Climate Risk in Aviation Finance

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impact
ON SUSTAINABLE AVIATION

Who Responded to The Survey

- **53 senior professionals** across aviation finance, leasing, investment and advisory

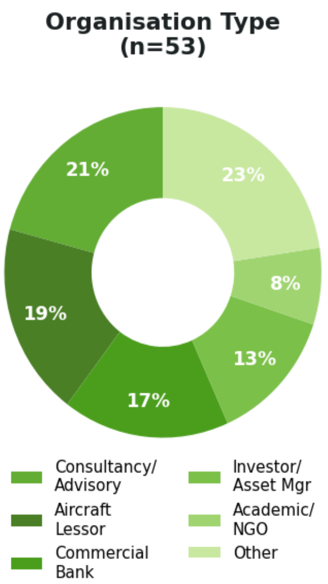
- **87%** have 10+ years of relevant experience in aviation, finance or climate risk

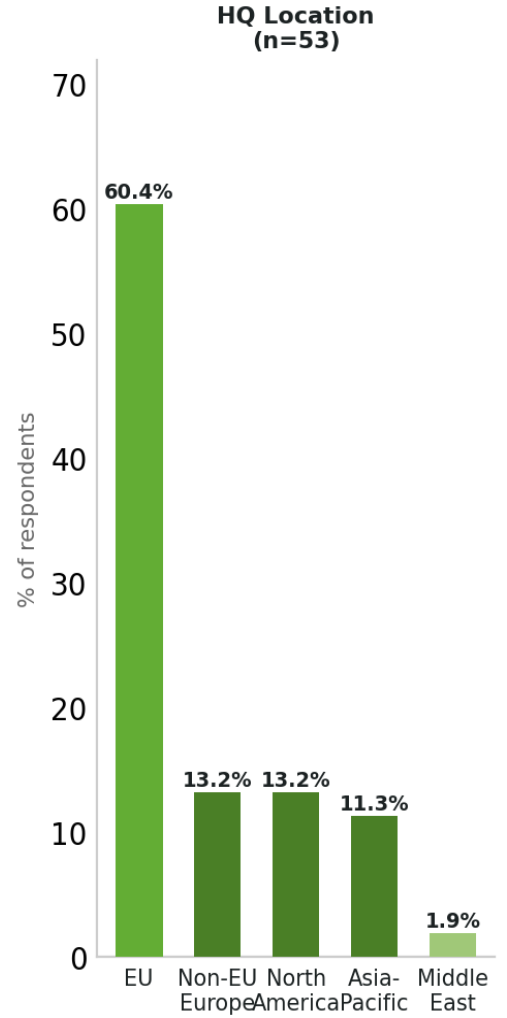
- **70%** are C-suite or deal-origination professionals

- **47%** manage aviation exposure exceeding USD 1 billion

- **73%** are European-headquartered — findings reflect EU regulatory context

- Exposure broadly distributed: Europe, Asia-Pacific, North America and Middle East all represented





How the Sector Ranks Its Risks

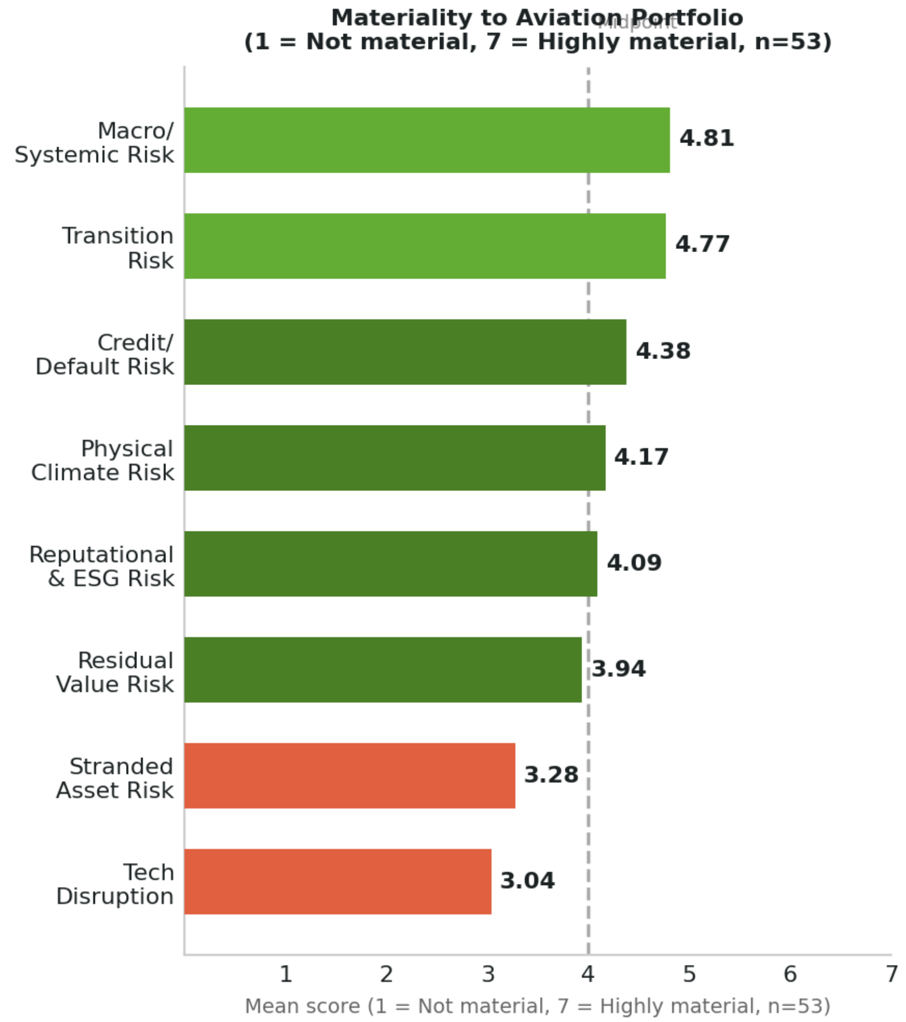
- **Top concern:** Macroeconomic/systemic risk (4.81/7) and Transition risk (4.77/7) — rated above the midpoint by virtually all respondents

- **Lowest concern:** Technological disruption (3.04/7) — risk from hydrogen and electric aircraft barely registers

- Physical climate risk sits in the middle (4.17) but is almost entirely unmeasured in practice

- Policy-driven cost risks dominate; long-horizon technology discontinuities do not

- **Implication:** near-term regulatory pressure — not technology — is the dominant force shaping capital behaviour



The Sector Understands the Risk But Has Not Changed How It Operates.

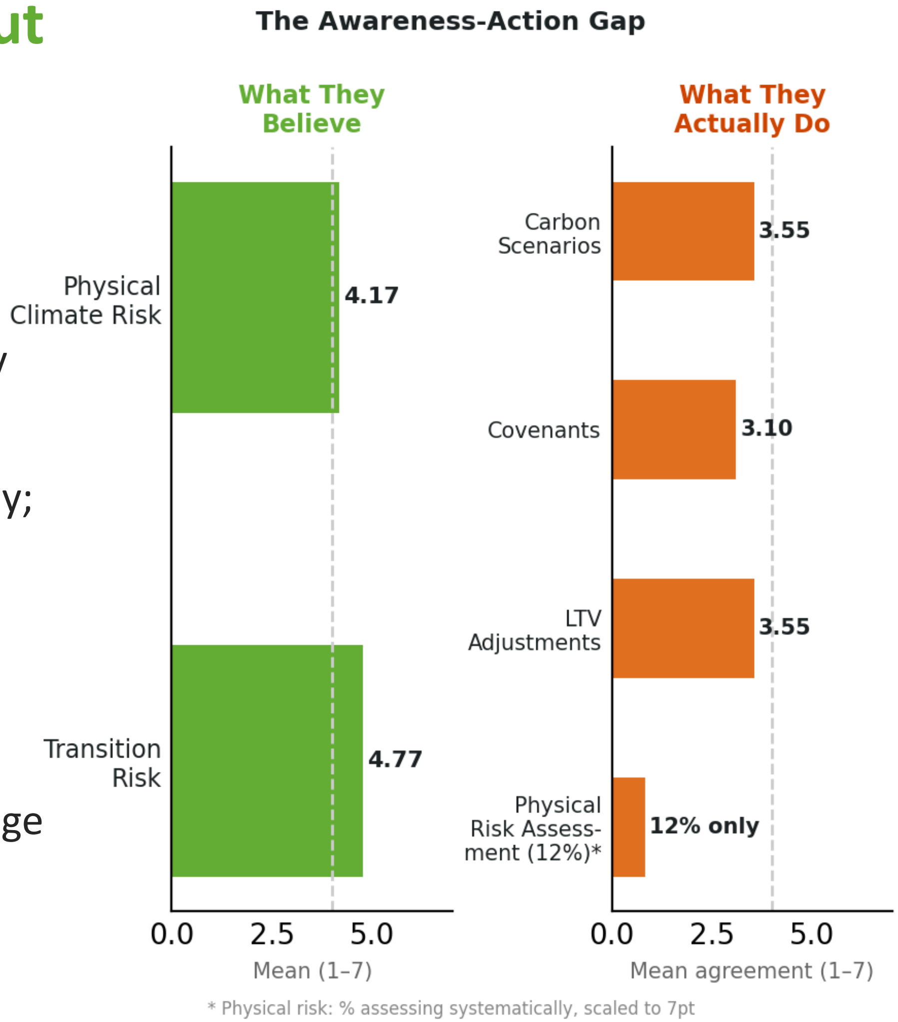
- **Transition & physical risk** rated highly material (4.77, 4.17) by nearly all respondents

- **Yet:** sustainability covenants are almost universally absent (mode 1/7)

- **Only 12%** assess physical climate risk systematically; 44% do not assess it at all

- Carbon scenario integration into cash flows and LTV adjustments for transition risk also sit below the midpoint

- **The gap** between awareness and operational change is the real story of this survey



The Financial Community Has Limited Confidence in the Policy Framework

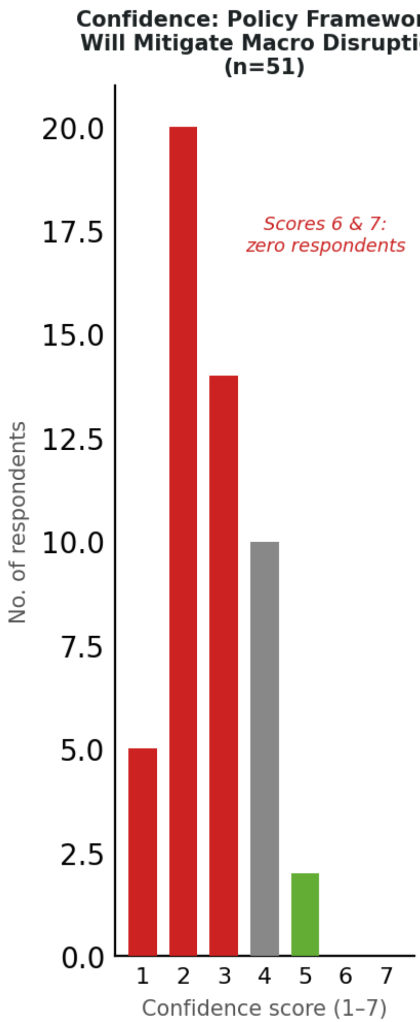
- Confidence that policy frameworks will mitigate macro disruption from aviation is limited (2.69)

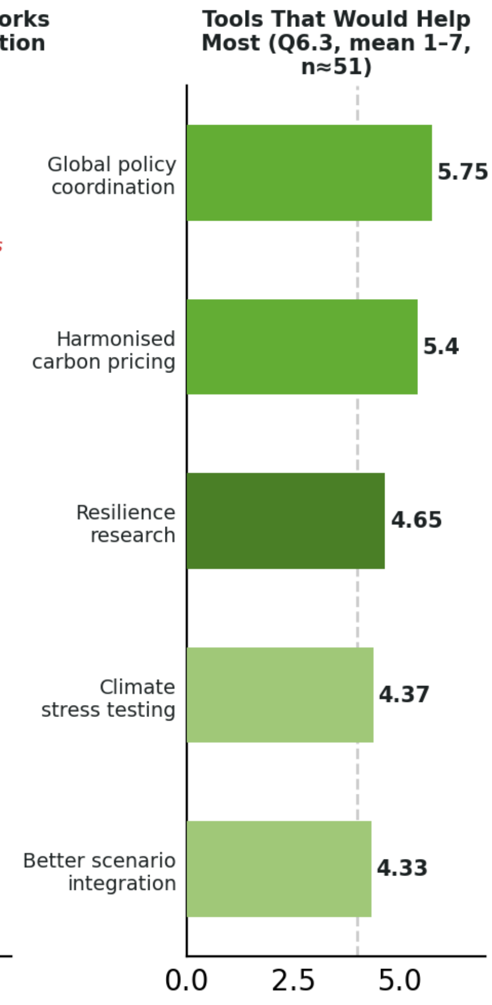
- **0 respondents** selected 6 or 7 on this question.

- **Desired Tools:** global policy coordination (5.75) and harmonised carbon pricing (5.40) are the most desired

- The sector cannot build the solution itself — it needs governments to deliver predictable, coordinated policy signals

- **CORSIA:** only 4% cite it as the most impactful policy vs 38% for EU ETS expansion





Traditional Credit Fundamentals Still Dominate

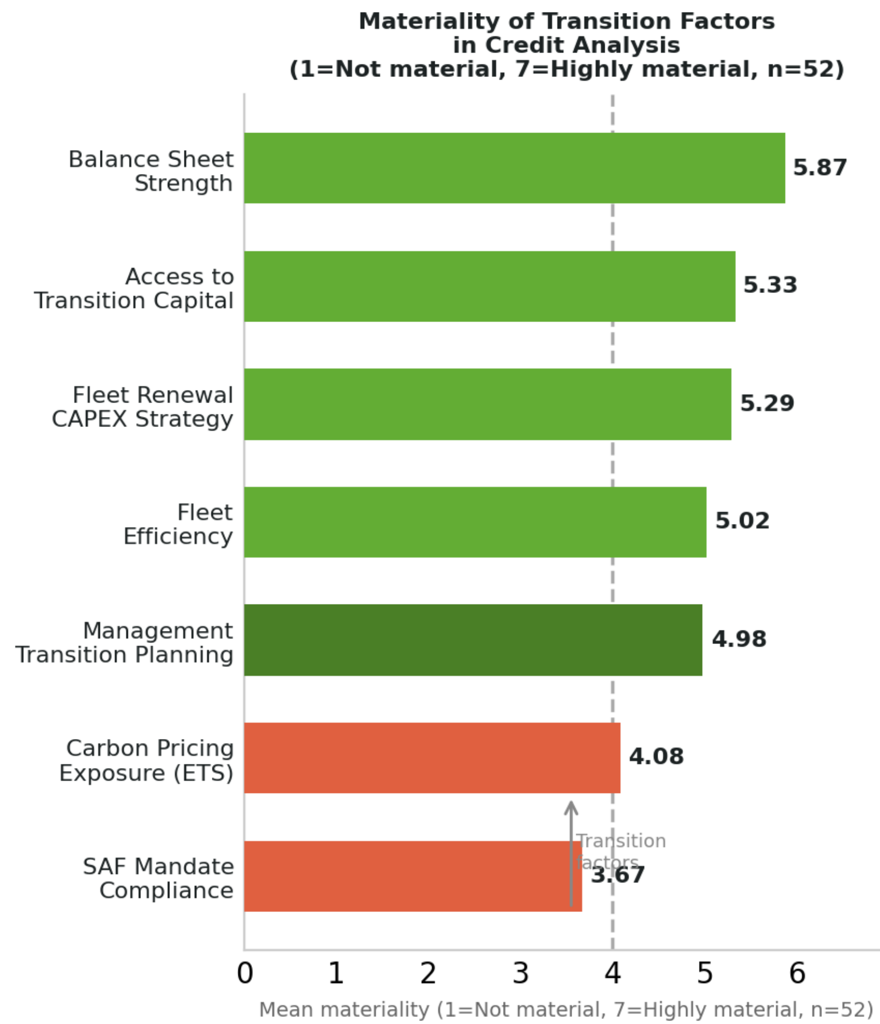
- **Balance sheet strength (5.87/7)** rated far more material than SAF compliance (3.67) or carbon pricing exposure (4.08) in credit analysis

- **58%** of capital-deploying respondents say climate alignment is not yet a deal-breaker for financing decisions

- A minority (27%) have adjusted pricing or occasionally declined deals on climate grounds

- **Implication:** carbon costs and SAF mandates are not yet large enough, relative to balance sheet factors, to shift credit decisions at the deal level

- Regulatory escalation may be necessary before transition factors rise in the credit hierarchy



Capital Decisions Are Being Made With Inadequate Data

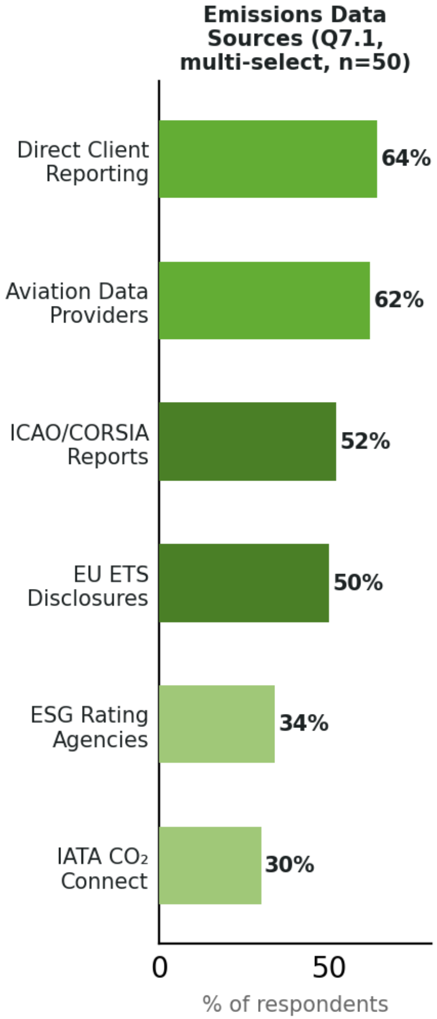
- **64%** rely primarily on client self-reporting for emissions data — the least standardised and independently verified source

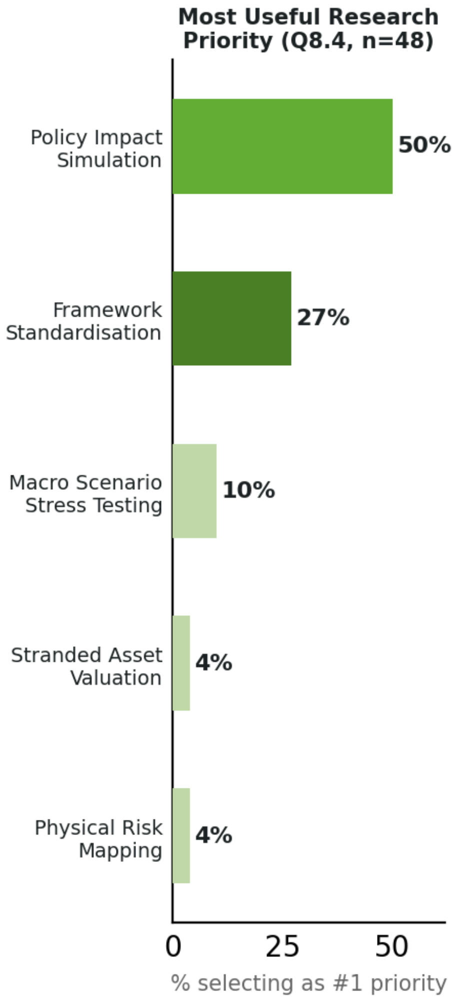
- **Around 50%** use EU ETS or CORSIA disclosures — the most systematic regulatory sources available

- Carbon intensity metrics (CO_2/RTK) rated **4.71/7** for assessing long-term decarbonization strategies -> Qualified acceptance

- **50%** of respondents identify simulation of specific policy impacts (e.g. SAF price premiums) as the single most needed research

- The ask is specific: not frameworks or taxonomies, but quantitative modelling of what regulations might do to financial outcomes



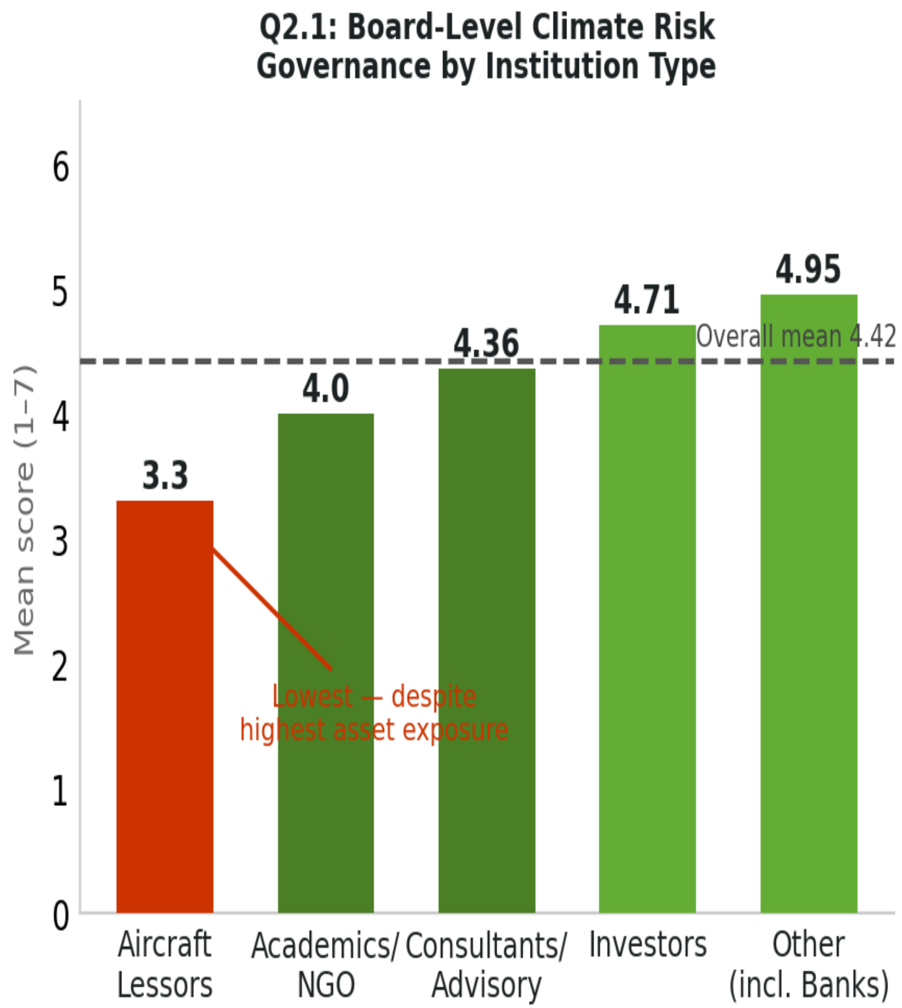


Three Unexpected Results

- **Aircraft lessors:** lowest board-level governance of any institution type (3.3/7) — despite having the most direct asset exposure to transition risk through residual values

- **Advisors see more risk than capital deployers:** consultants consistently rate risks higher across almost every category; biggest gap on ESG and reputational risk

- **CORSIA barely registers:** only 4% cite it as the most impactful policy over the next 5 years, vs 38% for EU ETS — the global mechanism lacks financial credibility in practitioners' eyes



Looking forward

Three things needed before capital allocation can rationally change:

01 — POLICY

5.75

Global policy coordination
rated most helpful tool

5.40

Harmonised carbon pricing
2nd most helpful tool

Only governments can deliver this

02 — Mitigating Climate Risk

5.11

Clearer regulatory guidance
most effective mitigation tool

5.02

Improved emissions data
2nd most effective

Industry bodies & regulators must act

03 — RESEARCH

50%

want policy impact simulation
as top research priority

42%

willing to engage further
in interviews or workshops

IMPACT & academic partners