

CORPORATE LOW-CARBON TRANSITION PLANNING: FACT SHEET



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Thousands of companies have set ambitious, interim 2030 carbon reduction goals and pledged net-zero emissions by 2050. Yet, some stakeholders are skeptical, suggesting corporate net-zero goals are no more than greenwashing. The United Nations High Level Expert Group (HLEG) report *Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions* emphasized that net-zero commitments should deliver significant near- and medium-term emissions reductions, which are based on an implementation plan that is: science-based, transparent, verifiable, and that aligns actions and investments with net-zero commitments.

With this project, the Center for Climate and Energy Solutions (C2ES) aims to support and accelerate the development of low-carbon transition plans that align with the objectives of the Paris Agreement among companies in real-economy industry sectors.

This report sought to understand (1) the existing guidance landscape for target setting, planning, and credibility, as well as broader stakeholder requirements for transition planning, and (2) the current state of corporate transition planning through targeted research and interviews with real economy companies. The result is a set of recommendations that coalesce around three key themes:

- Incentivize a shift from planning and disclosure to measurable performance against goals and targets
- Enhance transparency through regular disclosure, interim target-setting, and communication of road blocks and knowledge gaps
- Embrace iterative planning that seeks to update and evolve plans to reflect changing dynamics and best practices

KEY FINDINGS

Incomplete Target Specification: Most companies did not define the terms net zero or carbon neutral when presenting targets, and only two of the 12 companies with a transition plan specified the level of long-term, absolute emission reductions for their net-zero or carbon-neutral targets.

Plan vs Planning: Twelve of the 14 companies interviewed had a transition plan. Of those, only five had a stand-alone plan, with the other seven incorporating transition plan elements in an existing annual sustainability report.

Importance of Senior Level Commitment: Almost all the interview participants mentioned that when looking to create internal buy-in for plan development, target setting, and strategy implementation, visible board- and executive-level support, along with coordinated cross-functional participation, was instrumental to success.

Guidance Overload: Most companies interviewed indicated that staying up to date on the latest guidance around transition planning and credibility was difficult, and the volume of guidance is making it difficult to assess which is the most important to follow.

External Stakeholder Engagement to Build

Credibility: Given the uncertainty around guidance and the lack of consensus around credibility conferring partners, several companies mentioned proactively reaching out to key stakeholders to engage them during the transition plan development process to build credibility.

Knowledge Gaps: Interviewees cited significant knowledge gaps during the development of transition plans. Strategies identified by interviewees to close gaps included: assessing peer actions, reassessing internal roles and responsibilities, refining data management strategies, engaging in employee education, and upskilling efforts. There was also a heavy reliance on external consultants.

KEY FINDINGS CONTINUED

Transparency Gulf: The interviews identified a wide gulf between the transparency expectations outlined in transition planning guidance and the level of transparency that companies are currently comfortable with. The primary concern cited is that any deviation from a publicly available plan will be used as evidence that a company is greenwashing or lacks commitment.

Lack of Interim Targets & Measures: Corporate targets are centered around the key 2030 and 2050 milestones outlined by the UN Framework Convention on Climate Change (UNFCCC) for achieving 50 percent reduction in emissions and net zero, respectively. There are few instances where companies have outlined an interim target between 2030 and 2050. Without additional, publicly available interim targets there is insufficient data for stakeholders to assess whether a company is on track to meeting their long-term 2030 and 2050 targets

Just Transition: There was a wide variation among sectors in understanding and addressing just transition issues; however, there was a clear acknowledgment of the issue's emerging importance. Interviews identified the need for establishing best practices and better metrics and approaches for meaningful community engagement.

RECOMMENDATIONS

ENHANCING PLANNING

Fully Specified Short-Term and Long-Term Targets

Recommendation: To the extent companies are setting their own net-zero targets, we recommend that companies follow the target-setting guidance outlined in IFRS S2: Climate Related Disclosures, and specifically, the guidance on setting Climate-related targets beginning at paragraph 33. Alternatively, Section 4.4. Metrics and Targets, of the GFANZ guidance: Expectations for Real-economy Transition plans provide guidance on how to fully specify targets and their accompanying metrics.

More Interim Targets

Recommendation: To ensure transparency and the ability for stakeholders to assess whether companies are on track to meeting long-term targets, we recommend that

companies follow ISO Net Zero Guidelines and set interim targets every 2–5 years. More frequent interim targets also enable companies to more clearly demonstrate how strategies are being adjusted to reflect changes in technology and policy, among other things.

Converge Transition Planning Guidance

Recommendation: NGOs and standard-setting bodies should seek opportunities to converge transition planning guidance to create certainty and reduce confusion.

Recommendation: To the greatest extent possible NGOs should seek to use existing guidance to inform real-economy sector companies about the development and content of credible transition plans. Only when there is a gap should the development of new guidance be considered.

ENHANCING TRANSPARENCY

Transition Plan Content Index

Recommendation: Companies should use a transition plan context index when their transition plan elements are presented in a document that does not exclusively focus on the transition plan.

Creating an Environment that Encourages Greater Corporate Transparency

Recommendation: Setting the expectation among companies and stakeholders that the focus should not be on a single transition plan, but ongoing transition planning will be important first step to creating conditions where greater transparency is the norm, and changes in strategy are understood and accepted by stakeholders. The GFANZ guidance Expectations for Real-economy Transition Plans points out that transition planning is not a one-time exercise but an ongoing process. Companies are being asked to develop transition plans that span over 25 years and charts a course to a state of business operation that does not currently exist in most cases, which makes a once-through process unrealistic (Figure 1).

Figure 1: Once-through Plan Development



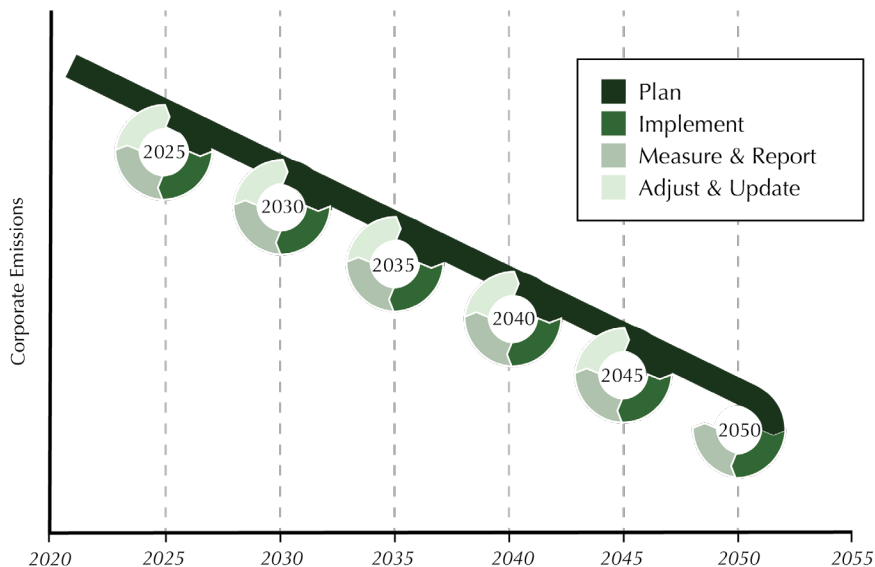
Companies face many uncertainties and interdependencies to executing a successful transition plan. In many cases companies need new technologies to be developed or existing technologies to become more economic so they can be deployed at scale. Most companies face interdependencies, where their transition is dependent on another sector decarbonizing. The most common example is companies relying on continued decarbonization of the utility sector to address their Scope 2 emissions. The evolving policy landscape may also necessitate an update to corporate transition plans. This is not to suggest that the development of a credible transition plan, as defined by existing guidance, is not important, but that planning will and should be iterative so that companies can continue to adjust to changes in technology, policy, and markets (Figure 2).

Recommendation: Companies and stakeholders (e.g., NGOs, standard setters) should be clear that real credibility will be measured by how a company performs in terms of absolute emissions reductions and performance toward their net-zero targets.

ENHANCING PERFORMANCE

Recommendation: Criteria for development of a transition performance continuum (as opposed to planning) should be developed to serve as a guide for assessing the credibility of climate action that is a result of transition planning. As companies move from planning to execution it will be increasingly important to have clarity on the levels of performance required for implementation of decarbonization goals to be deemed credible.

Figure 2: Iterative Transition Planning Cycle



The Center for Climate and Energy Solutions (C2ES) is an independent, nonpartisan, nonprofit organization working to secure a safe and stable climate by accelerating the global transition to net-zero greenhouse gas emissions and a thriving, just, and resilient economy.