



A POST PANDEMIC BOUNCE BACK - A LONG TERM DECARBONISATION SHIFT



Today, we released a five-year outlook for UK ports sector freight volumes produced by Drewry, the independent maritime research consultancy. After experiencing pandemic-driven challenges through 2020 and early 2021 UK port freight volumes are forecast to bounce back in the period to 2026. However, underlying structural changes – most notably the increasing decarbonisation of the UK economy – have been accelerated during the pandemic and play a greater role in the future.

Without doubt, it has been a challenging period for some freight cargoes, notably carbon intensive commodities and products. The shocks of the pandemic, and to an extent the evolving post Brexit border changes, have compounded long term structural change. Yet, it's testament to the resilience of ports that they've not only kept 95% of U.K. trade flowing but also kept investing for the long term. Whilst it's encouraging to see volumes bounce back, ports will need to continue to adapt and invest for the new, increasingly post carbon, mix of freight and cargo. There are challenges both to invest in plant and equipment and in terms of the freight mix itself. But there are also important opportunities from new cargoes and services.

Ports are responding to the outlook by developing their businesses in higher growth categories like containers and unaccompanied trailers and through investment in 'volume light' activities like green energy and logistics. Across all these developments ports continue to be vital engines for jobs and prosperity, 'levelling up' in action all around the UK coast.



After suffering a 9% fall in volumes in 2020 vs the pre pandemic level in 2019 and a further forecasted 5% fall in 2021, most cargo types see a return to pre pandemic levels in 2022 and into 2023. However, the pandemic and further decarbonisation policy and behaviour measures accelerate the decline in fossil fuel related cargo volumes. These cargo types remain substantially lower than pre-pandemic levels at the end of the forecast period in 2026. This significant fall in oil and oil related volumes makes total volumes 4% down in 2026 vs 2019 in tonnes terms, despite increases in other cargo types such as a 13% increase in container and 7% for unaccompanied freight ferry volumes, plus a near term bounce for construction products.

Brexit is also a factor as, despite an element of normalisation, the one-off impact of trade adjustment helps drive a slight shift from EU to non-EU trade volumes and border frictions contribute to the continuing shift from accompanied to unaccompanied freight volumes for EU trade.

However, in general, the impact of the pandemic (the economic impact in the short term and an accelerated reshaping of business models for sectors like retail) and decarbonisation (into the longer term) are bigger drivers of change. For example, the -0.6% p.a. compound annual growth rate for freight volumes overall splits into -3.8% p.a. for fossil fuels and related products vs +1.3% p.a. for other freight types combined.

The declines in cargo-intensive freight demonstrates importance of the current moves towards green energy and developing ports as broader economic hubs being undertaken by ports operators. The ports themselves are ambitious to do more, but we can't do it alone. Government must play its part. That's why our calls for a Greens Ports Fund to co-invest in decarbonisation and wider improvements to port connectivity and planning rules are so important. The strategic basis for the ports sector is shifting – real partnership between industry and Government, with each partner playing to its strengths is needed to maximise the opportunities.

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