**FINAL - Transition Plans & Immediate Action**

*This document lays out the draft suggestions from the working group focused on Transition Plans & Immediate Action*

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# Questions

**How, if at all, is this topic currently reflected in the Race to Zero starting line criteria, lexicon, and interpretation guide? What are the strengths and weaknesses of the current starting line criteria approach?**

* *Currently reflected at a superficial level, and one deemed to be insufficient for ensuring members have clear transition plans in place to deliver on their short-term and long-term commitments.*
* *The strength of the current criteria is that the guidance is simple and overarching, which is important given the divergences in capacities and requirements across sectors, actors types and regions.*
* *However, weaknesses include a lack of clarity in what is required, lack of guidance, and a lack of suggestions for Partners in how they should be expected to track and measure the publication of such plans across their membership base.*

**In practice, is this topic addressed consistently across the various Race to Zero partners? What different approaches can be seen? To what extent can a frontier of best practice(s) be defined?**

* *Members across RtZ do not all publish plans in a consistent way. Some submit their plans via CDP, while others outline overarching principles or commitments on their websites, and still others do not provide any indication of how they will achieve their short- & long term targets.*
* *Weaknesses include a lack of clarity in what is required, lack of guidance and a lack of suggestions for Partners in how they should to track and measure the publication of plans.*

**How can Race to Zero best address this topic in its minimum criteria (the floor below which members may not fall)?**

* + *See table below*

**How should Race to Zero encourage leadership on this issue (the stretch goals which members should aim for)? Where do we see inspiring examples of leadership? What guidance can it provide to Partners for driving upward convergence?**

* + *See table below*

**How could Race to Zero and its Partners expect these strengthened and enhanced criteria to be operationalised by members? Expectations should include indications of timeline, metrics for reporting etc.**

* + *See table below*

# [Starting line criteria & leadership principles](https://drive.google.com/file/d/1iilMlKzmXqFM6AcPBa5MXScjcCqomBp0/view?usp=sharing)

| **Area** | **Current wording** | **Proposal for starting line criteria** | **Proposals for Leadership practises** |
| --- | --- | --- | --- |
| Pledge | *Pledge at the head-of- organisation level to reach (net) zero GHGs as soon as possible, and by mid- century at the latest, in line with global efforts to limit warming to 1.5C. Set an interim target to achieve in the next decade, which reflects maximum effort toward or beyond a fair share of the 50% global reduction in CO2 by 2030 identified in the IPCC Special Report on Global Warming of 1.5C.* | Pledge at the head-of-organisation level to achieve science-aligned net zero[[1]](#footnote-0) by reducing emissions across all scopes of emissions by 2050 in line with the scientific consensus to limit warming to 1.5C.  Set a short-term target to achieve by 2030 (if not before), which reflects maximum effort toward or beyond a fair share of the 50% global reduction in CO2 needed by 2030. | - |
| Plan | *Within 12 months of joining, explain what actions will be taken toward achieving both interim and longer-term pledges, especially in the short- to medium-term.* | * Within 12 months of joining, publicly disclose a Transition Plan which outlines concrete steps being taken to advance toward the science-aligned targets, including a timeframe in which they will be taken, especially in the next 3-5 years. * Update your plan on an annual basis, demonstrating progress made and updated ambition where relevant.   A minimum viable plan should include:   * **Foundations** (ambition & strategy including feasibility) * **Processes** (what actions are taken & how decisions are made to reduce emissions) * **Policies** (sectoral policy i.e. coal policy, deforestation policy etc., as well as plans for lobbying & engagement) * **Metrics & targets** (clear timeline, plans for measuring & monitoring progress) * **Accountability** (clear governance structures, disclosure, performance incentives, etc.) * **Engagement** (clients, counter-parties, peers in the industry, policy makers, regulators, industry associations, consumers, etc.) in order to demonstrate that engagement is in line with stated objectives | * Publicly disclose a Transition plan within 6 months of joining or before COP27, including interim targets for specific dates within a timeframe before 2030. * Demonstrate how your actions are comprehensive to link directly to your short-term targets. * Engage your entire value-chain / shareholders / relevant community to encourage them to join Race to Zero and strengthen their own ambition; and demonstrate how these interactions with stakeholders are informing the evolution of your transition plan over time * Identify in your plan how you will help build resilience and drive funding to emerging markets to achieve a just, inclusive transition. |
| Proceed | *Take immediate action toward achieving (net) zero, consistent with delivering interim targets specified* | Take immediate action toward your fair share of halving global emissions by 2030 across all scopes of emissions. Given that, according to the Carbon Law, we should globally aim to reduce emissions by 7% year on year, explain how and why your entity’s target relates to this global goal.  Immediate actions should lead to tangible outcomes, be transformative for the most emissions-intensive part of your business, and should reflect your commitment to racing towards both your short-term and long term targets. | Also take action to halve scope 3 emissions (across your value chain) by 2030 and invest in beyond value chain to protect nature.  Share stories of actions taken that have delivered meaningful change to inspire leadership amongst the Race to Zero cohort, and share instances where actions taken have not delivered expected changes, so as to share learnings and experience with other non-state actors. |
| Publish | *Commit to report publicly both progress against interim and long-term targets, as well as the actions being taken, at least annually. To the extent possible, report via platforms that feed into the UNFCCC Global Climate Action Portal.* | Commit to report publicly both progress against interim and long-term targets, as well as the actions being taken, at least annually. Report on capital allocation to achieve the short-term and longer-term targets laid out.  To the extent possible, report via platforms that feed into the UNFCCC Global Climate Action Portal, namely the Carbon Disclosure Project (CDP). | Transparently highlight any deviation from the entity’s Transition Plan, identifying the challenges and actions in place to remove address these. Additionally, outline the support required to address these challenges. |
| Policy | *n/a* | Within 12 months of joining, take action to disclose your trade association affiliations and call on those who actively act against science-aligned pathways to address their climate commitments. | If part of a trade association which acts against 1.5C-aligned pathways, publicly withdraw your entity from that trade association if they do not commit to aligning their actions with 1.5C. |

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# INTERPRETATION GUIDE

**What should be the minimum, consistent components required in a transition plan?**

*(noting that much work is underway, including at a regulatory level - i.e. SEC / TPT - to set out standards & mandatory requirements for transition plans. This group recognises those efforts and aims to support and signpost towards them).*

## Science-aligned targets

* + The **baseline** should be clearly established
  + Full disclosure of GHG inventories, verified by a third party
  + GHG **reductions planned for every 5 years** (reported for each emission source / category / scope):
    - I.e. reduction in electricity, reduction in heat demand, reduction in transport, reduction in embodied carbon, reduction in services etc with mandatory disclosure requirements) - and sources used to obtain the information
  + These should be underpinned by interim science-aligned **targets and specific actions**
  + **Clear KPIs** for emission reduction measures together with sinks and offsets

## Governance and accountability mechanisms

* + Responsibility of implementation of transition plan assigned clearly, ideally to a member of senior management / member with executive power, and where applicable tied to compensation
  + Mapping of scenario analysis to explain why a plan is deemed sufficient by its entity
  + **Periodical reviews** to correct, strengthen or review the plan (timing TBC)
  + A revision of other actions/ policies to avoid incompatibilities
  + **Capital allocation**, with clear assumptions to be integrated to **financial reporting**

## **Description of actions that will be implemented, including**:

* + Brief project descriptions that provide costs, capital allocation, timing, location, specific actions.
  + Assessment of social and environmental impacts associated with actions required to meet the “proceed” criterion, including ways to avoid, reduce or compensate them.
  + Do you have a strong plan? Do you have an innovation programme? Do you have funding? Have you looked at the operating model? Supply chain mechanics? Practical enablers that make actions happen - these could be KPIs to help identify how to measure action
  + Immediate actions of highest value would be things like renewable energy purchased; energy efficiency measures implemented; EVs purchased; building retrofits achieved; SLCPs stopped; methane stopped; packaging shifts; revenues devoted to climate investments; revenues devoted to developing new low carbon products or services; etc. Whatever it is would be dependent on the GHG profile of the entity and their pathway to net zero.

*Examples of leadership principles to be highlighted could include:*

* Just Transition, fair share & equity
* Costing and phasing of delivery programmes
* Methodology and Guidelines for data collection, data governance and reporting
* Biodiversity, Nature plans & investments
* Real economy transition e.g. they set out what the impacts are to the real economy of the actions taken through the transition plan
* Strong transition plans also have clear engagement strategies across the value chain and for policy advocacy (e.g. lobbying activities)
* Disclose financial plans (capex, opex, revenues, R&D) for next 5 years
* Board-level governance, at least one board member with climate expertise, C-suite incentives tied to targets
* Disclose policy engagement & lobbying practices
* Plan to address near-term warming gases like methane

# APPENDIX

SUGGESTED LINKS providing guidance for members to take action

* Race to Zero Partners:
  + [Supplier Engagement Guide](https://exponentialroadmap.org/supplier-engagement-guide/)
  + [1.5°C Business Playbook](https://exponentialroadmap.org/wp-content/uploads/2020/11/1.5C-Business-Playbook-v1.1.1pdf.pdf)
  + CDP: Discussion paper; <https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/002/840/original/Climate-Transition-Plans.pdf?1636038499>; [https://cdn.cdp.net/cdp-production/cms/guidance\_docs/pdfs/000/003/101/original/CDP-technical-note-Climate-transition-plans.pdf](https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/003/101/original/CDP-technical-note-Climate-transition-plans.pdf?1645466563)
* [Net Zero Tracker Codebook (p7)](https://docs.google.com/document/d/13bGE8FCOeF5QweoOvyMPZi3XbZrGLEPL2aM04LuZQcc/edit)
* [GFANZ Progress Report sections on Real Economy and Financial Institution Transition Plans](https://www.gfanzero.com/progress-report/)
* [Investor Climate Action Plans](http://theinvestoragenda.org/icaps)
* [TCFD Guidance on Transition Plans](https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf)
* [Climate Action 100+ Net-Zero Company Benchmark](https://www.climateaction100.org/progress/net-zero-company-benchmark/methodology/); CA100+ and the Climate Safe Lending Network
* [IGCC - CORPORATE CLIMATE TRANSITION PLANS: A guide to investor expectations](https://igcc.org.au/wp-content/uploads/2022/03/IGCC-corporate-transition-plan-investor-expectations.pdf)
* [Say on Climate: Essential components of a corporate climate action plan](https://sayonclimate.org/wp-content/uploads/2021/09/How-to-evaluate-a-climate-plan_evaluation-criteria-010721_public.pdf)
* <https://actinitiative.org/>
* <https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FEFRAG%2520PTF-ESRS%2520Climate%2520standard%2520prototype%2520working%2520paper.pdf>
* [Higher ed climate action planning guide](https://secondnature.org/signatory-handbook/introduction-to-sustainability-planning-and-climate-action/)
* <https://www.mckinsey.com/business-functions/sustainability/our-insights/managing-the-net-zero-transition-actions-for-stakeholders>
* <https://www.cn.undp.org/content/china/en/home/ourperspective/ourperspectivearticles/2022/obstacles-and-opportunities--the-pathway-to-net-zero-for-the-pri.html>
* Assessing the Low-Carbon Transition (ACT) framework
* Transition Pathways Initiative (TPI)
* <https://www.pwc.co.uk/sustainability-climate-change/assets/pdf/building-blocks-net-zero-companies-transformation.pdf>

1. Science-aligned net zero = reduce absolute emissions in line with your fair share of a global average of 90% global reduction in CO2 needed by 2050. In parallel, invest to the maximum extent possible in mitigating emissions beyond your value chain to neutralise global emissions. [↑](#footnote-ref-0)