BRIEF AUGUST 2025

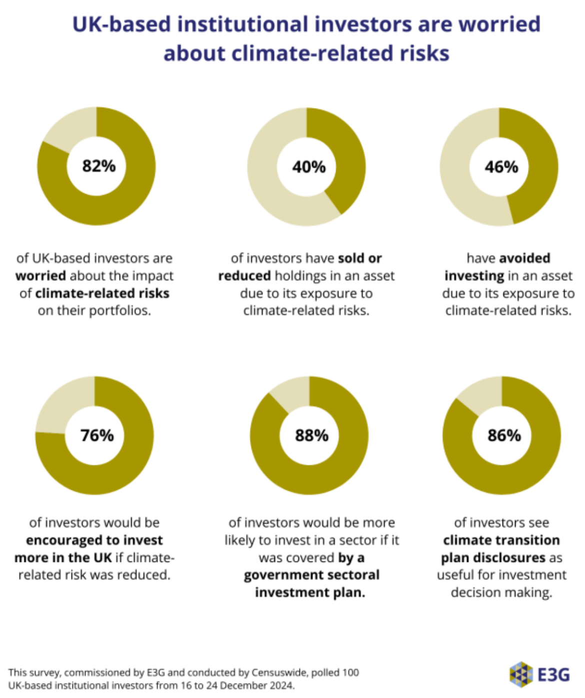
A CREDIBLE AND ROBUST TRANSITION PLAN POLICY

DELIVERING ON LABOUR'S MANIFESTO PLEDGE

JOE DILLON

With over $2 trillion invested in global clean tech last year[1] the UK's transition to a cleaner economy could boost GDP up to £149 billion per year,[2] and drive a £104 billion increase in inward investment by 2040.[3]

In their 2024 general election manifesto Labour pledged to make the UK the green finance capital of the world. Success of this goal will depend on a whole-of-economy package of reforms that will strengthen the UK's attractiveness as both a destination for inward investment, and an outward centre for sustainable finance. To achieve this, markets and policymakers alike will require credible sustainability information to aid financial decision making.



Transition plans are central to providing that information. A key strategic tool to support the identification of growth opportunities, reduce losses and the risk of stranded assets, transition plans transparently provide credible information on a company's activity to the market. As other jurisdictions take forwards their own requirements, it is essential that the UK moves fast to protect its leadership and avoid creating barriers to international finance flows and trade.

At London Climate Action Week 2025, the government took a stride towards this goal by publishing a package of three consultations on sustainability reporting. This brief explains the key benefits of taking forwards an ambitious policy.

Transition plans unlock investment and protect growth

> **Increase the competitiveness of UK firms.** 65% of corporates think that achieving the goals in their transition plans will make them more competitive and over half (54%) of institutional investors think that corporates with ambitious transition plans have a competitive edge.[4] 84% of investors surveyed by South Pole say that they are more inclined to finance companies with clear climate transition plans over those without.[5]

> **Manage climate and physical risk, preventing losses.** Climate-related risk could cost UK businesses and investors $141 billion by 2040 if left unmanaged.[6] A survey of UK-based institutional investors[7] showed 86% are more likely to invest in a company if it is taking active steps to manage its climate-related risk. Firm-level risk management can aggregate to unlock investment across the economy, with 76% of investors in the same survey saying that they would be encouraged to invest more in the UK if climate-related risk were reduced.

> **Make streamlined data available and cut costs for firms**. Requiring comparable, consistent and decision-useful transition plans can reduce the complexity of analysing and comparing disclosures. This reduces costs for financials making investment decisions, and for real economy firms seeking to optimise value and risk in supply chains. While 86% of global asset owners are implementing sustainable investment strategies, their top barrier to progress is 'concerns about availability of ESG data and the use of estimated data'.[8]

The UK cannot hit its climate targets without aligning private sector behind them

> **Meet national climate targets**. An orderly private sector transition is a precursor to meeting national and global climate goals. Evidence suggests that climate disclosure can support faster decarbonisation. Disclosure regimes in other contexts have already proven to be highly effective,[9] unlocking benefits for companies, communities and the wider economy.

> **Align the private sector behind the government's strategy.** Comprehensive information about how firms are planning on transitioning is vital in delivering on the government's overall ambition, informing policymaking, facilitating sustainable investment to flow into the UK, managing climate-related risks, and delivering green growth.

> **Reinforce climate leadership.** As identified by both Secretary of State for Energy and Climate Change[10] and the Economic Secretary to the Treasury,[11] transition planning is a vital first step towards delivering the government's

clean energy superpower mission and make the UK the “sustainable finance capital of the world”.

The business and investment communities support transition plan requirements

- **The benefits of developing and disclosing a transition plan outweigh costs.** 70% of FTSE 100 companies are already disclosing a plan.[12] Many UK multinational companies are exposed to, or are expecting to be required to, disclose a plan to satisfy requirements from other jurisdictions in which they operate.[13]

- **Investors back transition planning.** 86% of UK investors think disclosure of a climate transition plan is a valuable tool for their investment decision making.[14] Investors value the information they provide for decision making and to inform delivery of their own climate targets. 79% of financial institutions said that a lack of transition plan information was preventing them from allocating capital in line with their own climate goals.[15]

- **Companies see specific advantages in transition planning**. In a survey by Grant Thornton UK,[16] respondents who had developed a transition plan, or were considering developing one, felt they brought benefits to:
    - Management of climate related risks for business and supply chain - 80%
    - Identifying and realising growth opportunities related to the transition - 81%
    - Increasing understanding and buy-in within business and board - 82%
    - Building trust with customers and clients - 78%
    - Enabling access to finance - 80%

What next

Meeting market needs and accelerating investment requires the government to move swiftly to deliver its manifesto pledge. The UK can benefit as a leader in this space by building market confidence in the credibility of the UK transition finance market, and by embedding interoperability in its regulatory regime to reduce barriers to international finance flows. To do this, ministers must ensure that the following core elements are not watered down:

- **Develop:** All large listed and private companies should be required to develop climate transition plans.

- **Disclose:** To ensure global interoperability and the availability of relevant information for decision-making, all developed plans should be disclosed in line with the TPT Disclosure Framework. Requirements should come as part of the ISSB roll out in the UK.

- **Align (with the 1.5C goal of the Paris Agreement):** Companies must be required to set entity-level targets that align with a credible, science-based pathway.
- **Implement:** Companies should be required to make best efforts to implement their plan. The government must work with regulators and the market to develop mechanisms to penalise failure to do so.

Further reading

[1] IEA, 2024, **Investment in clean energy this year is set to be twice the amount going to fossil fuels**
[2] Demos, 2023, **The Purpose Dividend**
[3] CBI, 2023, **Going For Green: The UK's net zero growth opportunity**
[4] Lloyds, 2024, **Credible Transition Plans: Reporting vs Reality**
[5] South Pole, 2025, **The 2025 South Pole Net Zero Report**
[6] UKSIF, 2025, **UK Economy Heading for $141 Billion Loss Caused by Stranded Fossil Fuel Assets**
[7] E3G, 2025, **Investors to UK – help us invest for growth by managing climate risks**
[8] FTSE Russell, 2022, **Sustainable Investment Asset Owner Report 2022**
[9] For a review of relevant evidence see WWF UK, 2024, **Disclose to Decarbonise**, p.7.
[10] DESNZ, 2025, **Transition plan requirements consultation**
[11] HMT, 2025, **UK Green Taxonomy Consultation Response**
[12] DESNZ, 2025, **Transition plan requirements: implementation routes**
[13] Several major trade partners including EU, China, Japan, Hong Kong, Singapore, UAE and Australia are also implementing ISSB and/or transition plan guidance. See also Wall Street Journal, 2023, **At Least 10,000 Foreign Companies to be Hit by EU Sustainability Rules**
[14] E3G, 2025, **Investors to UK – help us invest for growth by managing climate risks**
[15] OECD, 2022, **OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans**
[16] Grant Thornton, 2025, **Demystifying transition planning**