



# Greener transport: Your company's pathway to decarbonisation



The transport sector constitutes 24% of overall global carbon emissions\*, and global change is already afoot as governments and industries come together to accelerate the sector's transition to net zero.

Whether a transport manufacturer or a business user of shipping, aviation or vehicle fleets, it is vital that your business is prepared to review and adapt its transport operating models. The insurance industry stands ready to support your drive for sustainable, climate resilient operations.

## Aviation

Direct emissions from aviation accounted for 2.4% of global emissions in 2018\*\*

As the aviation sector emerges from the COVID-19 pandemic and looks towards opportunities for a green recovery, international collaboration and global carbon markets will be key to these efforts.

Other pathways to decarbonisation include sustainable airline fuels, fleet optimisation and national government policy actions, however key challenges remain around the supporting infrastructure and collaboration required between airlines, airports, aerospace manufacturers and infrastructure providers.

### Implications of new technologies and fuels on the aviation risk landscape



Capital investment is the biggest constraint on aviation decarbonisation



Changes to aircraft operations and infrastructure impact risk, including potential safety implications



The insurance industry displays strong appetite to support the aviation industry and provide the specialist insurance coverage required

## Maritime

Carbon emissions from shipping could increase between 50% and 250% by 2050†

Marine transport moves around 80% of world trade by volume†† and whilst efficiency has improved, the vast majority of ships are still powered by combustion engines.

Low carbon fuels represent the biggest opportunity for the maritime industry to transition towards net zero. Other, more immediate improvements include air lubrication technology, speed adjustments, and smart port technologies.

The introduction of new technologies and alternative fuels is expected to present a range of enhanced environmental, health and operational risks, and it is vital that the necessary insurance coverage is made available to enable progress.



\*Source: International Energy Agency - Tracking Transport 2020 - Analysis - IEA  
 \*\*Source: International Council on Clean Transportation (theicct.org)

† Source: European Commission - Reducing emissions from the shipping sector  
 †† Source: 29 UNCTAD - Review of Maritime Transport 2018 | UNCTAD

## Electric vehicles (EV)

The transition to more carbon efficient propulsion systems is being supported by rapidly accelerating customer demand in growth areas like electric vehicles

The electrification of motor transport and developing the required infrastructure for this is vital, given the fact that road transportation is the transport sector's largest contributor of global carbon emissions.

Despite the sector's rapid growth, challenges include:

Dependence on infrastructure transformation (e.g. charging)

Increased expense of damage sustained by EVs

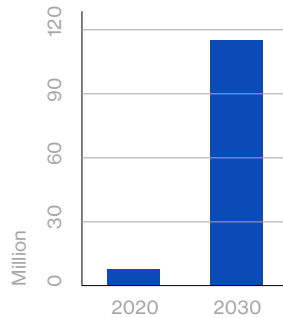
Dependency on battery manufacturing capacity

Risks of increased connectivity

\*Source: BloombergNEF - BNEF EVO Report 2020 | BloombergNEF | Bloomberg Finance LP



Global EV fleet projections\*



## How Lloyd's and the insurance industry will help

Alongside mitigating and managing the impact of climate change, the insurance industry has a vital role to play in supporting the increased scale and speed of the transport sector's transition.

### The insurance industry must:

- Gain sight and understanding of the technology landscape to provide cover for emerging risks from new developments
- Innovate to address protection gaps, and stay close to developments in alternative fuels
- Identify new types of cover to meet the needs of EV companies moving from pure manufacturing toward full lifecycle solutions

### As chair of the SMI Insurance Task Force, Lloyd's will:

- Work to open discussions with customers to help identify new types of cover
- Design an innovative EV insurance product to address protection gaps
- Facilitate a product design sprint to develop potential products from ideation to commercially viable products

## Considerations for your business

It is important to review the 'green' credentials of your business' supply chains and logistics as part of your long-term climate commitments, as well as to meet near-term policy requirements.

Whether directly or indirectly involved in the transport sector, here are some factors to think about:

- 1 Are you conducting regular reviews of your business transportation use, and exploring switching to greener alternatives where possible?
- 2 Are you planning to invest in fleet optimisation, and if so, are you considering the associated risks?
- 3 Have you factored in the additional logistics and infrastructure necessary – and the associated risks of these – for adopting greener transportation methods (such as EV charging points)?
- 4 If involved in transport manufacturing, have you considered the increased risk factors of adopting more sustainable fuels/materials/ infrastructure?
- 5 Have you ensured there are no coverage gaps as a result of these changes?
- 6 Have you analysed the risks of not acting to transition towards greener transportation methods?

Want to find out more? Read the full chapter and Join the Reset at [Lloyds.com/jointhereset](https://lloyds.com/jointhereset)