rates of the pooled-packaging, so packaging won't be wasted and/or lost



INNOVATION THROUGH PARTNERSHIPS

- › A trusted, reliable party is needed for professional collaboration & innovation with the petrochemical companies
- › Launching and co-creating a **proof of concept** that can be cost-efficiently scaled



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