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From fossil to future fuels: environmental liability remains

David Schechter • July 10, 2026

Our Risk & Resilience report “ Spotlight on Energy Transformation 2026” looks at the opportunities, risks and new approaches needed for the new energy era. In this blog, David looks at the environmental risks and liabilities that lie behind the energy transformation.

As the energy transformation advances, environmental exposures continue to increase driven by the profound implications on local ecosystems, people and communities.

However, awareness remains uneven. Many organisations still associate environmental liability with traditional chemical or fossil fuel industries. But as new energy infrastructures emerge and evolve, a wide array of businesses face environmental exposures from multiple directions.

Growing threats across the lifecycle

Environmental exposures can emerge throughout the lifecycle of energy infrastructure and business operations. Materials entering and leaving sites, the use of water and chemicals, and the potential release of pollutants following equipment failure, flooding or fire – these can all carry lasting environmental consequences, and warrant careful scrutiny when assessing the risks.

Beyond operational concerns

Environmental risk is no longer defined solely by what happens within a company's own operations. Organisations must also consider where they are located, the activities of neighbouring sites and the increasing frequency of extreme weather events.

Further exposures come with the transportation of materials, equipment and waste in the event of accidents and releases,

particularly incidents near communities or sensitive environments.

Digital systems, environmental consequences

While human error remains a common cause of environmental incidents, new vulnerabilities arrive with increasing automation and digitalisation. Malware, cyber attacks and system breaches can disrupt critical operations and infrastructure, compromising the systems designed to avoid and prevent environmental harm.

Batteries charged with risk

Battery technologies are critical to the energy transition, however, they also introduce environmental liabilities. Fires can spread fast and be difficult to manage, while battery chemicals such as PFAS leave a lasting environmental footprint that necessitates extensive clean-up and remediation.

Weather extremes

Extreme weather risks are increasing across all geographies. Elevated moisture, flooding and extreme rainfall are affecting unprepared locations that historically, rarely faced these exposures, creating environmental and health-related concerns for organisations across a wider geography. Similarly, drought is bringing wildfire risk to unexpected areas.

New frontiers, new exposures

The next wave of energy and infrastructure investment is creating environmental liability challenges that are broader, more complex and often less familiar than those of the past.

Power, pressure and data centres

Data centres may power the digital economy, but their rapid expansion is increasing demand for water, energy and infrastructure, creating a new set of environmental liability considerations.

These facilities often require significant amounts of water for cooling and are increasingly sited in areas where they may strain local resources and infrastructure. The proliferation, size and scale of these developments means regulators, communities and stakeholders are paying closer attention to their environmental impact.

The long shadow of nuclear incidents

Small modular reactors (SMRs) could transform the energy landscape, but they also encompass one of the most consequential risks in the sector. Major nuclear incidents are rare, yet their potential environmental and societal impacts are so significant that they continue to shape public perception, regulatory oversight and risk management strategies.

More eyes on environmental impact

Expectations are rising from regulators, communities and stakeholders as social inflation raises the temperature on environmental liability.

This drives larger verdicts, tougher enforcement and higher costs when claims reach the courts.

Regulatory risk

Managing compliance obligations is becoming more complex as regulatory requirements evolve across jurisdictions. Approaches can vary significantly between states, countries and regions, with differences across enforcement, remediation standards and reporting expectations.

Litigation risk

From PFAS to energy transition technologies, plaintiff lawyers are actively looking for the next environmental issue capable of driving large-scale litigation. Where pollution impacts neighbouring communities, water systems or third parties, organisations may find themselves facing increasingly complex and expensive claims.

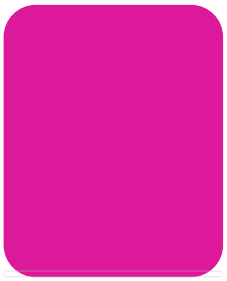
Insurance and the power of preparedness

Organisations cannot eliminate every environmental exposure – the new energy landscape is evolving fast with new risks around every corner. Moreover, despite advances in remediation, environmental cleanup remains slow and costly.

Without adequate insurance coverage, the fallout can escalate quickly, resulting in liability for damages, significant cleanup costs, interruption to operations, reputational impact, and potential litigation. Resilience comes from recognising risks early, preparing for them and responding quickly when incidents occur.

Environmental liability insurance can help organisations prepare for emerging exposures, respond to incidents faster, and help lessen harm to their surrounding communities and environments.

The growing range and repercussions of environmental risks mean insurance should no longer be considered a discretionary purchase, but fundamental for organisations across the energy transformation.



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