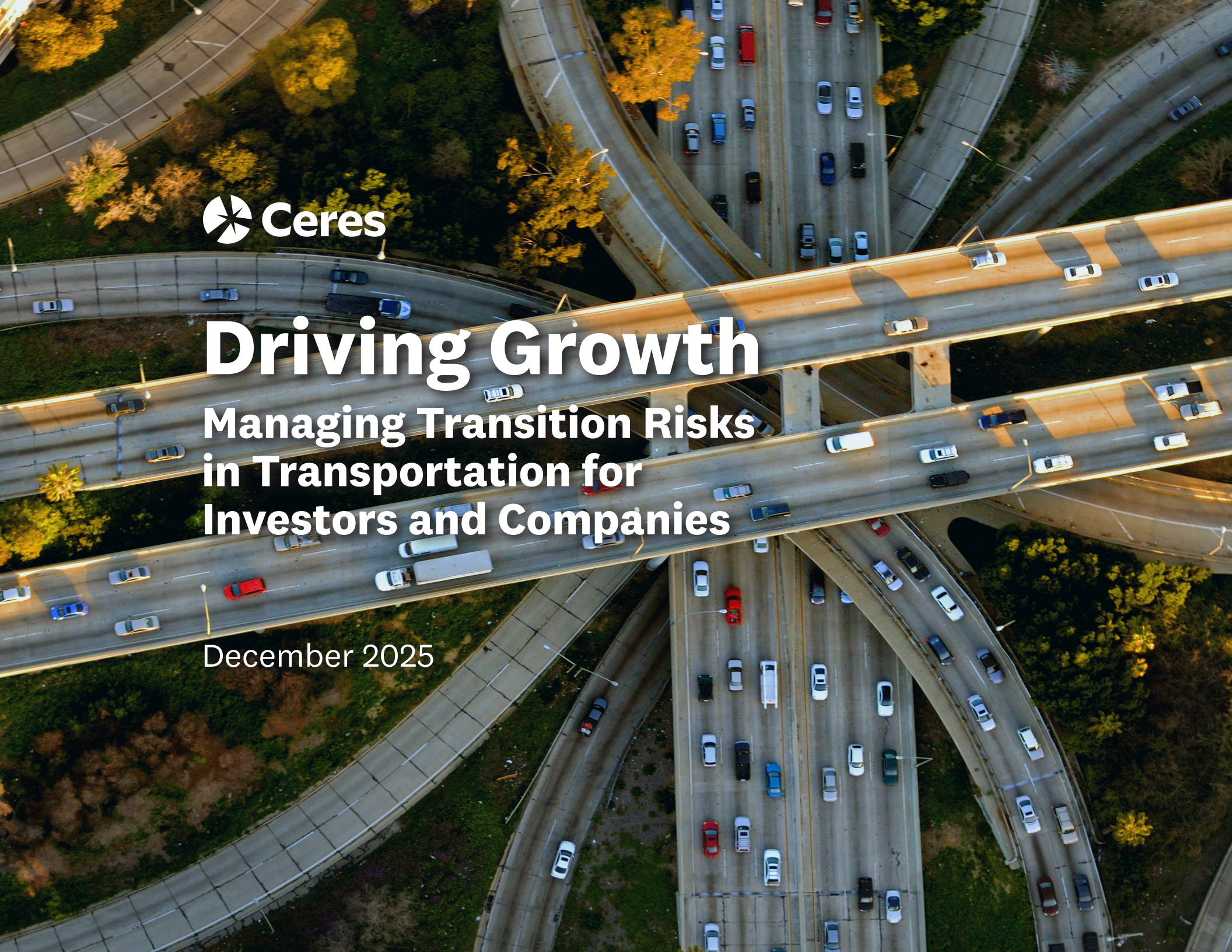
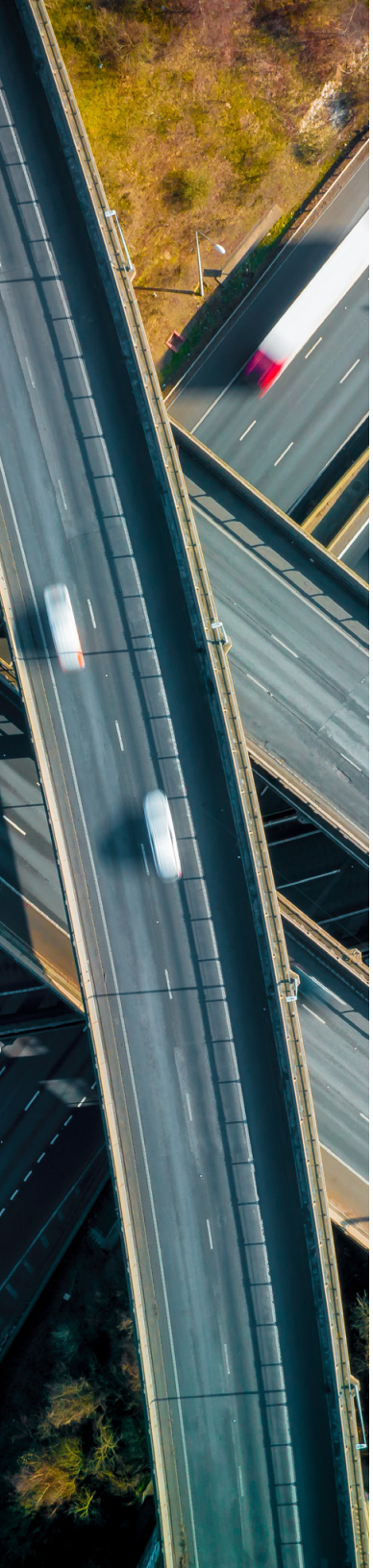


Ceres

Driving Growth

Managing Transition Risks in Transportation for Investors and Companies

December 2025



The global transportation sector is undergoing its most significant transformation in a century, with clean technologies creating unprecedented opportunities for companies and investors positioned to lead this transition. Accelerating market shifts, manufacturing advancements, and current and anticipated regulatory pressure are converging to unlock substantial value creation in clean transportation.

This transformation is reshaping the competitive landscape—companies that continue to rely heavily on fossil fuel-dependent assets are increasingly vulnerable to obsolescence and cost volatility. Companies and investors that implement robust plans now to manage these transition risks will enhance their global competitiveness, attract capital, and be leaders in advancing a cleaner transportation sector. While addressing these risks will require investment, the return on that investment is far greater than the cost of inaction.

This brief outlines the physical, financial, and transition risks opportunities that climate change creates for the transportation sector, while providing strategic recommendations and case studies for companies and investors seeking to capitalize on market transitions.

Transition Risks

The global economy is facing significant losses and increased uncertainty as our climate warms. Extreme heat, droughts, and other impacts threaten capital assets, disrupt supply chains, and reduce productivity—potentially cutting global economic output by between 15% and 34% if we continue on our path toward 3 °C of warming.

The physical and financial risks of climate change also create broader market **transition risks**—shifting market preferences, market volatility, capital reallocation, and regulatory uncertainty. These transition risks are particularly acute for economic activities that rely on fossil fuels.

Almost all transport fuel (~94%) is derived from fossil fuels, making transportation activities highly exposed to transition risk. While it's clear that these risks impact companies in the transportation sector such as manufacturers, they also impact companies that rely on transportation to move goods and services or that provide transportation as a service, along with investors who have portfolio exposure to transportation activities.

Physical Impacts
- Storms
- Floods
- Heatwaves
- Droughts

Economic Risks
- Damage to natural asserts and ecosystems
- Damage to capital stocks
- Productivity loss
- Supply change and trade disruption
- Financial instability

Transition Risks
- Tightening regulations
- Shifting market preferences
- Market volatility
- Increasing capital reallocation toward clean alternatives

Transition Opportunities

Anticipating and seizing the opportunities made available in a transitioning economy is smart business practice for companies and investors with transportation-related activities in their operations, value chains, or portfolios. These opportunities include:

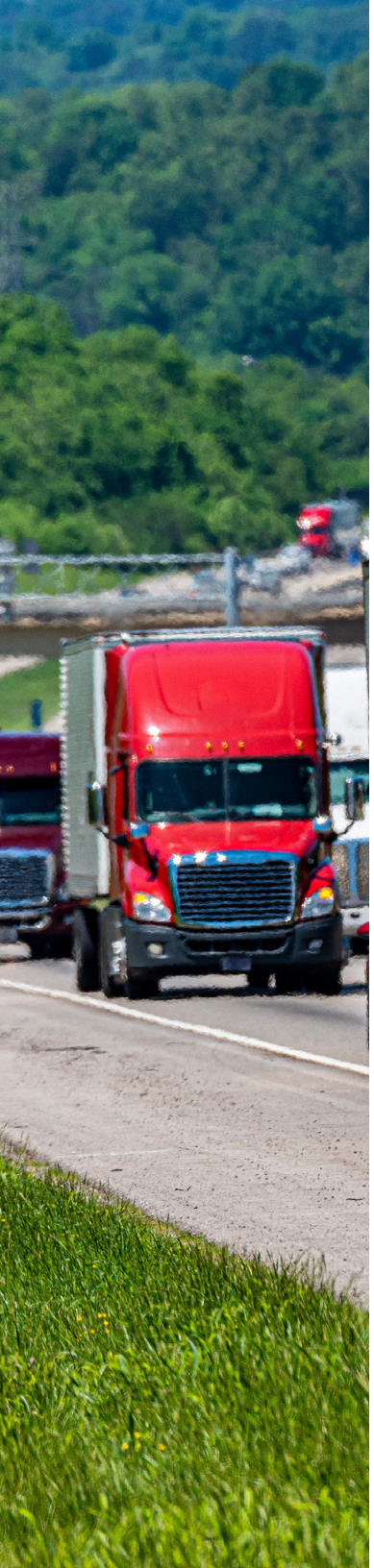
- **Taking advantage of shifting markets**
  Even after adjusting their outlooks due to regulatory rollbacks in the U.S., BloombergNEF estimates that electric vehicles will reach 56% of global passenger vehicle sales by 2035 and 70% by 2040. Global electric truck sales, the most challenging vehicle segment to transition, grew by almost 80% in 2024, a trend expected to continue due to the lower total cost of ownership compared to fossil-based alternatives. These market shifts provide significant growth opportunities for manufacturers and an early mover advantage to fleet owners.

- **Creating opportunities by anticipating tightening regulations**
  Policy rollbacks in the U.S. and EU should not take focus away from the growing number of policies across the globe aimed at reducing the economic and social impacts of climate change, as well as an influx of legal actions being taken to speed up efforts to address the risks of climate change. The UN principal judicial body ruled that States have an obligation to limit global warming and can incur legal responsibility. Given that the projected adoption of clean vehicles is still far below what is required to adequately manage climate risks, countries with favorable policy environments or legal pressure will push forward regulations that accelerate this shift. The transportation sector is global, and companies producing and procuring zero-emission vehicles that comply with the most stringent regulations globally demonstrate better risk management, capture long-term value, and wield competitive advantage.

- **Leveraging cost advantages of low-emission technologies**
  While costs of goods are increasing across the economy due to global trade disruptions accelerated by climate change, the costs of EV batteries and models have been falling due to technological advances speared by investments in clean alternatives. These falling costs have contributed in part to the sales of EVs jumping 25% from 2024. As policy mechanisms like carbon border tax adjustments expand, relying on high-carbon transportation systems in supply chains will further increase the cost of doing business, while transitioning to low emission technologies and considering risk management and resilience when selecting suppliers will maximize returns.

80% in 2024

Growth in global electric truck sales



Strategic Recommendations

To capture the opportunities created by the transitioning global economy, companies and investors will take steps to reduce fossil fuel-related risks in their operations, value chains, or portfolios and position themselves for long-term growth.

For companies, key steps include:

- **Estimating emissions across scopes 1 – 3** to understand where transportation-related fossil fuel risks occur in their operations and value chain. Transportation specific resources are available from groups such as Smart Freight Centre.

- **Gaining leadership buy-in** to manage those emissions, set emissions reduction targets, and form cross-functional teams to bring together key units like procurement, logistics, and operations. Targets provide focus, direct resource allocation, and signal good governance to stakeholders. Companies can set full company targets leveraging standards such as the Science Based Targets initiative (SBTi), or they can start with transportation-focused goals through initiatives such as The Climate Group's EV100 .

- **Developing and implementing detailed forward-looking and time-bound strategies** to manage transportation emissions and risks. For fleet management and business travel, utilize the We Mean Business Coalition's Fossil-to-Clean check list for transportation. For third-party operated logistics and upstream OEMs or parts manufacturers, utilize supplier engagement practices that can encourage suppliers to set their own targets and transition plans. These are important parts of a comprehensive, transparent transition plan.

- **Identifying business opportunities** in the clean energy transition that create a win-win, such as reduced operating costs from electric fleets and improved safety and comfort for delivery drivers.

- **Joining groups like Ceres' Corporate Electric Vehicle Alliance that bring together companies across sectors working toward progress together.** For heavy-duty trucking, GMA Trucking is a buyers' alliance that provides innovation to drive financing and deployment of low-carbon trucks. EV100 provides opportunities for their members to share knowledge, engage in global policies, and utilize tools and resources to demonstrate the business case for fleet electrification.

Ceres' Corporate Electric Vehicle Alliance (CEVA) supports member companies in making and achieving commitments to fleet electrification by creating a peer-to-peer environment to identify challenges and potential solutions that will expand production and market growth of diverse EV models across all use cases and class sizes. Ceres' policy expertise allows members to learn about and support the adoption of policies that help lower costs, support innovation, and drive market growth.

Company Progress

Among the major fleet purchasers that are part of the Corporate Electric Vehicle Alliance, several examples highlight the progress that is being made in addressing risks and leveraging opportunities.

CBRE has a goal to achieve 100% of fleet electrification by the end of 2035. The implementation pathway for this goal is anticipated to contribute 30% reduction in overall scope 1 and 2 emissions by 2030, making it a critical strategy for meeting their overarching science-based target. In its holistic Climate Transition Strategy, CBRE sees the use of more fuel-efficient and electric vehicles as an opportunity to decrease total cost of fleet operations in the medium term. CBRE is a member of CEVA, helping the company address some of the noted external factors that need to change to allow them to meet their goal, like vehicle availability and the need for expanded charging infrastructure.

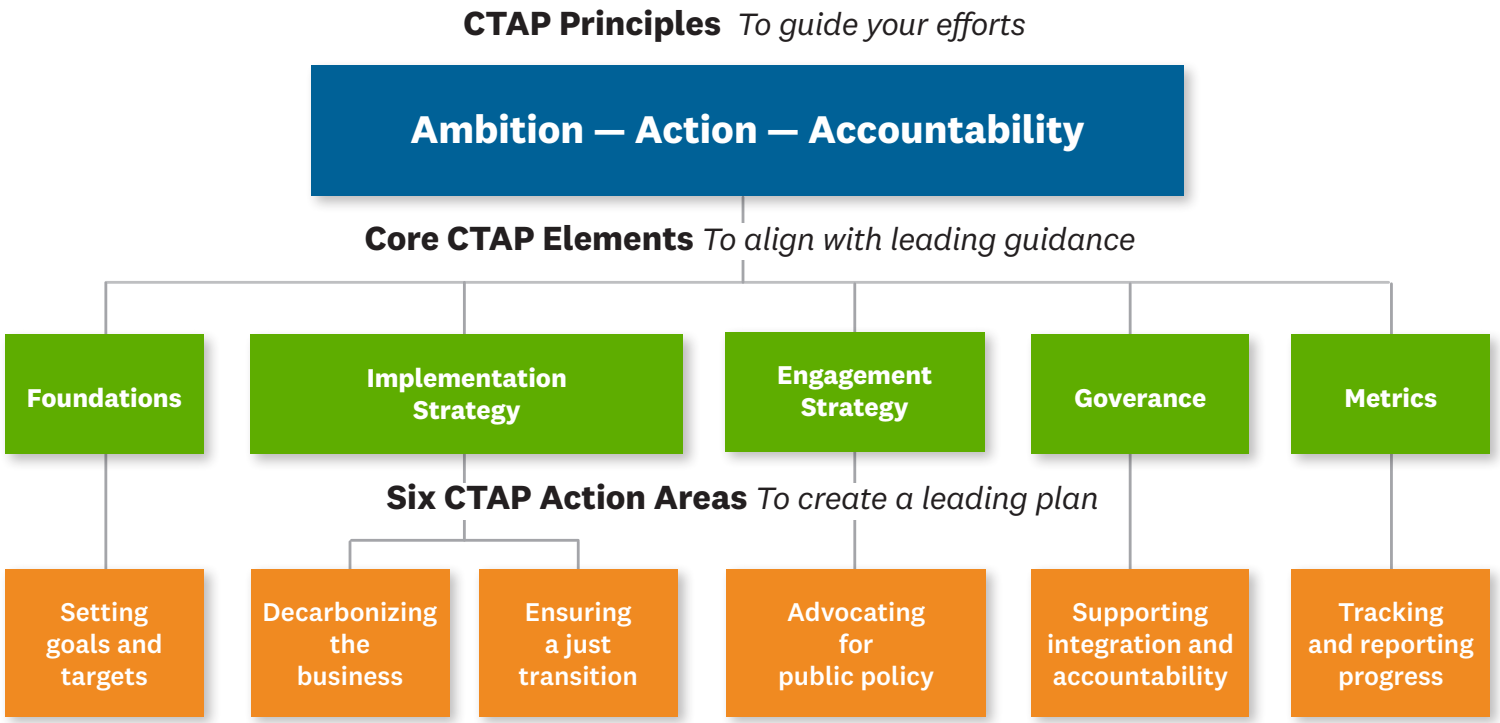
Element Fleet Management, the largest pure-play automotive fleet manager in the world, has achieved 30% of its target to transition 350,000 client vehicles to electric by 2030. The company is also making considerable progress toward its goal of fully electrifying its global internal fleet, with operations in Australia and New Zealand already reaching this milestone.

Element's initiatives to electrify both its leased vehicle assets and internal fleet are directly advancing its near-term science-based targets. These targets include reducing scope 3 GHG emissions from the use of sold products and downstream leased assets by 66.4% per USD value added by 2034 (from a 2019 baseline) and cutting absolute scope 1 and 2 GHG emissions by 63.7% in the same timeframe. The company reports that it is making progress ahead of schedule. By FY24, Element had achieved an 80% reduction in absolute scope 1 and 2 emissions from its baseline year and a 27.5% reduction toward its scope 3 goal.

Keurig Dr Pepper (KDP) in its 2024 Impact Report, highlights how the company has made progress on reducing operational emissions, including in fleet and manufacturing operations. This progress involved, in part, engaging bottlers and select suppliers that account for 50% of KDP's scope 3 emissions to set a science-based target, achieving a 21% reduction in combined scope 1 and 2 emissions compared to a 2018 baseline, and increasing KDP Canada's electric fleet inventory to 45 vehicles, representing nearly 20% of its total Canadian fleet. In early 2025, KDP updated its 2030 GHG emissions-reductions targets to align with SBTi's most current guidance. The company committed to reducing absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2018 baseline, and to reducing absolute scope 3 GHG emissions from purchased goods and services, fuel and energy-related activities, upstream transportation and distribution, and use of sold products 25% by 2030 from a 2022 baseline.

What is a transition plan?

Transition plans are a forward-looking, quantitative set of actions a company will take in the near- and medium-term to reduce climate risks and realize transition opportunities. Nearly 6,000 companies **reported to CDP in 2023** that they have transition plans, and over 8,000 plan to develop these in the next 2 years. Transition plans are a great opportunity for companies to lay out the specific actions they will take to address their largest source of climate risks and emissions. Developing a transition plan can build the leadership buy in and cross-organization support needed to meet corporate goals, and transition plans provide stakeholders with clarity on how companies are addressing their transition risks. Companies and investors can leverage resources to develop transition plans including the **Blueprint for Implementing a Leading Climate Transition Action Plan** and the **Investor Climate Action Plan Expectations Ladder**. Access more tools and resources to create a transition plan on **Ceres' website**.



The Role of Investors

Investors play a critical role in mitigating the risks of transportation companies' reliance on fossil fuels as the economy transitions and help them capture the benefits. By assessing climate risks in their portfolios, supporting credible transition plans, and directing capital toward low-carbon infrastructure and technologies, investors can reduce exposure to stranded assets and position themselves to capture emerging opportunities.

For investors, key steps include:

- **Understanding how portfolio companies are exposed to high-emitting transport modes**, such as trucking, aviation, or maritime shipping, to manage long-term financial risks. Developing an Investor Climate Action Plan (ICAP) can help self-assess how approaches to investments, corporate engagement, policy advocacy, and disclosure align with best practices to manage climate risks.

- **Evaluating portfolio companies' transition plans** to assess whether they include credible implementation pathways toward managing transition risks due to transportation.

- **Engaging companies to gain insights into their future viability and resilience** and supporting robust transition planning and transition risk management through shareholder votes.

- **Encouraging companies to utilize the resources referenced in this brief** and being willing to divest from companies that are not adequately managing transition risks in a way that is consistent with fiduciary duty.

- **Directing capital toward innovative infrastructure and solutions** such as EV charging networks, green hydrogen production, and next-gen battery technologies that offer high growth potential.

- **Backing carbon pricing, clean fuel standards, and incentives** that promote innovation and create the regulatory certainty needed for long-term value creation.

One model investor, the **New York State Common Retirement Fund**, developed its first climate action plan in 2019, and released a progress report in 2023 detailing its progress toward its 2040 net-zero target.

The fund has a goal to invest $40 billion in a multi asset class portfolio of institutional sustainable investment and climate-related themes that support the clean energy transition, and has a process in place to divest from companies if, after engagement and assessment, they fail to demonstrate minimal transition readiness consistent with fiduciary duty to the members, retirees, and beneficiaries of the New York State and Local Retirement System.

About Ceres

Ceres is a nonprofit advocacy organization working to accelerate the transition to a cleaner, more just, and sustainable world. United under a shared vision, our powerful networks of investors and companies are proving sustainability is the bottom line—changing markets and sectors from the inside out. For more information, visit ceres.org.

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