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CLIMATE CHANGE GOVERNANCE AND ENERGY TRANSITION: PARENT COMPANY LIABILITY FOR ENVIRONMENTAL HARM BEYOND SEPARATE LEGAL PERSONALITY

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ABSTRACT

This paper examines whether climate change governance and the accelerating energy transition justify a broader approach to parent company liability for environmental harm. The central argument is that separate legal personality remains an important organizing principle of company law, but it cannot be treated as an absolute shield where the parent company designs, directs, monitors, and publicly represents the environmental and transition strategy of the corporate group.

Contemporary climate governance is reshaping corporate behavior through disclosure rules, due diligence duties, litigation pressure, and investor scrutiny. At the same time, energy transition pathways require large-scale capital reallocation, operational restructuring, and group-wide risk management. These developments expose the limits of a purely formal model that allocates environmental harm only to the operating subsidiary while allowing strategic control, financing, and sustainability representation to remain concentrated at the parent level. Using recent case law, regulatory developments, and current global energy-transition data, the paper argues for a functional control approach.

Under this approach, liability should turn not on ownership alone, but on the parent's real role in setting environmental standards, supervising compliance, controlling transition risk, and shaping harmful outcomes. Such an approach does not abolish separate legal personality. It instead aligns liability with governance reality. The paper concludes that effective climate-era accountability requires company law, due diligence regulation, and climate disclosure regimes to operate together so that environmental harm is attributed to the entity or entities that actually control the relevant risk.

KEYWORDS: *Climate change governance; parent company liability; environmental harm; energy transition; separate legal personality; corporate accountability.*

1. INTRODUCTION

Climate change governance is no longer confined to public international law or state-centered environmental regulation. It has moved decisively into the internal architecture of the firm. Decarbonization targets, transition plans, climate-related disclosures, value-chain due diligence, and environmental risk controls are increasingly formulated at the group level rather than at the level of a single operating subsidiary. This shift is especially visible in carbon-intensive sectors, extractives, utilities, energy infrastructure, chemicals, and heavy manufacturing, where corporate groups coordinate capital allocation, procurement, technology choices, and environmental management across multiple jurisdictions. As a result, the conventional company-law assumption that the subsidiary alone should bear responsibility for environmental harm is becoming progressively harder to defend in normative and functional terms.

The traditional doctrine of separate legal personality remains foundational. It permits legal certainty, asset partitioning, investment diversification, and efficient group structuring. Yet the same doctrine may also produce an accountability gap when environmental damage is caused by a subsidiary whose operations are financially dependent upon, strategically directed by, or tightly integrated with the parent undertaking. In climate and energy-transition disputes, this gap becomes more visible because the parent company often controls group-level sustainability strategy, publishes the transition narrative, sets environmental standards, manages enterprise risk, and reassures investors and regulators that environmental harms are being monitored and addressed. Where those same harms later materialize, a rigid insistence on formal separateness can undercut both deterrence and corrective justice (Palombo, 2024; Mevorach, 2025).

The paper argues that climate change governance and the energy transition support a functional approach to parent company liability for environmental harm. The proposed approach does not depend on veil piercing in the classical and exceptional sense. Instead, it examines whether the parent has exercised material control over the environmental risk that caused the harm, assumed responsibility through governance systems or public representations, or structured the group in a way that concentrates strategic power while dispersing legal exposure. The objective is not to impose automatic enterprise liability, but to move beyond a narrow formalism that ignores how contemporary corporate groups actually operate in the transition economy.

This question is pressing for three related reasons. First, climate governance is intensifying. UNEP's 2024 assessment indicates that current policies remain inconsistent with temperature outcomes associated with climate safety, underscoring the continuing gap between governance ambition and implementation (United Nations Environment Programme [UNEP], 2024). Second, energy transition investment is rapidly expanding. The IEA reports that global energy investment is expected to reach USD 3.3 trillion in 2025, of which around USD 2.2 trillion is directed toward cleaner energy technologies and infrastructure, while USD 1.1 trillion still flows to oil, gas, and coal (International Energy Agency [IEA], 2025). Third, litigation and accountability pressures are expanding across jurisdictions. The 2025 climate litigation snapshot from the Grantham Research Institute and the Sabin Center records at least 226 new climate cases in 2024, bringing the global total to 2,967 cases (Grantham Research Institute on Climate Change and the Environment & Sabin Center for Climate Change Law, 2025). Together, these developments show that climate governance now reaches deep into board oversight, risk management, financing decisions, and corporate-group strategy.

2. CLIMATE GOVERNANCE, ENERGY TRANSITION, AND THE ACCOUNTABILITY GAP

Climate governance today operates through a plural and overlapping set of mechanisms. Treaty commitments and national legislation remain important, but corporate conduct is also shaped by financial reporting rules, sustainability disclosure standards, due diligence legislation, investor pressure, and strategic litigation. This governance field increasingly treats climate and environmental risk not as externalities to be addressed after the fact, but as foreseeable enterprise risks requiring ex ante management. The result is a gradual relocation of environmental responsibility from the margins of corporate compliance to the center of governance, strategy, and capital markets (Rajavuori et al., 2023; Pantazi, 2024).

The energy transition intensifies this governance turn. Decarbonization is not merely a matter of substituting one fuel source for another. It requires asset revaluation, supply-chain reconfiguration, grid and storage expansion, retirement of legacy infrastructure, remediation of environmental impacts, and management of social and biodiversity consequences. These choices are typically orchestrated at group level because subsidiaries often lack independent control over investment budgets, technology

deployment, insurance, procurement standards, or long-horizon climate strategy. The parent company becomes the key node through which climate-related opportunities and risks are processed. That same concentration of decision-making power creates a strong argument for correlating legal responsibility with actual control over environmental outcomes (IEA, 2025; International Renewable Energy Agency [IRENA], 2025).

At the same time, the climate regime remains materially underperforming. UNEP's 2024 assessment shows that current policies would still place the world on a trajectory of roughly 3.1°C of warming over the century, while full implementation of unconditional nationally determined contributions would still imply about 2.8°C and full implementation of current unconditional and conditional NDCs about 2.6°C (UNEP, 2024). This gap matters for corporate liability analysis because it demonstrates that states are relying not only on public law sanctions but increasingly on corporate governance disciplines, disclosure, and private litigation to close the implementation deficit. In such a setting, the law must take seriously the way multinational groups distribute operational activity and legal exposure across jurisdictions while centralizing strategic control.

The accountability gap emerges when the subsidiary is treated as the sole bearer of environmental responsibility even though the parent company sets the relevant standards, approves the financing, controls the transition timeline, and communicates the environmental narrative to markets and regulators. In that situation, separate personality may function less as a neutral organizational principle and more as a liability filter. The difficulty is especially acute in transnational environmental disputes. Harm commonly occurs in a host state with weaker enforcement capacity, while the parent is located in a home state with deeper capital markets, richer disclosure obligations, and stronger courts. The resulting asymmetry creates both procedural and substantive barriers to remediation (Palombo, 2024).

A climate-sensitive approach to company law must therefore distinguish between ownership as such and governance power. Mere shareholding should not generate liability. But where the parent company has exercised material influence over the environmental risk architecture of the group, it should not be able to invoke separate personality as a complete answer. Climate governance has made this distinction more visible because parent companies increasingly claim credit for group-wide sustainability performance. Once the parent represents itself as the architect of environmental compliance, transition planning, and emissions strategy, it becomes normatively difficult to deny that the same representations may ground duties toward persons foreseeably harmed by a failure of those systems (IFRS Foundation, 2023; Pantazi, 2024).

3. TABLE 1 AND FIGURES: CONTEMPORARY INDICATORS OF GOVERNANCE PRESSURE

Table 1 synthesizes current indicators that capture the scale of the governance problem. The figures show that climate governance is being driven simultaneously by physical urgency, capital reallocation, renewable deployment, and litigation pressure. Taken together, these trends support the paper's central proposition that environmental liability can no longer be assessed through a purely static, entity-by-entity view of corporate groups.

Table 1. Selected contemporary indicators of climate-governance pressure and energy transition

Indicator	Latest figure	Year	Source	Legal significance
Total global energy investment	USD 3.3 trillion	2025	IEA	Shows the scale of strategic energy capital allocation.
Investment in clean energy (renewables, grids, storage, nuclear, efficiency, electrification, low-emissions fuels)	USD 2.2 trillion	2025	IEA	Demonstrates that transition governance is financially material at group level.

Investment in oil, natural gas, and coal	USD 1.1 trillion	2025	IEA	Indicates continuing lock-in risk and the persistence of legacy environmental exposure.
Global renewable capacity additions	585 GW	2024	IRENA	Confirms the transition is operationally significant and requires coordinated risk governance.
Renewables' share of total power-capacity expansion	92.5%	2024	IRENA	Shows that low-carbon deployment now dominates expansion decisions.
Projected warming under current policies	3.1°C	2024 assessment	UNEP	Reveals the gap between governance commitments and actual implementation.
New climate cases filed globally	226 cases	2024	LSE/Sabin	Indicates growing litigation pressure on governments and corporations.

The data in Table 1 show that climate change governance and the energy transition are no longer peripheral compliance questions. They operate at a scale that is directly relevant to corporate-group structure, enterprise risk, and liability allocation. The most striking feature is the coexistence of rapid clean-energy expansion and continuing fossil-fuel investment. That coexistence means environmental harm and transition strategy are being managed simultaneously, often within the same corporate groups. The table also shows that litigation pressure is increasing while public-policy ambition remains insufficient to align with safer temperature outcomes. In legal terms, this combination strengthens the case for examining who actually controls environmental and transition risk inside the group, rather than assuming that the operating subsidiary alone should bear the entire burden of harm.

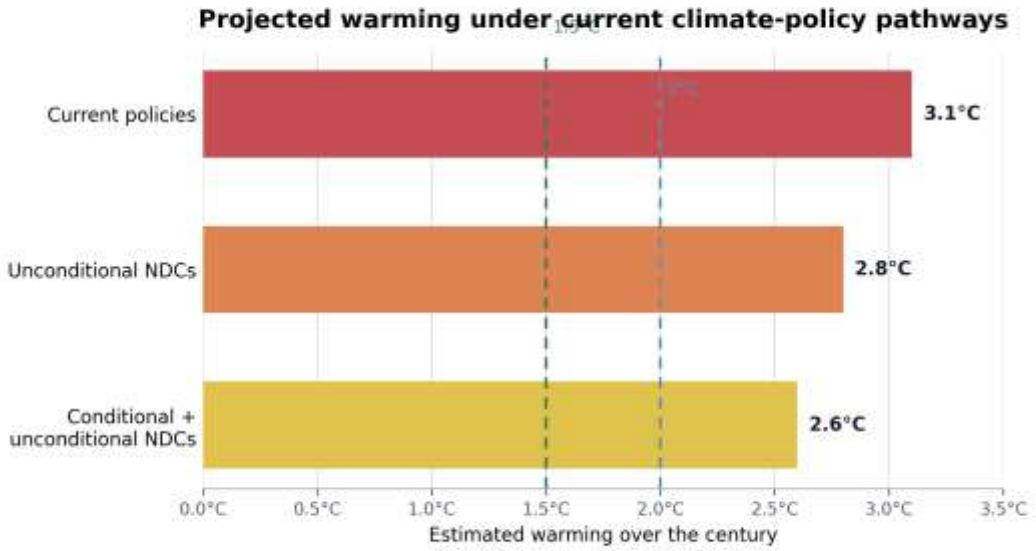

Chart 1. Global warming outcomes under current policy ambition

Chart 1 shows a persistent ambition gap in climate governance. Even full implementation of current nationally determined contributions is associated with warming far above the level consistent with a safer climate trajectory. For company-law analysis, this matters because inadequate public governance increases the importance of private accountability mechanisms, including disclosure, due diligence, and litigation. The chart therefore supports the broader argument that courts should not treat parent companies as legally remote where they occupy a central role in managing—or failing to manage—environmental and transition risks.

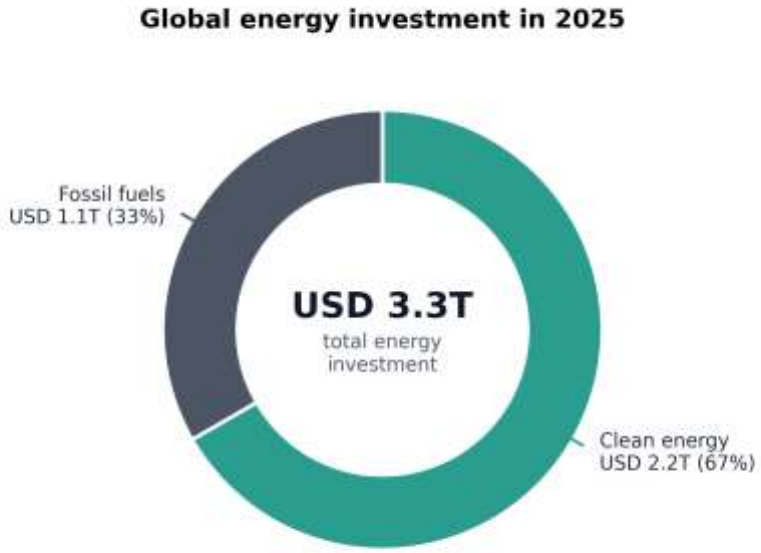

Chart 2. Global energy investment in 2025

Interpretation: Chart 2 illustrates that energy investment has already shifted decisively toward cleaner technologies and related infrastructure, but fossil-fuel investment remains substantial. This duality is legally important. It means that parent companies are often managing legacy environmental liabilities and future transition commitments at the same time. Where those strategic choices are centrally controlled, liability rules that focus only on the subsidiary risk obscuring where the decisive governance power actually lies.

4. SEPARATE LEGAL PERSONALITY AND THE LIMITS OF ORTHODOX COMPANY LAW

Orthodox company law begins from a powerful premise: the corporation is a separate legal person, distinct from its shareholders and affiliated companies. This principle promotes commercial certainty and

lowers the cost of capital by enabling risk compartmentalization. It also allows corporate groups to organize complex businesses through legally discrete entities. None of these functions should be dismissed lightly. A legal system that dissolves separate personality too easily would destabilize legitimate investment planning and undermine predictable credit relations.

Yet environmental harm reveals the limitations of treating separate personality as an exhaustive answer to accountability. Environmental losses are frequently diffuse, cumulative, and costly to remediate. They may involve contamination, ecosystem degradation, physical climate impacts, public-health damage, or long-tail cleanup obligations that exceed the capacity of the operating subsidiary. In such cases, strict adherence to corporate separateness may externalize costs onto communities and states even where the parent derived strategic and financial benefit from the underlying activity. Company law then appears to protect structure more effectively than it protects those exposed to risk.

Classical veil-piercing doctrine offers only limited assistance. In most common-law systems it is exceptional, narrow, and generally confined to abuse, façade, sham, or evasion situations. That threshold is difficult to meet in ordinary multinational operations because the group form is itself lawful. Environmental harm often arises not from fraudulent incorporation but from ordinary business decisions—siting, cost control, infrastructure maintenance, waste management, emissions strategy, or delayed remediation—taken within a highly integrated enterprise. Where the parent influences those decisions without formally operating the asset, veil piercing is too blunt and too rare a tool to address the accountability problem.

The more promising route lies in direct parent-company liability grounded in ordinary private-law principles. The question becomes whether the parent owed a duty of care because it intervened in, supervised, or assumed responsibility for the relevant operations or environmental management systems. This route is doctrinally significant because it does not negate separate personality. It accepts that the parent and subsidiary are separate entities while recognizing that each may bear duties based on its own conduct. In this way, the law can move beyond formal separateness without collapsing the corporate group into a single undifferentiated enterprise (Vedanta, 2019; Okpabi, 2021).

From a climate-governance perspective, this doctrinal move is especially attractive. Modern parent companies often do not merely hold shares. They design climate strategy, issue sustainability reports, centralize risk management, approve capital expenditure, and maintain group-wide compliance systems. These activities matter because climate and environmental harms are often produced by management systems as much as by frontline operations. When the parent company presents those systems as effective, or when it reserves powers of intervention and oversight, it participates in the creation and control of the risk. At that point, formal legal distance should not obscure functional proximity.

5. PARENT COMPANY LIABILITY BEYOND SEPARATE LEGAL PERSONALITY

The modern jurisprudence on parent company liability rejects categorical thinking. In Vedanta, the UK Supreme Court made clear that there is no special legal test insulating a parent company from ordinary negligence principles. What matters is whether, on the facts, the parent sufficiently intervened in, supervised, or assumed responsibility for the management of the relevant operations or environmental standards. Crucially, the Court indicated that liability may arise where the parent takes over management of a relevant activity, provides defective advice, promulgates group-wide policies and actively enforces them, or otherwise exercises substantive control over the subsidiary's operations (Vedanta, 2019).

Okpabi deepened this approach. The Supreme Court held that the focus should be on the real relationship between parent and subsidiary, not on abstract assumptions about corporate structure. Group-wide policies are not legally irrelevant merely because they are framed at a high level. Their significance depends on whether the parent takes active steps to implement, monitor, or control compliance. The Court also warned against resolving such claims through an over-formal or document-bound jurisdictional analysis that ignores the practical limits faced by claimants seeking internal corporate evidence before disclosure. This is a major point for climate and environmental litigation, where relevant information about governance systems and risk escalation often lies within the parent company's internal documents (Okpabi, 2021; Palombo, 2024).

These cases are best understood as recognizing a control-based theory of responsibility. The parent's liability does not flow from ownership alone, but from the way it structures and governs environmental risk. Where risk governance is centralized, a parent company may become proximate to persons harmed by the failure of that governance. This analysis is consistent with the broader evolution of business and human-rights litigation, in which courts and scholars increasingly attend to how transnational corporate

groups distribute authority, knowledge, and compliance functions across formally separate entities (Palombo, 2024; Mevorach, 2025).

The climate context sharpens each of these elements. First, foreseeability is easier to establish because climate and environmental harms are widely known, increasingly quantified, and deeply embedded in risk reporting. Second, proximity can arise from group-level environmental and transition planning, especially where the parent reserves authority over remediation budgets, emissions targets, capital expenditure, technology shifts, or incident escalation. Third, it may be fair, just, and reasonable to impose a duty where the parent has claimed the benefits of centralized climate governance in communications with investors, lenders, and regulators while seeking refuge in separateness when damage occurs. Climate governance therefore makes the ordinary negligence framework more rather than less relevant.

A functional control approach also responds to a practical problem in energy-transition disputes. Corporate groups may seek to preserve value in legacy carbon assets while simultaneously advertising group-wide net-zero ambitions. The operational burdens of extraction, transport, refining, or waste management may remain concentrated in subsidiaries, often in the Global South, while transition narratives and financing decisions are controlled from the parent level. If the law focuses only on the entity that physically discharged pollutants or operated the asset, it may miss the governance decisions that made the harm likely or prolonged it. Liability should instead follow the chain of decision-making power.

6. TABLE 2: CONTROL MARKERS FOR LIABILITY BEYOND FORMAL SEPARATENESS

Table 2 distills the principal control markers that support parent company liability beyond separate legal personality. The table is not a statement of automatic enterprise liability. Rather, it identifies recurring factual indicators showing why a parent may be directly implicated in the creation, supervision, or non-prevention of environmental harm.

Table 2. Control markers supporting parent-company liability beyond formal separateness

Control marker	How it moves beyond formal separateness	Illustrative authority	Liability implication
Group-wide environmental or operational policies combined with active supervision	The parent is not merely setting aspirations; it is influencing how the subsidiary manages environmental risk in practice.	Vedanta (2019); Okpabi (2021)	Supports an arguable duty of care based on implementation and oversight.
Centralized technical, ESG, or compliance expertise	Environmental risk management becomes functionally integrated at parent level.	Vedanta (2019); Palombo (2024)	Shows proximity through advisory or management involvement.
Escalation rights and intervention powers when incidents occur	The parent retains practical authority to intervene in high-risk operations or remediation choices.	Okpabi (2021)	Strengthens the argument that the parent had capacity to prevent or mitigate harm.
Public climate or sustainability representations covering the group	The parent holds itself out as responsible for group-wide standards, targets, and transition systems.	IFRS S2 (2023); Pantazi (2024); Mevorach (2025)	May evidence assumption of responsibility and reliance.
Knowledge of foreseeable harm	The parent can shape the conditions that	Rajavuori et al. (2023); Mevorach	Links enterprise governance power to

together with control over budgets, technology, or transition timing	produce or prolong the harm.	(2025)	responsibility for non-prevention.

Table 2 demonstrates that liability beyond separate legal personality is best understood through factual indicators of control rather than through ownership alone. Each control marker reflects a situation in which the parent company's role is sufficiently substantive that environmental harm cannot fairly be attributed only to the subsidiary. The table also shows why climate governance matters to private law. Modern disclosures, transition plans, and centralized ESG systems increase the visibility of these control markers. As a result, the evidentiary foundation for direct parent-company liability is becoming stronger, especially in cases where group-level claims of responsibility coexist with attempts to rely on formal corporate distance when harm occurs.

7. ENERGY-TRANSITION GOVERNANCE, DISCLOSURE, AND DUE DILIGENCE

Recent governance instruments reinforce the move from formal separateness to responsibility tied to organizational control. The EU's Corporate Sustainability Due Diligence Directive seeks to ensure that large companies identify and address human-rights and environmental impacts in their operations, subsidiaries, and chains of activities, and it explicitly links corporate behavior to the green transition (European Commission, 2024). The Corporate Sustainability Reporting Directive expands mandatory sustainability reporting for a much broader set of companies and intensifies the disclosure of governance, strategy, risks, and targets relevant to environmental performance (European Parliament and Council of the European Union, 2022; Pantazi, 2024). IFRS S2 adds a capital-markets dimension by requiring climate-related disclosures that enable users of general-purpose financial reporting to assess an entity's climate-related risks and opportunities (IFRS Foundation, 2023). The updated OECD Guidelines likewise emphasize risk-based due diligence for environmental and climate impacts across operations and business relationships (Organisation for Economic Co-operation and Development [OECD], 2023).

These instruments are not identical, and they do not all create a private cause of action. But together they transform the normative environment in which parent-company liability is assessed. First, they strengthen the expectation that climate and environmental risks should be identified, monitored, and managed at a systems level. Second, they increase the evidentiary relevance of group-wide policies, board oversight structures, transition plans, and public statements. Third, they make it harder for parent companies to characterize themselves as passive investors when their own disclosures depict them as architects of environmental governance. In climate litigation, disclosure can therefore serve not merely an informational role but also a responsibility-linking role, helping courts evaluate whether the parent assumed, exercised, or represented control over the relevant risk (Pantazi, 2024; Rajavuori et al., 2023).

This is particularly important in the energy transition. Companies in high-emitting sectors increasingly adopt enterprise-level transition plans, emissions targets, methane-abatement programs, remediation commitments, biodiversity protocols, and community-impact frameworks. These initiatives are often coordinated through centralized reporting lines and group risk committees. If a parent company can aggregate reputational and financial benefit from those arrangements, the law has a principled basis for asking whether failure in those same arrangements should attract direct responsibility. The argument is not that every unsuccessful climate strategy should generate tort liability. Rather, where environmental harm results from a defective or negligently implemented governance architecture over which the parent exercised control, direct liability becomes both doctrinally plausible and normatively justified.

Current data confirm why this governance architecture matters. IRENA reports that renewable power capacity grew by 585 GW in 2024 and that renewables accounted for 92.5% of total power-capacity expansion during the year, with solar and wind dominating new installations (IRENA, 2025). At the same time, IEA's 2025 assessment shows that large volumes of capital continue to flow into fossil-fuel systems. The transition is therefore not linear; it is a coexistence period marked by rapid clean-energy growth, persistent legacy risk, and intense pressure on corporate decision-making. Environmental harm in this phase may arise from both the continuation of carbon-intensive operations and the governance failures surrounding retirement, remediation, technology substitution, and land or community impacts. Parent companies frequently control those transition choices.

8. TABLE 3 AND FIGURE 3: GOVERNANCE ARCHITECTURE IN THE TRANSITION ECONOMY

Table 3 shows how contemporary governance instruments increasingly address environmental impacts through the parent company's management systems, disclosures, and due diligence processes. Figure 3 complements that legal analysis by illustrating the overwhelming concentration of 2024 renewable capacity additions in solar and wind. The legal implication is that the transition is now sufficiently material and system-wide to justify close scrutiny of which entity within the group actually controls environmental and transition risk.

Table 3. Governance instruments reshaping climate and environmental accountability

Instrument	Core feature	Environmental relevance	Parent-company implication
Directive (EU) 2024/1760 (Corporate Sustainability Due Diligence Directive)	Requires in-scope companies to identify and address adverse human-rights and environmental impacts in operations, subsidiaries, and chains of activities.	Connects due diligence to environmental harm prevention and the green transition.	Moves responsibility analysis toward systems-level control rather than isolated entity formalism.
Directive (EU) 2022/2464 (Corporate Sustainability Reporting Directive)	Expands mandatory sustainability reporting for many more companies operating in or connected to the EU.	Makes governance, targets, transition planning, and material environmental risks more visible.	Strengthens the evidentiary value of group-wide statements and governance structures.
IFRS S2 Climate-related Disclosures	Requires disclosure of climate-related risks and opportunities, governance, strategy, and metrics.	Integrates climate risk into mainstream financial reporting and board oversight.	Makes parent-level climate governance more legible to courts, investors, and regulators.
OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (2023 update)	Affirms risk-based due diligence for environmental and climate impacts linked to operations and business relationships.	Extends responsible-business expectations across value chains and ecosystems.	Reinforces the normative expectation that parent undertakings must manage climate-related adverse impacts proactively.

Table 3 indicates that modern governance instruments are steadily converging on a common premise: environmental and climate risks must be managed through enterprise systems rather than left to fragmented local responses. Although these instruments differ in form and enforceability, each makes parent-level governance more visible and more normatively significant. This matters for liability because the more the law requires climate and environmental oversight to be structured, monitored, and disclosed at a higher corporate level, the less persuasive it becomes to insist that legal responsibility should remain fixed exclusively at the subsidiary level.

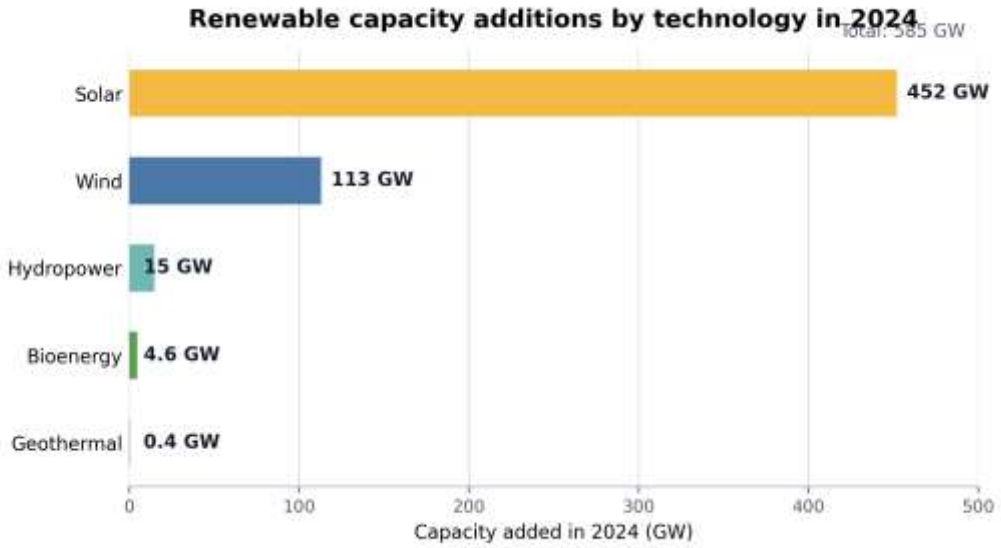

Chart 3. Renewable capacity additions by technology in 2024

Chart 3 shows that most renewable capacity additions in 2024 came from solar and wind, with hydropower, bioenergy, and geothermal adding much smaller amounts. The chart highlights the scale and concentration of transition activity. Because these deployment choices depend on capital allocation, project sequencing, supply-chain oversight, and technology governance, they are commonly directed at group level. The more that transition decisions are centralized, the stronger the case for a legal framework that aligns responsibility with functional control.

9. TOWARD A FUNCTIONAL CONTROL APPROACH

A persuasive liability model for the climate era should therefore be built around functional control. Under this approach, courts and lawmakers should assess five interrelated questions. First, who designed the relevant environmental or transition policy? Second, who had authority to monitor compliance or intervene when risks escalated? Third, who controlled financing and capital allocation for prevention, remediation, or transition? Fourth, who publicly represented the effectiveness of the group's environmental governance? Fifth, who possessed superior knowledge of the harm and the capacity to reduce it? The more these functions are concentrated at parent level, the weaker the moral and legal case for a complete liability shield.

This approach remains compatible with separate legal personality because it does not impose automatic responsibility based on ownership. It requires a fact-sensitive inquiry into conduct, authority, and assumption of responsibility. It also respects commercial certainty by signaling the kinds of governance practices that may generate duties. A parent company that merely holds shares without intervening in environmental management stands in a different position from one that centralizes climate governance, mandates operational standards, controls remediation budgets, and markets itself as responsible for the group's sustainability performance.

The functional control model also improves deterrence. Environmental harms are often cheaper to prevent than to remediate after the fact. A liability regime that tracks actual governance power encourages parent companies to design effective risk systems, ensure real implementation rather than paper compliance, and allocate adequate resources to prevention and cleanup. In the transition context, it also discourages the strategic use of subsidiaries as liability sinks for environmentally risky activities while the parent retains the economic upside and reputational control of the group-wide transition story.

Moreover, the model enhances evidentiary realism. Claimants in transnational environmental disputes often face severe information asymmetries. Important evidence may be contained in group policies, audit reports, board papers, sustainability statements, engineering reviews, or risk escalations controlled by the parent. By treating such material as relevant to the duty analysis, courts can avoid the false impression that the subsidiary alone is the meaningful decision-maker. Okpabi is especially significant in this regard because it resists premature dismissal where the internal governance record has not yet been fully disclosed (Okpabi, 2021).

From a policy perspective, lawmakers should not rely on tort alone. The most effective framework is hybrid. Company law should permit direct claims against parent companies where functional control is demonstrated. Due diligence legislation should require robust prevention and remediation systems. Climate and sustainability reporting regimes should generate comparable disclosures about governance, targets, transition assumptions, and oversight. Public regulators should enforce environmental standards and ensure that remediation is not frustrated by undercapitalized subsidiaries. Together, these mechanisms can reduce the space in which formal separateness is used to disperse accountability while strategic control remains centralized.

There are, of course, limits. Courts must guard against collapsing distinct corporate entities into a single enterprise merely because they belong to the same group. Liability should not become automatic or punitive by association. There must be careful attention to causation, knowledge, and the actual scope of parental intervention. Yet those constraints do not justify a return to formalism. The stronger the group-wide climate governance architecture, the stronger the case for examining where real decision-making authority lies. Climate change governance has made that authority increasingly visible.

10. CONCLUSION

Climate change governance and the energy transition have altered the background assumptions against which parent company liability is assessed. Environmental risk is now routinely governed, disclosed, financed, and represented at the parent-company level. In this setting, separate legal personality remains relevant but no longer provides a sufficient conceptual framework for allocating responsibility. The decisive question is not whether the parent and subsidiary are formally distinct, but whether the parent exercised material control over the risk that caused the harm, assumed responsibility through governance systems or public commitments, or possessed the power to prevent or mitigate foreseeable damage.

Recent case law, emerging due diligence duties, expanded sustainability reporting, and current transition data all point in the same direction. Climate-era accountability requires the law to align liability with governance reality. A functional control approach offers the best route forward because it preserves the legitimate benefits of separate legal personality while refusing to let form defeat substance. For advocates, courts, and policymakers, the central lesson is straightforward: where the parent company governs the environmental risk, the parent company should be capable of answering for its failure.

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