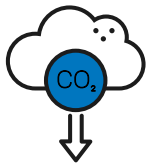


# Net-zero: Airlines

3% of global CO<sub>2</sub> emissions (related to fossil fuel combustion) come from airlines.<sup>1</sup>

What does the **airline sector** need to do to reach net-zero?

**LGIM will vote and implement investment sanctions against companies falling short of our climate expectations. LGIM expects companies' boards to oversee and publicly disclose answers to the following:**



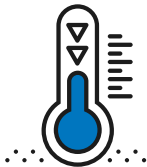
## Net-zero commitment

- Does the company have a comprehensive target for net-zero by 2050 or earlier, covering scopes 1, 2 and material scope 3 emissions?<sup>2</sup>
- Has the company made a commitment to certify/certified this target with the SBTi or other external independent parties?
- Does the company have a net-zero transition plan that includes short- and medium-term targets?<sup>3</sup>



## Strategy

- What are the actions and investments involved in the company's plan to reach net-zero, and what is the contribution of each action towards meeting its targets?<sup>4</sup>
- Is executive remuneration aligned with the company's short- and/or medium-term emission targets, as set out in the net-zero transition plan?
- Does the company's net-zero strategy consider the potential impacts and dependencies on biodiversity that result from related land-use change (e.g. from biofuel production and/or offsetting)?



## Resilience

- Has the company analysed its business model resilience to climate-related risks and opportunities using scenario analysis and disclosed how the output has influenced its strategy?
- Has the company analysed the physical climate risks to its assets, operations, and value chain, including potential financial impacts, and evidenced measures to mitigate or adapt to them?



## Targets

- Does the company have targets related to the use and roll out of low/zero-carbon fuels/technologies and the alignment of its fleets with climate objectives?



## Collaboration

- How is the company working collaboratively across its value chain to reduce emissions (e.g. with airports, the finance sector, strategic R&D partnerships, sector initiatives)?
- Is the company advocating meaningful policy action, including from regulators, to meet global net-zero targets (e.g. with carbon pricing)?



## Red lines

- Does the company have a net-zero operational emissions target?
- Does the company disclose its climate-related lobbying activities, including trade association memberships, and explain the action it will take if the lobbying activities of these associations are not in line with the Paris Agreement?

1. IEA, Tracking Aviation (2020).

2. Aiming to cover all segments of the business, as articulated within the GHG protocol guidance.

3. Short-term refers to 2022-2025, medium-term 2026-2035 and long-term 2036-2050.

4. E.g., sustainable aviation fuels (SAF), including advanced biofuels and synthetic fuels, new aircraft technologies that can improve efficiency as well as reduce emissions and fuel use, and alternative propulsion technologies.

## Further areas for company consideration

### Biodiversity expectations

**Why?** The climate and nature crises are inextricably linked.<sup>5</sup> Net-zero requires both emission avoidance and sequestration. Functioning natural systems are essential to this, but increasingly vulnerable due to climate change.

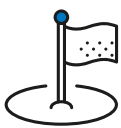
**LGIM's expectations:** An assessment of the impacts and dependencies on nature and biodiversity, and appropriate mitigation actions.

**Sector-specific considerations:** A direct impact could result from the degradation of habitats, airport expansion, disruption to bird 'flyways,' the spread of alien species, or noise and light pollution. The financing of poor offsetting practices and the use of biofuels could have an indirect effect.



### Company levers

- Sustainable aviation fuels (SAF) including advanced biofuels and synthetic fuels
- Batteries for short-haul journeys
- Air traffic management for more direct routes and less taxiing
- Energy efficiency



#### Challenges

Price of current technologies  
 Battery range and density  
 Fragmented industry structure  
 Lack of robust policies



#### Opportunities

Growing consumer demand to reduce 'food miles' and other transport-related product emissions  
 Promoting sustainable biofuels

### Government policies

- Carbon pricing and taxation
- Support for renewables
- Policy coordination between international regulators, airports and transport operators
- Regulation of sustainable aviation fuels (including biofuels)
- Tightening/enforcing energy efficiency standards and low/zero-carbon fuel mandates



#### What is needed?

##### Company leadership

Companies investing in available decarbonisation technologies  
 Logistics companies adopting stringent targets for air freight

##### Research and innovation

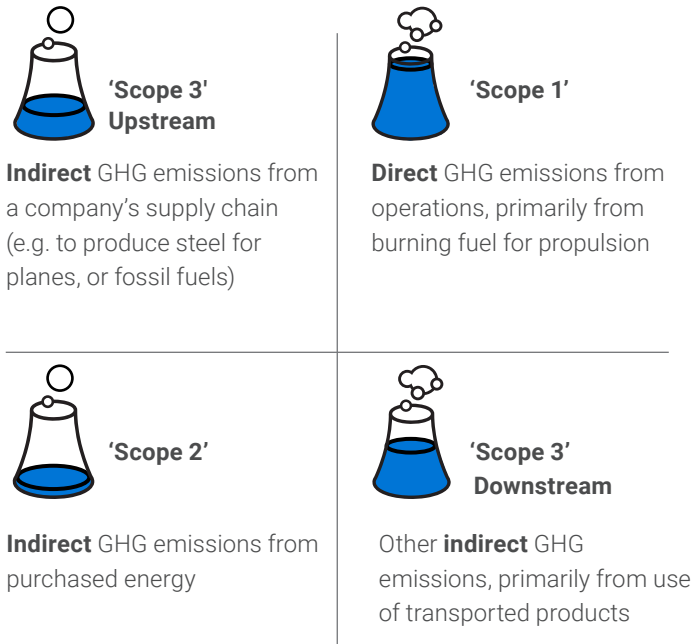
Reducing costs of electrolysis  
 Synthetic fuels  
 Carbon capture and storage  
 Battery storage

##### Consumer behaviour

Demand for products with reduced transport emissions  
 Modal shifts in transport due to 'flight-shaming'

5. UN IPCC-IPEBS, [Biodiversity and Climate Change workshop report \(2021\)](#)

### Sources of emissions



Source: UNEP (2019).

### 'Just Transition' considerations

The potential implications for employees, the supply chain, customers and communities from the transition to a lower-carbon business model

Possibility of carbon taxes being passed on to passengers

### Physical risk impacts

Disruption to global transport routes, supply chains (including sustainable aviation fuel production) and hubs from extreme weather



## For more information and to see how companies are rated

[LGIM Climate Impact Pledge score](#)

[LGIM Climate Impact Pledge](#)

### Important information

**Source: LGIM as at September 2023. The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested. The above information does not constitute a recommendation to buy or sell any security.**