Positive Money response to DESNZ consultation on Climate-related transition plan requirements

September 2025

Positive Money welcomes the opportunity to respond to the Department for Energy Security and Net Zero's consultation on Climate-related transition plan requirements. Our submission draws on research and policy work on green central banking, and therefore pays particular attention to transition plan requirements for financial institutions.

Positive Money is a not-for-profit research and campaigning organisation, working towards reform of the money and banking system to support a fair, democratic and sustainable economy. We are funded by trusts, foundations and small donations.

Section A: The benefits and use cases of transition plans

1. **To what extent do you agree with the assessment of the benefits and use cases of transition planning set out in Section A? Are there any additional benefits or use cases for transition plans? Do you have any further insights and evidence on the purpose, benefits and use cases of increased and improved transition planning —including economy-wide impacts?**

   1.1. We broadly agree with Section A's assessment of the benefits and use cases of transition planning.

   1.2. We would also underscore the severe negative impacts of a delayed net zero and nature transition for the UK economy, and thus emphasize the economic benefits of effective transition planning. The OBR estimates losses to UK GDP of 8% per year by the 2070s in a below 3°C scenario,[1] which should be considered an underestimate.[2] Climate change and nature loss are also already driving price rises with impacts for inflation, primarily via supply-side shocks arising due to impacts on production, effects which will become more severe as climate change intensifies.[3,4] Transition planning can support in mitigating these effects by driving real world decarbonisation and encouraging green investment.

   1.3. The purpose of transition plans for financial institutions should not only be viewed as managing climate-related risks, but also aligning financing strategies and plans with national and global transition pathways. The financial sector can play either a hampering role in the global transition by financing

[1] OBR (2025). Fiscal risks and sustainability report July 2025.
[2] This includes baseline scenarios assuming a continuation of historical global growth rates, and omission of damages from sea level rise, ocean acidification, biodiversity loss, and social dynamics beyond labour productivity such as conflict and migration. See NGFS (2024). NGFS Climate Scenarios Technical Documentation.
[3] Positive Money (2024). Inflation as an ecological phenomenon.
[4] Bank of England (2025). Monetary Policy Report - August 2025.

activities today that lead to carbon lock-in, or it can play an enabling role by reallocating capital in an orderly fashion.[5] However, the sector is currently undermining global climate mitigation efforts - UK banks remain heavily exposed to fossil fuel expansion, with the 5 largest banks having increased their combined quantity of financing for fossil fuel expansion by approximately 60% in 2024 from 2023 levels,[6] and despite net zero commitments, banks lack plans to align their financing activities with the IEA's Net Zero pathway.[7]

1.4. We agree with the consultation paper that transition plans are potentially useful tools for central banks to monitor financial stability risks. Beyond monitoring, transition plans can be a tool to actively reduce risk build-up, which is imperative due to the systemic risks that climate change and nature loss pose to the UK financial system. However, to be effective for financial stability, plans should be required to align with economy-wide transition pathways, as a narrow focus on entity-level decarbonisation, and identification of risks and opportunities, is likely to result in counterproductive consequences that increase macroeconomic risks.[8]

2. **For preparers of transition plans: Does your organisation already produce, or intend to produce, a transition plan and disclose it publicly? a. [if yes] What specific drivers have motivated your entity or pension scheme to engage in transition planning?**
   b. [If yes] Based on your experience, do you have any reflections on the purpose, benefits and costs (e.g. additional FTE, setup costs, etc) of developing your own transition plan?
   c. [if yes] What specific challenges or obstacles (e.g., regulatory, organisational, market-related, guidance), if any, did or do you face in preparing your transition plan?
   d. [if yes] Did you make use of the TPT's materials (now managed by the ISSB), and if so, how? Were there any challenges in doing so? Are there any further pieces of guidance or support that you feel would be helpful?
   e. [If no] If no, what are the main barriers preventing your organisation from developing a transition plan? Please provide any evidence where available to support your answer.

3. **For users of transition plans: How do you use transition plans? E.g. if you are an investor, do you use transition plans to inform your investment strategy (both in terms of how you identify opportunities where to invest, and how you identify, manage and assess risks to investment portfolios)**

4. **Do you have any reflections on the additional costs and challenges of using transition plans? Please provide evidence where available to support your answer.**

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[5] Battiston, S. (2021). Accounting for finance is key in climate mitigation pathways.
[6] Rainforest Action Network (2025). Banking on Climate Chaos 2025.
[7] Reclaim Finance (2025). Bank transition plans - a roadmap to nowhere.
[8] Finance Watch (2024). Safe transition planning for banks.

4.1. Any additional costs and challenges of using transition plans are likely to be far outweighed by the costs that would be incurred to firms and the wider economy of a delayed or disorderly transition to net zero, or failure to meet global climate objectives, all of which are made more likely in the absence of transition planning.

4.2. For financial firms, though climate-related losses are challenging to quantify, estimates to do so point to significant near-term losses from both physical and transition risks associated with climate change and nature loss. The Bank of England's 2021 CBES estimated a 10-15% reduction in profits for UK banks and insurers.[9] Recent research has also estimated that physical nature-related related risks to the UK could cause falls of 4-5% in the valuations of domestic holdings of the seven largest UK banks in the coming decade, which the authors stress should be considered a conservative estimate due to the omission of transition risks, impacts on international holdings, and compounding macroeconomic effects.[10] Moreover, as highlighted in response to Q1, the macroeconomic and social costs of a delayed, more disorderly transition - the risks of which would be exacerbated by lack of robust transition planning - would also be profound.

5. **Do you have any reflections on how best to align transition plan requirements with other relevant jurisdictions?**

5.1. International alignment of transition plan requirements is optimal to prevent arbitrage and support a more orderly transition. However, alignment concerns should not be a barrier to the UK introducing rigorous transition planning standards. Failure to do so risks undermining both the aims of the policy, and the government's commitment to making the UK a leading sustainable finance centre. Rather, the UK should seek to play a leadership role, by setting out what high-ambition transition planning looks like and supporting international adoption of high standards via its role in international fora such as the G7, G20, FSB, NGFS and ITPN.

Section B: Implementation options

6. **What role would you like to see for the TPT's disclosure framework in any future obligations that the government might take forward? If you are a reporting entity, please explain whether you are applying the framework in full or in part, and why.**

7. **[Climate mitigation] To what extent do the requirements in the draft UK SRS S2 provide useful information regarding the contents of a transition plan and how an entity is preparing for the transition to net zero? If you believe the draft UK SRS S2 does not provide sufficient information, please explain what further information you would like to see.**

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[9] Bank of England (2022). [Results of the 2021 Climate Biennial Exploratory Scenario (CBES).]()
[10] Green Finance Institute (2024). [Assessing the Materiality of Nature-Related Financial Risks for the UK.]()

8. [Climate adaptation and resilience] To what extent do the requirements in the draft UK SRS S2 provide useful information regarding the contents of a transition plan and how an entity is adapting and preparing for the transition to climate resilience? If you believe IFRS S2 does not provide sufficient information, please explain what further information you would like to see.

Section B1: Developing and disclosing a transition plan

9. What are the most important, decision-useful elements of a transition plan that the government could require development and/or disclosure of? Please explain why and provide supporting evidence.

10. Please state whether or not you support Option 1, which would require entities to explain why they have not disclosed a transition plan or transition plan-related information. Please explain the advantages and disadvantages of this option.

10.1. We do not support Option 1, and do not see any benefits to this option above Option 2. Introducing transition plan disclosures on an optional basis would, as the House of Commons Environmental Audit Committee has stated, be "defeating the point of the policy".[11] Voluntary disclosures would fail to achieve the government's four objectives for transition planning requirements in the following ways:

10.2. **Support an orderly transition in line with climate goals** – transition planning should not just be a disclosure tool, but should be a means to align businesses activities with net zero pathways, which is required across the economy to meet climate objectives. The absence of robust, consistent transition plan requirements will make it more likely that abrupt policy measures are needed to meet climate targets. Firms' activities and plans are currently not aligned with net zero trajectories, and there is no evidence to suggest that firms will do so voluntarily – indeed, current poor practice in relation to corporate net zero targets and transition planning clearly demonstrates that a mandatory approach is needed.

10.3. **Enhance transparency for investors and promote efficient capital allocation –** optional plans would undercut transparency, and require greater resources from investors to scrutinise transition plans (and the firms lacking them) versus consistent, comparable, high standard plans that are mandatory for all firms.

10.4. **Support companies to capture the opportunities from the global net zero transition –** the benefits of transition plans are increasingly being recognised by investors, and firms lacking plans may lose out on investment.[12]

[11] EAC (2023). The financial sector and the UK's net zero transition.
[12] South Pole (2025). The 2025 South Pole Net Zero Report.

10.5. **Support the UK's growth by ensuring its sustainable finance framework is internationally competitive and maintains the UK's status as a global financial hub –** optional transition plans will reduce transparency and clarity in the market, harming the UK's credibility and leadership on sustainable finance.

11. **Please state whether or not you support Option 2, which would require entities to develop a transition plan and disclose this. Please further specify whether and how frequently you think a standalone transition plan should be disclosed, in addition to transition plan related disclosure as part of annual reporting? When responding, please explain the advantages and disadvantages of this option.**

11.1. We strongly support Option 2, which would support the government's four aims for transition plans in the following ways:

11.2. **Support an orderly transition in line with climate goals** – As the consultation paper notes, there remains a gulf between corporate climate commitments and credible plans and policies to achieve them. Mandating plans would send a clear direction to firms that they must transition their business models, and importantly, that they should do so in a way as to support an economy-wide transition.

11.3. As the FSB has highlighted, transition plans have the potential to provide useful forward-looking data to enhance financial supervisors' monitoring of both micro- and macro-financial risks, and as well as to support financial stability via driving improvement in financial institutions' practices. However, to be useful for financial stability monitoring purposes, they highlight that sufficient coverage across the economy is required, with high levels of credibility, comparability and consistency.[13] The NGFS similarly have stated that, *"Economy-wide incentives to build transition planning capacity and to disclose transition plans, accompanied by proportionate guidance and expectations"* are needed.[14]

11.4. **Enhance transparency for investors and promote efficient capital allocation –** mandatory plans will embed transition planning across the economy, increasing transparency and reducing complexity for investors.

11.5. **Support companies to capture the opportunities from the global net zero transition –** research suggests that the process of transition planning enhances firms awareness and uptake of green investment opportunities.[15]

11.6. **Support the UK's growth by ensuring its sustainable finance framework is internationally competitive and maintains the UK's status as a global financial hub –** the global green finance index highlights that investors

[13] Financial Stability Board (2025). The Relevance of Transition Plans for financial stability.
[14] NGFS (2024). Transition Plan Package.
[15] OECD (2024). Making the grass greener. The role of firm's financial and managerial capacity in paving the way for the green transition.

ranked policy and regulatory frameworks as one the most important drivers of green finance.[16]

11.7. We do not have a view as to whether transition plans should be required to be disclosed as standalone documents.

12. If entities are required to disclose transition plan-related information, what (if any) are the opportunities to simplify or rationalise existing climate-related reporting requirements, including emissions reporting, particularly where this may introduce duplication of reporting? These responses will support the government's review of the non-financial reporting framework.

Pension funds

13. How do you think any new transition plan requirements should integrate with the existing requirements in UK law for some larger schemes to produce TCFD reports and to calculate the portfolio alignment metric?

14. To what extent does your pension scheme already produce transition plans? What are their intended purposes, what information do they draw on, and what challenges have you encountered in developing them?

Section B2: Mandating transition plan implementation

15. **To what extent do you support the government mandating transition plan implementation and why? When responding, please provide any views on the advantages and disadvantages of this approach.**

15.1. We strongly support the government mandating implementation of transition plans. The historical failure of voluntary climate commitments suggests that market mechanisms will be insufficient to drive implementation, which is crucial to ensure that transition planning actually drives climate mitigation.

16. In the absence of a legal requirement for companies to implement a plan, to what extent would market mechanisms be effective mechanisms to ensure that companies are delivering upon their plan?

16.1. Market mechanisms would not be sufficient to ensure that companies deliver upon plans. Whilst climate-destabilising activities continue to be profitable for companies and financial firms, disclosures alone will be insufficient to shift investment behaviour. The current lack of requirements and accountability mechanisms for corporates to have and implement transition plans to meet environmental targets means that there continues to be a gulf between *commitments, plans*, and *actions.* Market

[16] Global Green Finance Index 2024.

mechanisms have proven insufficient to drive companies to deliver on commitments thus far, and there is no reason to think that they would be sufficient to ensure delivery on transition plans.

16.2. A wealth of evidence supports this – the 2025 Corporate Climate Responsibility Monitor finds that, of 20 multinationals assessed, none had 'reasonable' or 'high integrity' transition strategies.[17] Recent InfluenceMap research finds that the largest four UK banks' financing activities and transition plans are misaligned with the IEA's Net Zero by 2050 Scenario, despite all having made net zero commitments several years ago and having strong disclosure of their climate strategies.[18] Research by the ECB likewise finds that voluntary climate commitments made by banks as part of the Net Zero Banking Alliance (NZBA) had little impact on real-world emissions, casting "doubt on the efficacy of voluntary climate commitments for reducing financed emissions".[19]

Section B3: Aligning transition plans to net zero by 2050

17. What do you see as the potential benefits, costs and challenges of government mandating requirements for transition plans that align with Net Zero by 2050, including the setting of interim targets aligned with 1.5°C pathways? Where challenges are identified, what steps could government take to help mitigate these?

17.1. For the UK to meet its Paris Agreement commitments, the entire economy must transition to net zero via a 1.5°C-aligned pathway. Transition plans should be required to align with scenarios that limit global warming to 1.5 °C with low or no overshoot, in line with the goals of the Paris Agreement, including with the setting of interim targets. To ensure rigour and provide clarity, the government should specify the scenarios that plans must align with – including Intergovernmental Panel on Climate Change (IPCC) 1.5°C limited to no overshoot pathways, and the UK's statutory carbon budgets and Net Zero Pathway as set out by the Climate Change Committee.

17.2. Interim targets are essential to avoid the development of plans that involve transitioning via late action and thus not aligning with Paris Agreement goals and the UK's statutory carbon budgets under the Climate Change Act. Such plans would also increase the risk of a disorderly, late transition to net zero. A requirement for specified interim targets will also increase transparency and make monitoring and accountability of progress easier, increasing credibility of plans.

18. Which standards and methodologies are effective and reliable for developing and monitoring climate-aligned targets and transition plans, in particular those that are aligned with net zero or 1.5°C pathways? Where possible, the government would

[17] New Climate Institute (2025). Corporate Climate Responsibility Monitor 2025.
[18] InfluenceMap (2025). Big Four UK Banks: Falling Short on Climate Action?
[19] Sastry et al. (2024). Business as usual: bank climate commitments, lending and engagement. ECB Working Paper Series.

welcome evidence from entities that have used such methodologies, explaining how they have arrived at that conclusion.

18.1. Importantly, in order to be considered effective and reliable, standards and methodologies for developing and monitoring climate-aligned targets and transition plans must be anchored to reference scenarios based on Intergovernmental Panel on Climate Change (IPCC) 1.5°C limited to no overshoot pathways, and International Energy Agency (IEA) net-zero emissions pathways.

18.2. To be considered aligned with these pathways, methodologies must not allow for development of new, or expansion of existing, fossil fuel production, and must include robust pathways for the phase out of fossil fuels and deforestation. For financial institutions, this entails requirements to immediately halt project and corporate financing for new fossil fuel production and infrastructure, and plans for managed phase-out of fossil fuel producers and companies linked to deforestation, alongside the inclusion of interim, science-based absolute emission reductions targets. As expanded upon in response to Q23, identification and provisions for the phase-out of further, "always harmful" economic activities, such as those taking place in critical ecosystems, should also be considered in line with the latest available scientific evidence.

19. What are the unique challenges faced by hard-to-abate sectors in setting and achieving targets in transition plans aligned to net zero by 2050 – including interim targets? What methodologies or approaches would enable transition planning to support hard-to-abate sectors to achieve net zero by 2050?

20. For entities operating in multiple jurisdictions, what are your views on target setting and transition planning in global operations and supply chains?

Section B4: Climate adaptation and resilience alignment

21. What is your view on the role of climate adaptation in transition plans? Is there a role for government to ensure that companies make sufficient progress to adapt, through the use of transition plan requirements?

22. How can companies be supported to undertake enhanced risk planning in line with a 2°C and 4°C global warming scenario? Are these the right scenarios? To what extent are these scenarios already being applied within company risk analysis and how helpful are they in supporting companies in their transition to climate resilience?

Section B5: Nature alignment

23. To what extent do you think that nature should be considered in the government's transition plan policy? What do you see as the potential advantages and disadvantages? Do you have any views on the potential steps outlined in this section to facilitate organisations transitioning to become nature positive?

23.1. An integrated approach to climate and nature should be taken, including within transition plan policy. Climate change and nature-loss are mutually reinforcing, meaning that climate goals are unlikely to be met without mitigating and reversing nature loss,whilst a further delayed climate transition will pose increased threats to nature. Companies and financial firms will therefore need to incorporate nature into transition plans in order to align plans with the 1.5ºC goals of the Paris Agreement.

23.2. Climate and nature mitigation strategies can also exhibit both synergies and trade-offs. Though nature restoration typically supports climate mitigation, failure to integrate an in-depth consideration of nature and biodiversity impacts into climate mitigation strategies can lead to counterproductive consequences (e.g. use of monoculture or non-native tree plantation for carbon sequestration).

23.3. As with climate objectives, the incorporation of nature in transition planning should prioritise alignment of institutions activities (including financing and investment) with national and international nature targets. This should include requiring exclusions and/or phase out requirements for activities deemed 'always harmful' for nature. Key activities include deforestation, which the UN High Level Expert Group has recommended must be immediately halted in order to meet net zero.[20] Other candidates include ecosystems vulnerable to tipping points, which if crossed, could trigger catastrophic and irreversible climate and ecosystem impacts.[21]

24. Do you have any views the factors the government should consider when determining the scope of any future transition plan requirements?

25. We are interested in views about the impact on supply chains of large entities that may be in scope of transition plan requirements. Do you have views on how the government could ensure any future requirements have a proportionate impact on these smaller companies within the supply chain?

25.1. The government could ensure future requirements have a proportionate impact on smaller companies by over time extending requirements to cover smaller companies, and providing adequate support to such companies to develop, implement and finance their transition plans. For example, provision of transition or adaptation related finance could be

[20] UN High-level Expert Group on the net zero emissions commitments of non-state entities (2022). Integrity matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions.
[21] Marsden et al. (2025). Policy options for financial flows contributing to ecosystem tipping points.

provided by the UK's public financial institutions such as the British Business Bank and National Wealth Fund.

26. Do you have any views on how the government could redefine the scope to protect the competitiveness of the UK's public markets?

26.1. All financial institutions, FTSE 100 companies and large private companies should initially be within scope of transition plan requirements, with requirements extended to cover smaller companies alongside provision of adequate support. Including private companies alongside publicly-listed companies would best protect the competitiveness of UK public markets by ensuring a level playing field amongst large companies.

Section B7: Legal risk

27. Do you have views on the legal implications for entities in relation to any of the implementation options and considerations as set out in sections B1-B4 in this consultation?

28. In the UK's wider legal framework what – if any – changes would be necessary to support entities disclosing transition plans and forward-looking information?

Section C: Related policy and frameworks

29. What role could high integrity carbon credits play in transition plans? Would further guidance from government on the appropriate use of credits and how to identify or purchase high quality credits be helpful, if so, what could that look like?

30. Are there specific elements of transition plan requirements or broader policy and regulatory approaches from other jurisdictions that the government should consider?

30.1. The government should consider following other jurisdictions' approaches to incorporating climate and green transition considerations more comprehensively into monetary and prudential policy. It is Positive Money's view that the Bank of England's current monetary policy is actively undermining the government's climate and green energy missions. As well as failing to fulfil its secondary objectives to support the economic policy of the government (which clearly includes climate and nature), due to the threats that climate change and nature loss pose to price and financial stability, the Bank's actions are counterproductive to its primary objectives.

30.2. The recent inflationary crisis, which was driven primarily by fossil fuel prices, was ill-addressed by the UK's reliance on raising interest rates as the primary policy response. Rate rises also disproportionately hindered investment in green technologies.[22] The Bank's collateral framework – which sets the terms on which the Bank provides liquidity to the financial system in exchange for financial assets as collateral – is underestimating climate and environmental risks, and in doing so, is providing favourable financing conditions to larger, environmentally damaging firms, whilst failing to support greener ones.[23]

30.3. Despite the government strengthening the wording on climate and nature in the 2024 remit letters for the FPC and MPC, the Bank has not taken commensurate action. The government should increase the clarity of its expectations surrounding action on climate, nature and clean energy in its upcoming remit letters. For example, it could explicitly require the Bank to introduce a publicly communicated plan of action setting out how it will incorporate climate and nature into its research, prudential and monetary policy (following other jurisdictions such as the ECB[24]).

30.4. Within this, the Bank of England should follow the ECB[25] in integrating climate and nature considerations into its collateral framework, which could support real-world decarbonisation by incentivising private green investment. There is no good reason why the Bank of England should follow suit, and like the ECB, the Bank of England could draw on the pre-existing framework that the Bank developed for the greening of its Corporate Bond Purchase Scheme.[26] The Bank could also go beyond the ECB's currently announced measures by expanding eligibility to forms of green investment, and by adapting collateral rules to accept public climate bonds issued by EMDEs in order to support investment in climate mitigation and adaptation.[27]

31. How can transition planning contribute to achieving the UK's domestic net zero targets while ensuring it supports sustainable investment in EMDEs, where transition pathways may be more gradual or less clearly defined?

32. How could transition planning account for data limitations, particularly in EMDEs, where high-quality, comparable sustainability reporting may be less available?

33. What guidance, support or capacity building would be most useful to support effective transition planning and why? For respondents that have developed and/or published a transition plan, what guidance, support or capacity building did you make use of through the process? Please explain what additional guidance would be helpful and why?

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[22] Wilson et al. (2024). Financing Costs and the Competitiveness of Renewable Power.
[23] Positive Money EU (2024). Nature's Nudge: The role of collateral frameworks in the transition towards a sustainable economy.
[24] ECB (2024). Climate and nature plan 2024-25 at a glance.
[25] ECB (2025). ECB to adapt collateral framework to address climate-related transition risks.
[26] Bank of England (2021). Greening our Corporate Bond Purchase Scheme.
[27] Dafermos, Y. (2023). Towards a climate just financial system.