

2. Transportation Group

The Transportation Group includes, but is not limited to, industries listed in [Figure 10](#).

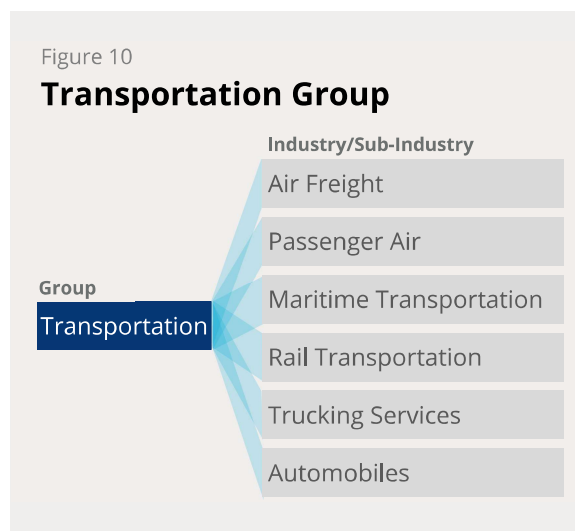
Transportation is critical to the economy and drives a significant portion of emissions and demand for energy through the production and, more important, the use phase. The industry is under increasing policy and regulatory pressure to achieve emissions targets for the use phase. Increasing constraints on emissions fuel efficiency will continue to impact costs in this group, particularly around investments in innovation (new technologies and efficiencies).¹²⁶

The Transportation Group, therefore, will likely face financial challenges from two major drivers. First, policymakers are setting stricter targets for emissions and fuel efficiency from transportation carriers. Second, new technology around low-emission/fuel-efficient carriers (e.g., electric cars) is creating a shift in the competitive and investment landscape. New technological innovations and new market entrants can weaken companies' market position, resulting in lower revenues, higher costs, and narrower margins. The effects of these two drivers may be compounded by the length of product cycles for transportation products, such as cars and trucks, and especially for air and rail and marine equipment. As with the Energy Group, investments in long-lived assets (e.g., manufacturing facilities, airplanes, ships) and longer planning horizons are relevant factors that must be taken into account when considering the climate-related risks and opportunities.

Consequently, disclosures should focus on qualitative and quantitative assessments and potential impacts of the following:

- financial risks around current plant and equipment, such as potential early write-offs of equipment and R&D investments or early phasing out of current products due to policy constraints or shifts or the emergence of new technology;
- investments in research and development of new technologies and potential shifts in demand for various types of transportation carriers; and
- opportunities to use new technologies to address lower-emissions standards and increased fuel-efficiency requirements, including transport vehicles (cars, ships, planes, rail) that run on a range of traditional and alternative fuels.

Transportation Group organizations should consider providing additional industry-specific metrics.¹²⁷ Examples of potential metrics include sales weighted average fleet fuel economy by region and weight/number of people transported, Energy Efficiency Design Index (EEDI) for new ships, life cycle reporting of GHG emissions of transportation products (air, ship, rail, truck, auto).



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¹²⁶ Moody's Global Credit Research, "Moody's: Auto sector faces rising credit risks due to carbon transition," September 20, 2016.

¹²⁷ For more sector-specific information, see SASB, "Climate Risk Technical Bulletin," April 12, 2021 and WBCSD, "TCFD Auto Preparer Forum," May 26, 2021.