

# Climate Liability Risk Assessment: Aviation



The aviation industry is at the centre of the changes required to meet global net zero. WTW can help you navigate the headwinds, while catching the tailwind of opportunities in the climate transition.

## Challenges of the aerospace industry



The global aviation industry keeps the world turning by transporting goods and bringing people closer together for business and pleasure. Fuelled by the brightest talent and technological innovation, it's a sector that had to rely on its ingenuity to navigate recent years of turbulence from the financial crisis, a global pandemic, geopolitical instability and high energy prices. In an industry that has proven its resilience, climate risk presents not just another headwind. With the right strategic response, climate risk also presents many opportunities.

With ESG and climate considerations moving up the public agenda globally, climate-related litigation, legislation and regulatory enforcement continues to grow. There has tended to be an assumption that the risk of climate-related litigation is mostly on the shoulders of the carbon majors such as oil and gas, and aviation emitting only 2.5% of all human-induced CO<sup>1</sup>, is relatively low on the list of sectors that could face legal enforcement, but recent trends demonstrate this is not the case. As such we believe that now is the time for aviation organisations to enhance practices, improve efficiencies and protect reputations. Liability risks could emerge from contractual or legal obligations, including the mismanagement of both physical and transition risk. That's why liability risk assessments are a good starting point to understand the financial impacts of physical and transition risk.

## Climate liability risk



Climate liability takes many forms, but climate litigation is the one that grabs headlines around the world. Not every part of the aviation ecosystem will be equally exposed to this type of liability risk. WTW's client base covers the entire aviation industry, part of a complex ecosystem of interdependent sectors, with wide regional variations.

Our approach towards climate-related legal risks is designed to reduce material financial losses, optimise corporate strategy, and unlock new opportunities for growth.

However, the number of claims is growing rapidly with a doubling to 2,229 of ongoing or concluded climate cases since the Paris agreement.<sup>2</sup> Even without the direct risk of litigation, climate liability is also rising up the business risk register for boards, executive management, chief risk and financial officers, with over 3,000 new climate laws and policies.<sup>3</sup>

Greenwashing,<sup>4</sup> inadequate disclosures to investors, and claims for negligence and damages are just a few of an expanding range of potential grounds for litigation. These potential grounds of litigation materialise as legal risks via operations, markets, value chains and transactions.

## Our services



At WTW, we understand your business by combining deep expertise in the aviation sector with best-in-class analytics to help you mitigate the financial impacts of physical, transition and liability risks to your business, while capturing the opportunities.

We're also engaging with an external network of legal and academic partners, leveraging our combined risk identification, management, and mitigation expertise.

Together with our partners, we are developing new products and services to assist our clients in managing their climate-related liability exposures.

We provide expert advice around three main areas of assessment of liability risk and combine it with transaction expertise from across WTW.

- 1. Liability:** We provide our clients with clarity about their current potential liability risk.
- 2. Regulatory:** The landscape of climate regulation and disclosure is rapidly evolving. We provide advice and guidance on the latest developments.
- 3. Contractual:** We carry out a review of the client's identified contracts and provide advice on how well aligned they are with a net zero transition and how to address the physical impacts to the business.

<sup>1</sup> <https://ourworldindata.org/co2-emissions-from-aviation> <sup>2</sup> As at February 2023, Climate Change Laws of the World database, [https://climate-laws.org/litigation\\_cases](https://climate-laws.org/litigation_cases)  
<sup>3</sup> Ibid <sup>4</sup> Cambridge Dictionary: 'an attempt to make people believe that your company is doing more to protect the environment than it really is'



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## How?

The climate liability risk assessment will be delivered by WTW's subject matter experts. WTW works in conjunction with legal entities as we do not provide legal advice.



## What?

Together we assess legal, jurisdictional, constitutional, and climate-related aspects determinative of our clients' climate liability risks, considering the unique features and commercial landscape specific to our clients.



## Why?

- Increased understanding of your current and potential climate-related liability risk exposure with a bespoke risk profile
- Opportunity to test and improve the resilience and preparedness for your liability risks of various scope and severity
- Outline of next steps that can be taken to mitigate legal exposure and suggestions for a longer-term strategy for your legal risk management
- Risk transfer considerations.



## Benefits to clients:

- ✓ Climate liability risk profile
- ✓ Outline of steps that can be taken to mitigate legal exposure and suggestions for legal risk management
- ✓ Risk transfer considerations

## How is this linked to other WTW solutions?

WTW can offer a unique and comprehensive proposition to its clients as a one stop solution provider for physical, transition and liability risk and opportunity assessment services. Using these outputs, we can help you identify the most cost-effective adaptation options and build comprehensive resilience strategies to manage your risk. These include insurance coverage gap analysis and placement of coverage solutions. Our climate governance experts help clients embed this into the heart of business operations: from aligning total rewards to your climate strategy to understanding employee perspectives around climate change as well as public disclosures, we are experts in governance across people, capital and risk.



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Disclaimer: The contents are not intended to constitute legal advice and please note that WTW does not provide legal advice.