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Centre for Economic Transition Expertise

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Taking the lead on climate action and sustainable development

Recommendations for strategic national transition planning at the centre of a whole-of-system climate response

Policy report

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Contents

List of abbreviations

ASCOR – Assessing Sovereign Climate-related Opportunities and Risks
BTR - Biennial Transparency Report
CPP – Country Prosperity Plan
CSDDD – Corporate Sustainability Due Diligence Directive [EU]
DARPA – Defense Advanced Research Projects Agency [US]
DFI – development finance institution
EMDEs – emerging markets and developing economies
ETF – Enhanced Transparency Framework
GCF – Green Climate Fund
GDP – gross domestic product
GFANZ – Glasgow Financial Alliance for Net Zero
G20 – Group of Twenty
IEA – International Energy Agency
IFI – international financial institution
IFRS Foundation – International Financial Reporting Standards Foundation
IIGCC – Institutional Investors Group on Climate Change
ILO – International Labour Organization
IMF – International Monetary Fund
IPCC – Intergovernmental Panel on Climate Change
IRA – Inflation Reduction Act [US]
ISSB – International Sustainability Standards Board
ISO – International Organization for Standardization
JETP – Just Energy Transition Partnership
LT-LEDS – long-term low emissions development strategy
MDB – multilateral development bank
NAP – national adaptation programme
NBAP – national biodiversity action plan
NCQG – New Collective Quantified Goal [on Climate Finance]
NDC – nationally determined contribution
NTP – national transition plan
NZE – net zero emissions
OECD –Organisation for Economic Co-operation and Development
PFI – public financial institution
R&D – research and development
TPT – Transition Plan Taskforce [UK]
UNDP – United Nations Development Programme
UNEP – United Nations Environment Programme
WBCSD – World Business Council for Sustainable Development

Summary

The global economy must transition to a just, low-emissions, climate-resilient and nature-positive future. As it does so, every sector will need to transform: energy systems, industrial processes, the built environment, transport, land-use, and beyond. Every company and every government will need to respond and contribute. Citizens will need to adapt how they live, how they work, and how they travel. And capital will need to be mobilised at speed and scale. To accelerate transformation, strategic but adaptive transition planning is required across the system.

The case for strategic national transition planning

The transition will require huge systems-level change. But systemic transformation at the scale and pace required will not simply 'happen'. Unlike previous economic transitions, this one cannot happen entirely organically. Frictions in the availability and flow of information, along with coordination failures, are inhibiting progress. Technical, social, economic, political and institutional complexities also come into play. The authors[1] of this report argue that strategic, but adaptive, transition planning is required across the system to accelerate transformation. Transition planning turns targets into concrete and accountable actions – identifying what needs to be done; when; in what sequence; by whom; and at what cost.

It is estimated that investment of US$7 trillion per annum will be needed until 2050 to meet net zero goals. Corporate transition plans can be the foundation for credible transition finance, giving investors and lenders confidence to commit capital. Many relevant tools are now available, and pressure from investors, regulators and civil society is starting to build momentum in private sector planning.

However, transition planning in the private sector has exposed important dependencies on government policy. Private actors are increasingly calling for clearer policy signals and incentives from government to inform and support their decisions. And there is evidence that well targeted catalytic interventions by government can unlock innovation, changing the economics of climate solutions and accelerating behavioural change in the economy and society.

At the same time, sovereign debt investors are beginning to scrutinise governments' climate policies, and litigation by civil society is increasingly targeting governments that do not demonstrate or implement credible transition pathways. Strategic, credible and suitably ambitious national transition plans (NTPs) could enhance confidence and trust in countries' climate and sustainability commitments and mitigate legal challenges: steering a fair transition, while advancing climate resilience, sustainable development and energy security goals.

National transition planning would build on countries' existing plans and strategies, enhancing countries' nationally determined contributions (NDCs) and long-term low emission development strategies (LT-LEDS). National transition planning would help to make NDCs 'investible', as investors and investor groups such as the Institutional Investors Group on Climate Change (IIGCC) have encouraged. It would also anchor the design of investment and implementation plans in country platforms and other similar mechanisms.

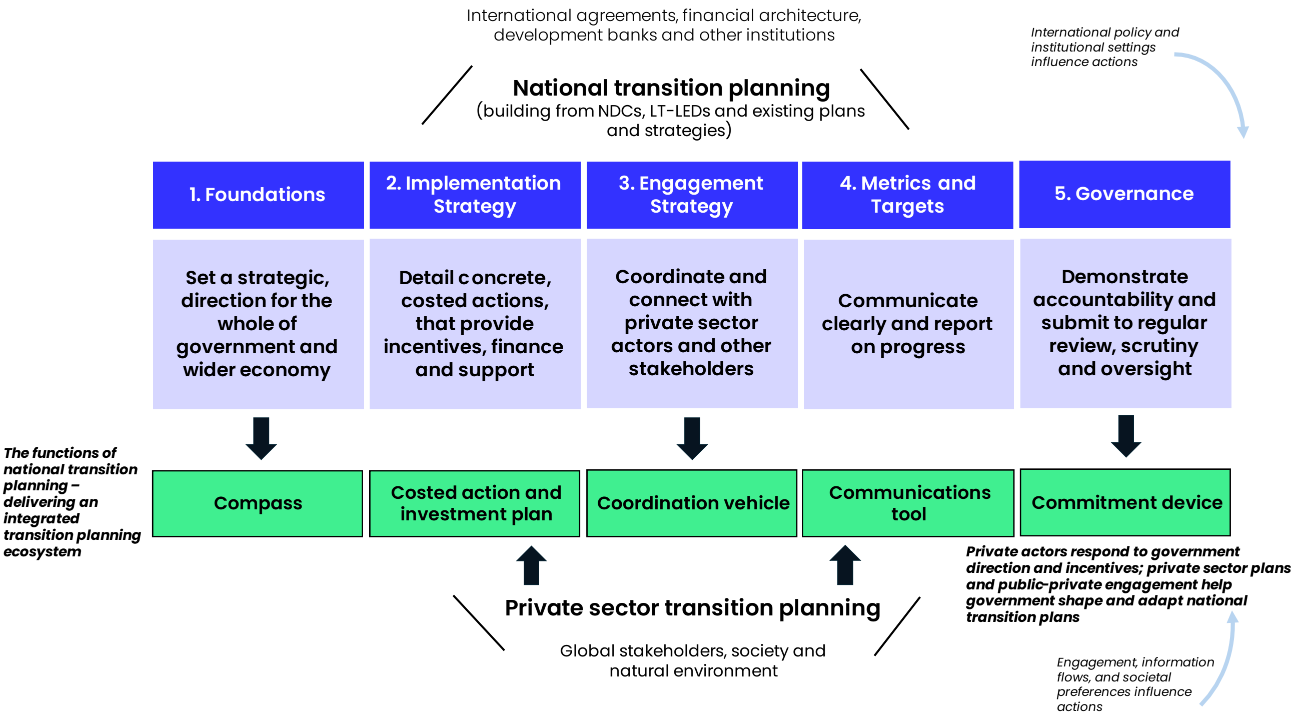
[1] Representing the interests of policymakers, finance and academia.

Recommendations for national transition planning

The Group of Twenty (G20) Task Force for the Global Mobilization against Climate Change has been considering both the need for, and the opportunity of, national transition planning in supporting the objectives of the Paris Agreement and the Sustainable Development Goals (SDGs).

To further the debate, we recommend a set of key considerations and action areas for national transition planning. These recommendations are informed by the tools applied in private sector transition planning. They are organised under five pillars (in blue in Figure S1 below), which align with the Transition Plan Taskforce's *Disclosure Framework* of 2023 and the framework of the Glasgow Financial Alliance for Net Zero (GFANZ) published in its 2022 report *Financial Institution Net-zero Transition Plans*. Our detailed recommendations also reflect the expectations of sovereign debt investors, captured by the framework for Assessing Sovereign Climate-related Opportunities and Risks (ASCOR).

Figure S1. An integrated transition planning ecosystem



Note: NDCs = nationally determined contributions; LT-LEDS = long-term low emissions development strategies.
Source: Authors' analysis, informed by TPT (2023)

Aligning approaches to transition planning across government and the private sector will support a whole-of-system climate response. The systemic nature of the climate crisis demands complementary, interdependent actions and decisions by government, business and finance, as part of an integrated transition planning ecosystem. Figure S1 shows how our recommendations link to five key functions of national transition planning (in green): compass; costed action and investment plan; coordination vehicle; communications tool; commitment device. Together, these '5 Cs' can help to drive whole-of-government and whole-of-economy action.

Our recommendations are principles-based and recognise interdependencies across the system. We offer a structured approach that any government could adapt to its local context, taking account of prevailing sustainable development and growth priorities, and leveraging existing national development strategies and planning processes. Our approach may also be applied in conjunction with complementary resources and planning tools, including those developed by governments, UN agencies, civil society and industry bodies.

Core to the Foundations (1) of our approach to national transition planning is a clear Strategic Ambition. Grounded in the country's commitments under the Paris Agreement and other international agreements, Strategic Ambition sets out how the government aims to contribute to a just, global transition towards a net zero greenhouse gas emissions, climate-resilient and nature-positive economy. The government will then translate its Strategic Ambition into an Implementation Strategy (2) and Engagement Strategy (3) – incentivising, catalysing, supporting and coordinating private sector efforts across all major sectors.

No single policy will achieve the government's objectives, so our recommendations emphasise the need for a complementary package of financial and facilitative measures. We also recommend embedding just transition principles throughout, and developing a national investment plan to better inform financial decisions, both within government and in the private sector. Two-way information flow and collaboration with companies and financial institutions will help shape the government's strategy. And deep engagement with civil society, communities and the public will help to build buy-in and ensure equitable outcomes.

To inform and incentivise private actors, accessible, decision-useful communication of the outcomes of national transition planning will be important. This may be done either in a dedicated NTP, or as part of an equivalent existing document, such as the country's LT-LEDS. Regular reporting on relevant Metrics and Targets (4) will keep stakeholders updated on progress in implementation (building from the Enhanced Transparency Framework of the Paris Agreement), with accountability further underpinned by robust Governance (5) arrangements.

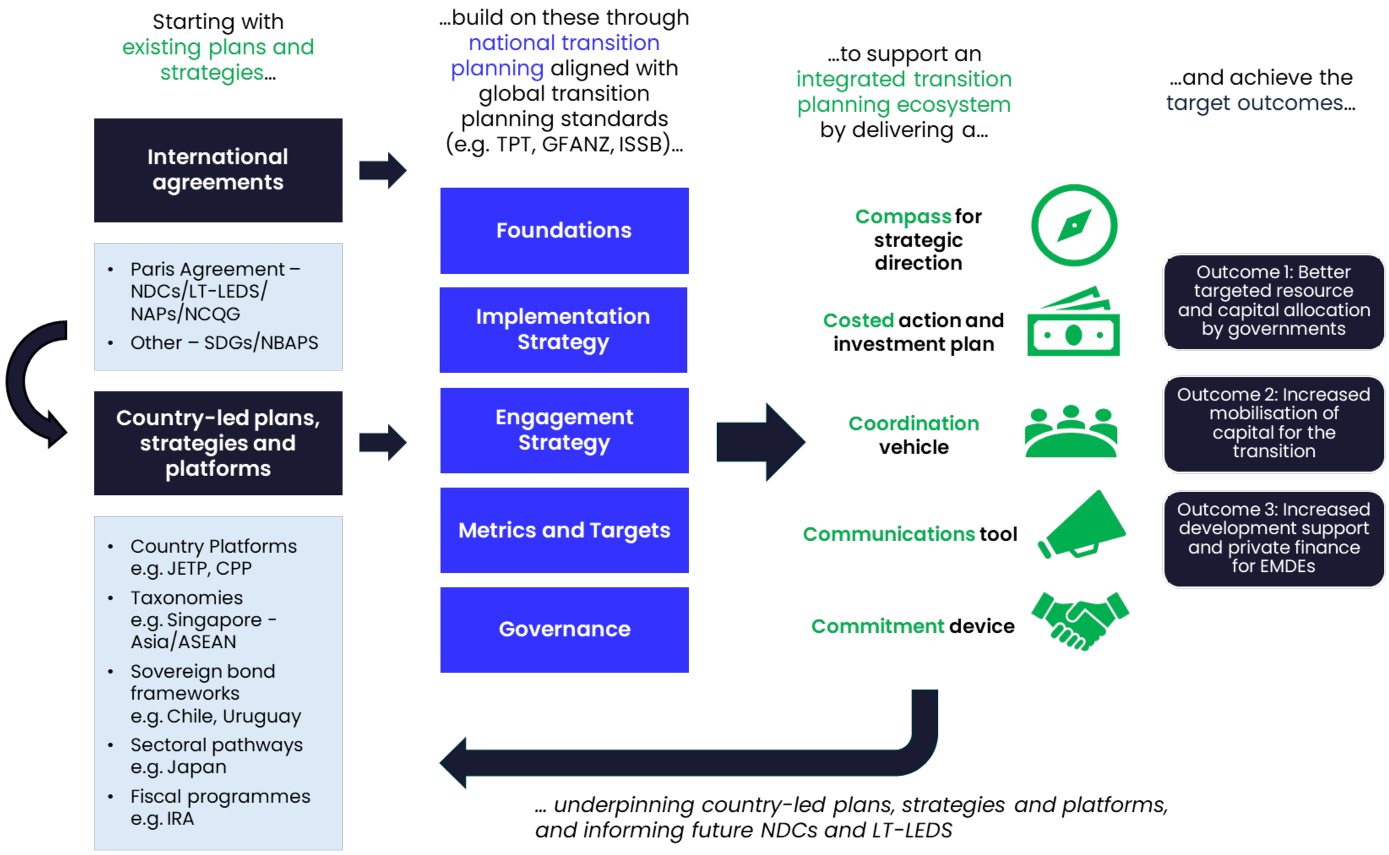
Maximising benefits and smoothing implementation

Since national transition planning builds on the country's NDC, no signatory to the Paris Agreement would be starting from scratch. Countries' NDCs, and especially LT-LEDS, already inform many of the elements of an effective NTP. Furthermore, existing country-led plans, strategies and platforms for climate action and sustainable development will in many cases provide the core of a government's Implementation and Engagement Strategy.

While many countries have the building blocks in place, current approaches are not yet delivering the whole-of-system climate action, or finance, necessary to achieve the Paris goals. Planning activities in different parts of government are often disconnected or conflicting, and they are rarely integrated with private sector transition planning. Moreover, the deployment and upscaling of emerging technologies is often commercially unviable, poorly incentivised or hampered by permitting delays and other barriers. Private actors also often question commitment to particular policies beyond the incumbency of the prevailing government. These factors all contribute to the observed shortfall in private finance for the transition.

Building on existing initiatives to implement national transition planning (Figure S2) will therefore be much more than an 'administrative exercise'. It will be a tool for *genuine action* – unlocking real benefits to governments, business and society. Effective national transition planning will then inform future NDCs and LT-LEDS, and underpin future country-led plans, strategies and platforms.

Figure S2. Building from NDCs and other existing initiatives



Note: International agreements: NAPs = National Adaptation Plans; NCQG = New Collective Quantified Goal; SDGs = Sustainable Development Goals; NBAPs = National Biodiversity Action Plans. Country-led inputs: JETPs = Just Energy Transition Partnerships and CPPs = Country Prosperity Plans.
Source: Authors' analysis, informed by TPT (2023)

Our theory of change emphasises three outcomes:

1. **Better targeted resource and capital allocation by government.** By aligning actions across the many layers, branches and functions of government, and introducing mechanisms to direct, incentivise, finance, coordinate and enable private actors' decisions, a government will be able to allocate resources and capital more effectively.

2. **Increased mobilisation of capital for the transition.** With more coherent and strategic government planning, better targeted government resources and capital, and clear communication of planning outcomes, actors across the economy will have greater certainty, confidence and incentive to invest in the transition – amplifying the scale and accelerating the mobilisation of private capital.

3. **Increased development support and private finance for emerging markets and developing economies (EMDEs).** Providing transparency over future regulatory and policy reforms, and over investment pathways, will help capital providers reevaluate risk. This will in turn improve EMDEs' access to development support and private finance to advance their climate and sustainable growth objectives, and lower the cost of capital for both sovereigns and companies.

Governments around the world have different starting points, different socioeconomic and political contexts, and different resources, capacities and priorities. Depending on the stock of existing climate and development plans and strategies, and other initial conditions, the nature of implementation of comprehensive national transition planning will vary by country, as will the timeframe.

We also acknowledge the inherent complexity in government policymaking, including legacy ministerial divisions and responsibilities, and friction in political processes. Indeed, experience has shown that intra-governmental coordination is rare in both advanced economies and EMDEs. Effective implementation will require, *inter alia*, mapping existing institutional frameworks to identify strengths and gaps, building coordinative bridges between siloed agencies, and establishing new budgeting processes to cost actions as part of a national investment plan.

A partial or phased implementation approach may therefore be a pragmatic one. Governments may prioritise sector-specific strategies initially, as they build capacity. EMDEs in particular may need to access new technical, human and financial resources. We note the extensive capacity-building work already underway, including the efforts of UN agencies, multilateral development banks (MDBs) and other development finance institutions (DFIs). Among our recommendations, we encourage continued efforts in this area, and cross-country sharing of practices.

The authors will work with governments, policymakers and others in the ecosystem to identify piloting opportunities, and to further examine complementarity with other initiatives. Our stakeholder consultations to date have also identified further questions for investigation beyond the scope of this report, such as when and how to identify that the Strategic Ambition of a government's NTP has been achieved.

There is an opportunity for governments to consult our recommendations as they develop their next NDCs, due in 2025, and future LT-LEDS. As noted, the policy landscape is already shifting. In addition to the G20, the Coalition of Finance Ministers for Climate Action is also exploring the role that national transition planning can play. And civil society campaigns such as Mission 2025 are similarly calling on governments to show leadership as they develop their next NDCs. As the physical risks of a changing climate grow, governments must accelerate progress – or else bear the rising social and economic cost of inaction.

1. Introduction

Based on current policies, the world is significantly off-track in meeting the goals of the Paris Agreement. We need to accelerate action before the narrow window to halve emissions by 2030 closes. Given the fundamental transformation required, governments must play a decisive role at the centre of a whole-of-system response.

This report therefore develops a set of principles-based recommendations for strategic *national transition planning* – designed to steer, accelerate and coordinate whole-of-government and whole-of-economy action towards a fair transition, while advancing resilience to climate change impacts, sustainable development and energy security goals.

Applying our recommendations will support governments' delivery against international commitments in the Paris Agreement by helping them target resources and capital allocation more effectively. Transparency of governments' plans will give actors across the economy greater certainty, confidence and incentive to invest in the transition, scaling up private finance in advanced economies and in emerging markets and developing economies (EMDEs).

Structure of the report

- Section 2 makes **the case for national transition planning**, examining the role of transition planning in accelerating climate action across the economy.
- Section 3 **introduces our recommendations for national transition planning**, setting out our theory of change and target outcomes.
- Section 4 considers how to **maximise the benefits and smooth the way for implementing national transition planning**, illustrating how governments can build on existing plans and strategies.
- Section 5 presents **our recommendations in detail.**
- Section 6 **concludes**, also setting out next steps for the authors' engagement with governments and policy organisations to encourage piloting of the recommendations.

Handbook of supplementary guidance and examples

Reference material, guidance and practical, deep-dive examples across the five action areas in our recommendations are included in an accompanying document *A handbook to strategic national transition planning: supplementary guidance and examples*, cross-referred throughout this report as 'the Handbook' and available at www.lse.ac.uk/cetex/publications/a-handbook-tostrategic-national-transition-planning. The two reports are designed to be read together.

2. The case for national transition planning

The Intergovernmental Panel on Climate Change (IPCC) estimates median global warming of 2.8°C by 2100 (a range of 2.1 to 3.4°C) under current nationally determined contributions (NDCs) (IPCC, 2023). Warming at these levels could leave much of the planet unhabitable, with devastating human and economic costs: loss of life, mass migration, geopolitical and social unrest, stressed food systems, infectious diseases, and financial and monetary instability. It is difficult to imagine that economic and financial systems could continue to operate as they do today in such a scenario.

The interaction between natural, societal and financial risks arising from climate change is being examined more closely as the impacts of a warming planet start be felt (Ripple at al., 2023; Trust et al., 2023; Trust et al., 2024). Indeed, the 2023 Global Tipping Points report cautions that, at current temperatures, we are already at risk of breaching dangerous tipping points (Lenton et al., 2023).[2] The number of climate-related disasters recorded in the first two decades of this century increased by more than 80% relative to the previous two decades. These events affected almost 4 billion people (UN Office for Disaster Risk Reduction, 2020).

It has been estimated that more than two-thirds of economic losses arising from natural disasters are uninsured (Verisk, 2023). In recent years, evidence has emerged of insurers either pulling back from some markets or raising insurance premia, due to heightened flood or wildfire risk (e.g. First Street Foundation, 2023). This may be an early sign of a breakdown in the ability of our current system to manage the economic and financial consequences of these events. As a result, now is the time for a decisive response.

Transition planning across the economy

A just transition towards a net-zero-emissions, climate-resilient and nature-positive economy will require a complete rewiring of business, finance and the wider economy. As the economist Nicholas Stern has said: "The necessary transformation of the economy relies critically on changing key systems: energy, cities, transport, land use. These large and complex systems cannot be changed by fiddling with just one parameter, a whole set of policies will be required to foster change" (Stern, 2021: 33).[3]

The challenge we are facing is therefore a systemic one. Furthermore, extensive market failures (such as frictions in the availability and flow of information, along with coordination failures) and deeply set market structures and behaviours are impeding progress. As a result, we need a systemic response, involving complementary, interdependent actions and decisions by government, business and finance, and all directed towards meeting wider societal needs.

System transformation is inherently a complex process, so it is important that the feedback between actions and decisions at every level is considered and assessed. To address the

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[2] IPCC (2022) defines tipping points as "critical thresholds in a system that, when exceeded, can lead to a significant change in the state of the system, often with an understanding that change is irreversible" (p262).

[3] Many others have echoed this. Reflecting on the outcome of COP27 (the 27th meeting of the Conference of the Parties to the UNFCCC) in 2022, the World Resources Institute observed: "As gaps in emissions reductions persist, countries, especially major emitters, must urgently put forward robust and ambitious climate plans and pursue stronger policies to cut emissions, including through action in sectors and methane, to drive the transformations needed to limit temperature rise to 1.5°C" (Alayza et al., 2022).

challenges of business transformation there needs to be collaboration between companies and their various stakeholders, from suppliers to customers and even competitors (CISL, 2022).

Given the urgency to act, and the scale of change required, we cannot rely on this transformation to happen entirely organically. Comprehensive, strategic transition planning across the economy can be an integral part of a whole-of-system response, catalysing behaviours that in time can fundamentally transform the economy. Along with mechanisms for effective engagement, information flow and coordination across the system, flexible and iterative planning can help to create the conditions for accelerated progress.

In recognition, momentum has started to build behind transition planning and transition plan disclosure in recent years. Transition plans turn targets and commitments into concrete implementation actions. They identify what needs to be done; when; in what sequence; by whom; and at what cost. Transition plans also help to identify potential interdependencies between actions, including where synergies and co-benefits can be leveraged to amplify impact.

Capital will need to be mobilised at scale to accelerate progress. It is estimated that investment of US$7 trillion[4] per annum until 2050 will be needed to meet net zero goals (BloombergNEF, 2022), with $2–2.8 trillion per annum needed by 2030 for EMDEs alone, other than China (Songwe et al., 2022). Credible transition plans are increasingly seen as being central to the upscaling of finance for the transition.[5]

To date, most policy and industry initiatives on transition planning and transition plans have centred on the private sector, and a growing number of companies are starting to develop and publish transition plans.[6] The Transition Plan Taskforce (TPT) and Glasgow Financial Alliance for Net Zero (GFANZ) have developed frameworks and guidance for credible transition planning and disclosure (TPT, 2023; GFANZ, 2022). Attention is now turning to tools for assessing the credibility of companies' published plans.[7]

The IFRS Foundation has assumed responsibility for the TPT's disclosure-specific materials (IFRS Foundation, 2024) and will use these to develop educational materials to support disclosures against the transition plan-related provisions in the International Sustainability Standards Board (ISSB) climate-related disclosure standard (IFRS S2; IFRS Foundation, 2023). This could help to embed transition plan disclosure internationally.

There are, however, limits to how far disclosure regulation alone can accelerate climate action (Eccles et al., 2024). Disclosure rules only require companies to set out their plans *if they have them*. Therefore, to drive widespread uptake, investors and other market participants need to reward the presence of high-quality, credible transition plans, and reallocate finance away from those that fall short. Ultimately, pricing of externalities, new laws or regulations, or a structural repurposing of business, may be required to fundamentally change behaviour.[8]

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[4] The use of '$' refers to US dollars throughout.

[5] See Gardes-Landolfini et al. (2023); G20 (2023); OECD (2022); International Platform on Sustainable Finance (2023); Climate Bonds Initiative (2023); and International Capital Market Association (ICMA) (2023).

[6] Analysis by CDP (2024) shows that almost 6,000 companies disclosed they had a 1.5°C-aligned transition plan in place in 2023. Nearly 2,500 of these covered most of the relevant indicators, although just 2% of the companies that reported having a plan were found to have disclosed against all relevant indicators. Analysis by the Transition Pathway Initiative Centre (TPI Centre, 2024) similarly finds remaining gaps in the extent to which companies evaluate and quantify how their business practices and capital expenditure align with their decarbonisation goals – reducing the subsequent clarity and credibility of their transition plans. In particular, the new Level 5 of the TPI's Management Quality Score (TPI Centre, 2023) provides greater insight into the rigour of the transition plans of over 1,000 companies and their implementation. The TPI Centre's analysis reveals that no company meets all Level 5 indicators, and less than 5% score on any individual Level 5 indicator (TPI Centre, 2024).

[7] See World Benchmarking Alliance (2024) for a proposed framework and guidance on assessing the credibility of a company's transition plan.

[8] The EU is already moving beyond disclosure, with the Corporate Sustainability Due Diligence Directive (CSDDD), 2024. CSDDD requires in-scope companies to adopt and put into effect transition plans that, *inter alia*, contain time-bound emission reduction targets for

Government leadership for fundamental transformation

Given the system transformation required and the interdependence between decisions at the national and private sector levels, private sector transition planning alone is not sufficient (Tayler et al., 2023). There will also be a decisive role for government, at all levels. Governments will need to take the lead, enhancing NDCs and LT-LEDS through comprehensive and strategic national transition planning.

Government leadership will help to provide policy clarity and planning certainty to unlock ambition in corporate and financial services sector transition plans, accelerate investment, and align private sector action with national commitments. Sachs et al. (2023), argue that "governments, through their policies, regulations, and public financing, shape markets, assign costs and liability, de-risk and enable financing, support research and development, leverage private finance, price risks, and otherwise organize an entire economy, including public and private actors." [9]

It is important to understand the external factors that may influence the achievement of corporate transition planning goals. This has been highlighted by Rose et al. (2024), who have developed a framework for identifying, quantifying and managing these external dependencies, including important (and interconnected) dependencies related to government policy, regulation, economic and market factors, and technology. The presence of such dependencies can constrain both ambition in private sector transition plans and their effective delivery.

Recognising such dependencies, private actors are increasingly calling on governments to take steps to make NDCs investible (IIGCC, 2024a) – including by providing more detail on sectoral pathways, quantified investment needs and supportive policies.[10] Investors in sovereign debt are also putting governments' climate policies under closer scrutiny – as demonstrated by the work of the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) initiative.[11]

Litigation by civil society is also increasingly targeting governments that do not demonstrate or implement credible transition pathways (see Box 2.1). Strategic, credible and suitably ambitious government-led transition planning would therefore not only give corporate and financial services actors greater confidence to invest, but also increase trust in countries' climate and sustainability commitments among civil society actors – thereby also mitigating legal challenge.

Other important benefits from exercising government leadership through national transition planning include:

1. **Identifying catalytic interventions and creating the conditions for 'bottom-up' private sector action.** Whole-of-government transition planning, built around a clear mission, can help governments target interventions more effectively, sending signals that change corporate behaviour and unlock transformation. Policies that alter the economics of the transition – for instance, by lowering the cost of new low-emissions technologies – can catalyse new markets, shift incentives and fuel climate-positive growth. Faced with the right conditions and incentives, markets will 'do their thing',

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2030 and 2050, aligned with limiting warming to 1.5 degrees. In the UK, a coalition of companies has come together to advocate for changes in corporate law (under a Better Business Act) that would make it a legal requirement to act, in the interests of the environment and society as well as shareholders.

[9] See also Valero and van Reenen (2023); PRI (2023).

[10] In the UK context, the Institutional Investors Group on Climate Change (IIGCC) called on the new UK government to deliver "a supportive policy environment that provides the confidence and certainty needed to make long-term investments in the UK's transition to net zero", with a "centralised strategy" being a key part of this (IIGCC, 2024b).

[11] ASCOR is an investor-led initiative supported by the TPI Centre which identifies the key aspects of a government's climate policy and climate finance that are relevant to investors.

potentially unleashing rapid positive change.[12] Box 3.3 (Section 3) considers the central role of government-led innovation to drive the development and deployment of new technologies. As the International Energy Agency (IEA) observes, "putting in place the enabling conditions to commercialise new technologies and products can help de-risk investments" (IEA, 2023a). Of course, continuous monitoring and oversight will be needed to ensure that government action remains well targeted and is delivering the intended outcomes.

2. **Navigating dynamic change and addressing entrenched behaviours and vested interests.** Technological and wider system transformation is complex. It will require adaptability and experimentation. And inevitably there will be false starts. Technical, social, economic, political and institutional forces all come into play (see Geels, 2022), and a flexible mindset will be necessary. Moreover, the transition will not be in the short-term interests of some incumbent industries and companies. There may be resistance in some quarters as a result. Indeed, vested interests and power dynamics are among the socioeconomic drivers of the speed at which new technologies are adopted. These are already playing out and if climate action is to accelerate, these dynamics will need to be managed (see Mildenberger, 2020 and Box 2.23 in the Handbook). For instance, governments will need to balance incumbent interests with mechanisms for engagement with, and support for, innovators and disruptors (e.g. through government-led innovation mechanisms such as those mentioned above).
3. **Managing risk through the transition and addressing moral hazard.** Systemic oversight through the transition will be important for managing potential dislocations, in both the real economy and the financial system. National transition planning can also help to guide private actors to understand where policy action may strand assets that are inconsistent with the government's climate ambition. Providing such clarity can avoid carbon lock-in and cliff edges, while also addressing moral hazard risks. One explanation for continued investment in hydrocarbons may be investors' perception that governments would bail out losses should these assets become stranded, for example (Butler, 2024).

Box 2.1. National transition planning as a defence against legal challenge

'Strategic' climate litigation is an increasingly visible accountability mechanism for transition planning at all levels. Suits may be rooted in public law or private law, implicating governments and firms (Ganguly et al., 2018). Robust national transition planning that clearly communicates planning outcomes and progress in implementation is emerging as a strategy to mitigate the risk of litigation.

A landmark case in April 2024, *KlimaSeniorinnen Schweiz and Others v. Switzerland,* held that the Swiss government's failure to make rapid cuts in emissions was a violation of human rights. The ruling confirmed the importance of robust transition planning and carbon budgets at the national level (the criteria set out by the Court are detailed in the Handbook). This ruling increases the pressure on other states in this regard.[13]

Even where a plan exists, litigation may be brought to challenge the level of ambition or the implementation of the plan. A leading example is the 'Carbon Budget' ruling of the UK High Court in May 2024 that said the UK Government's climate action plan is in breach of the Climate Change Act (2008) and inadequate to meet legally required net zero targets by 2050. In 2022, the High Court had ordered the Government to revise its first Net Zero Strategy, after which the Government created its Carbon Budget Delivery Plan. This revised Plan, and the steps proposed to meet it, were successfully challenged as insufficient and unlawful.[14]

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[12] Shrimali at al. (2024) argue that "a prerequisite for corporate transition plans to be credible is country-level actions". The authors advocate for a "carrot-and-stick approach", whereby the government's policy package incentivises bold climate action and penalises companies that fall short.

[13] See also International Tribunal for the Law of the Sea, 2024, which ruled unanimously that it is a state obligation to "take all measures necessary" to prevent and control marine "pollution" from greenhouse gas emissions.

[14] See *R(Friends of the Earth Ltd) v. Secretary of State for Energy Security and Net Zero.*

While all signatories to the Paris Agreement have the building blocks for national transition planning in place in their NDCs, and in some cases also LT-LEDS, *comprehensive* and *strategic* government-led planning remains a nascent practice. According to Net Zero Tracker,[15] of the 147 governments that had made a net zero commitment as of June 2024, only 18 had published a detailed implementation plan. Where the information does exist, it is often spread across different documents.

However, policymakers are starting to respond. UN Climate Change Executive Secretary Simon Stiell in March 2024 referred to as "NDCs 3.0", describing them as "the investment plans for the future" (Stiell, 2024).[16] The Group of Twenty (G20) Task Force for the Global Mobilization against Climate Change has been considering both the need for, and the opportunity of, national transition planning in supporting the objectives of the Paris Agreement and the Sustainable Development Goals (SDGs). Further, the Coalition of Finance Ministers for Climate Action is exploring, *inter alia*, how national transition planning can help governments provide investors with confidence in their commitment to sustainability, and thus attract financing (Coalition of Finance Ministers for Climate Action, 2024). Civil society campaigns such as Mission 2025 (Groundswell, 2024) similarly call on governments to show leadership as they develop their next NDCs.

To advance the debate against this backdrop, the rest of this report develops a set of recommendations for national transition planning, designed to happen at the centre of an integrated transition planning ecosystem. These recommendations build on the ideas in Manning et al. (2024a). We hope that our work can help to inform ongoing policy development and help governments 'get started' as they develop their next NDCs and future LT-LEDS. Acting early and decisively is likely to cut the costs of the transition and improve economic performance.

[15] See Net Zero Tracker. Similarly, as part of its assessment methodology, Climate Action Tracker considers "comprehensiveness of planning". Six countries plus the EU are rated as "acceptable" (Chile, Colombia, Costa Rica, EU, South Korea, Thailand and Kazakhstan): that is, they have identified "pathway and key measures for reaching net zero, with sector-specific detail".
[16] In a similar vein, the Energy Transitions Commission (2024) recommends that "NDCs 3.0" define: (i) clear and detailed roadmaps for implementation of accelerated climate action backed by strong government policy (e.g. quantitative targets in Giga Watts for renewables, phaseout dates for bans on the sale of internal combustion engine vehicles); (ii) measurable, comprehensive (covering all sectors and greenhouse gases) and granular targets for emissions reductions; and (iii) investable plans, especially for emerging markets, clearly stating the investment and international climate finance required to deliver stated targets.

3. Introducing recommendations for national transition planning

In this section we introduce our principles-based recommendations for strategic national transition planning, which recognise interdependencies across the system. Complementing the rollout of transition plans in the private sector (which is beginning to move onto a mandatory footing), our recommendations are designed to be applicable globally and to support governments in playing a strategic and decisive role at the centre of a system-wide climate response. The details of our recommendations are set out in Section 5, with guidance and examples in the accompanying Handbook.

Informed by the tools developed for private sector transition planning, our approach reinterprets the content and coverage of the Transition Plan Taskforce's Disclosure Framework for the national planning context (see Appendix 1).[17] We apply the TPT's principles of *ambition*, *action* and *accountability*, and adopt the same 'five pillar' structure as both the TPT and GFANZ frameworks. Since investors' decisions are a key point of integration between national-level and private sector planning and action, the ASCOR framework has also informed the key considerations and action areas in our recommendations (see Appendix 2; Scheer et al., 2023).

We offer a structured approach that any government could adapt to its local context, taking account of prevailing sustainable development and growth priorities, and leveraging existing national development strategies and planning processes. It may also be applied in conjunction with complementary resources and planning tools – such as tools developed by governments, UN agencies, civil society and industry bodies. One example is a comprehensive Climate Investment Planning and Mobilization Framework developed by the Green Climate Fund and the NDC Partnership (see Box 3.2 below). The authors will work with others in the ecosystem to examine how existing tools can be applied in the context of our recommendations.

Overarching recommendations for each of the five pillars:

1. **Foundations.** Establish a clear Strategic Ambition for the government's contribution to a just, global transition towards a net zero greenhouse gas emissions, climate-resilient and nature-positive economy. This should set the direction for the whole of government and the wider economy, inform pathways for all major sectors, and give companies and financial services firms the confidence to commit capital.

2. **Implementation strategy.** Drawing from a menu of financial and facilitative policy tools, detail concrete actions designed to provide incentives, finance and support for a whole-of-economy transition in line with the national Strategic Ambition and the sectoral pathways that flow from it; embed just transition principles across all measures; and track the financing needs to implement these actions by way of a costed national investment plan.

3. **Engagement strategy.** Develop plans to coordinate and connect at every level: companies and financial services firms; civil society, communities and the public; and

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[17] We note that other transition plan frameworks share common elements. Some of these informed the TPT's work – see TPT (2022: 15-21). The strategic orientation of the GFANZ and TPT frameworks aligns with our systems perspective. As noted, the IFRS Foundation now hosts the TPT's disclosure-specific materials.

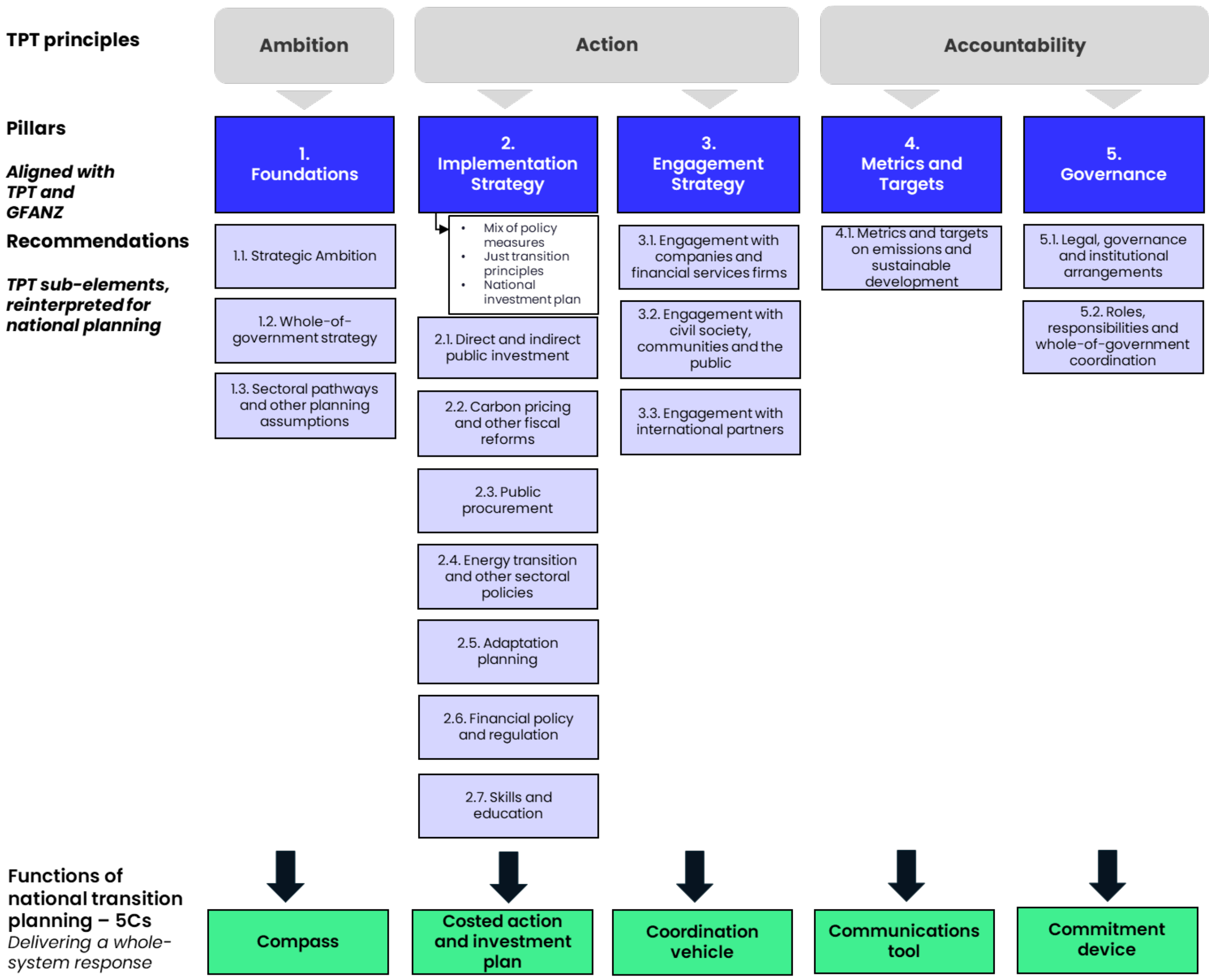
international trading, policy and development partners – in order to inform national transition planning activities and advance the national Strategic Ambition.

4. **Metrics and targets.** Communicate key actions and outcomes clearly and accessibly across all recommendations, with regular reporting on progress against metrics and targets that build from obligations under the Enhanced Transparency Framework of the Paris Agreement and reflect the national Strategic Ambition. The aim should be to provide accountability and inform the economic decisions of private actors and international stakeholders.

5. **Governance.** Establish effective legal, governance, accountability and whole-of-government coordination mechanisms to support the design and development of action plans aligned with the national Strategic Ambition, along with regular review, scrutiny and oversight of implementation.

The action areas covered by these recommendations are illustrated in Figure 3.1 below. Section 5 provides a more detailed set of 16 recommendations that flow from these overarching recommendations.

Figure 3.1. Recommendations for national transition planning, informed by the Transition Plan Taskforce



Source: Authors' analysis, informed by TPT (2023)

Our recommendations are designed to support governments to play a strategic and decisive role at the centre of a system-wide response: steering, accelerating and coordinating a whole-of-economy transition.

The 5 Cs

Figure 3.1 shows how our recommendations flow through to five core functions of national transition planning – the '5 Cs'. These provide the direction and the mechanisms for integration with private sector transition planning.

Compass: set a strategic direction for the whole of government and actors across the wider economy

Costed action and investment plan: detail concrete, costed actions that provide incentives, finance and support for actors across the economy, attracting investment aligned with the Strategic Ambition

Coordination vehicle: coordinate and partner with private sector actors, the public and other stakeholders to drive action in line with the Strategic Ambition

Communications tool: communicate in a clear, decision-useful and accessible way across the five pillars of our recommendations, with annual reporting at the minimum

Commitment device: demonstrate commitment and accountability and submit to regular review, scrutiny and oversight

An integrated transition planning ecosystem

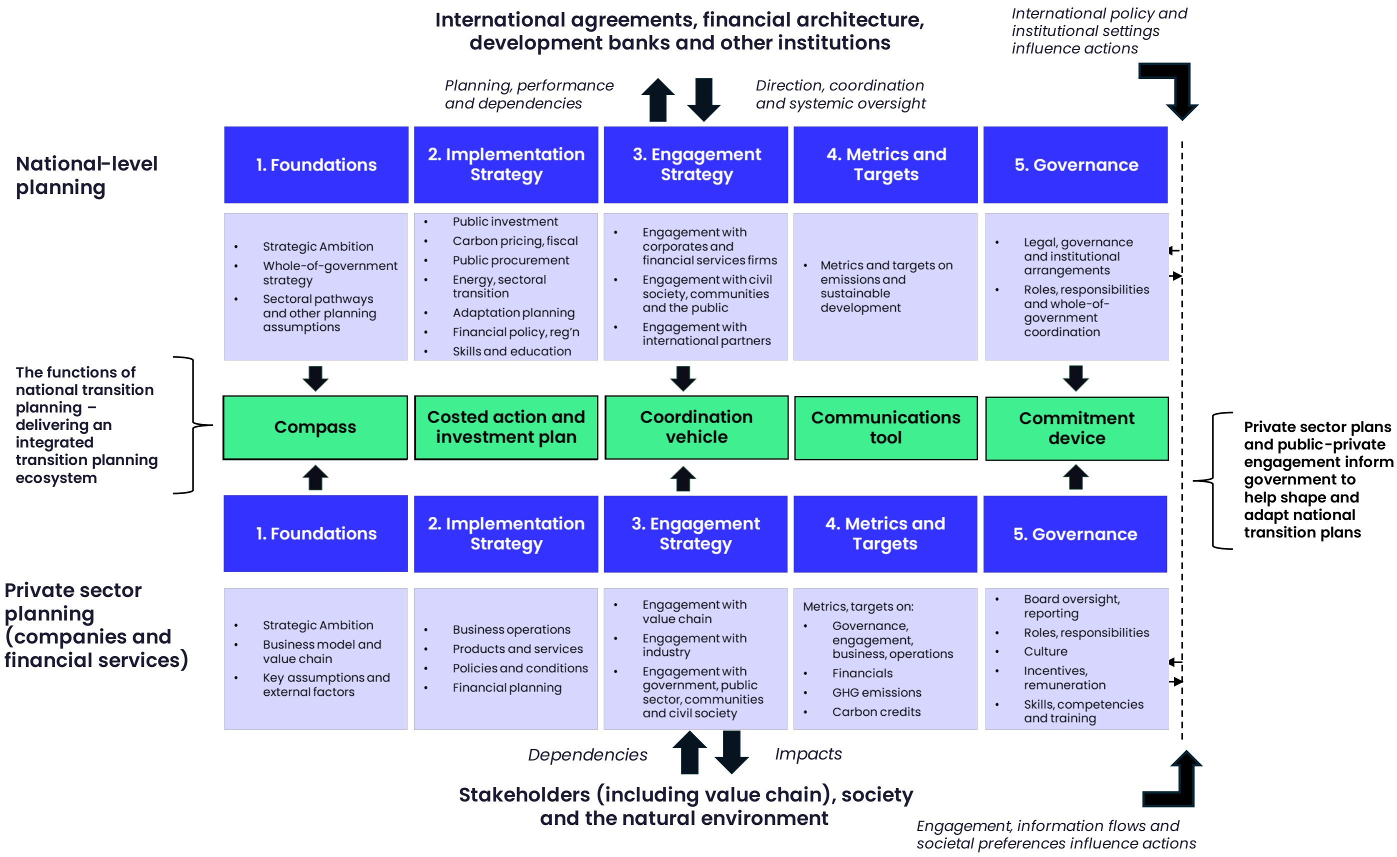
Aligning transition planning frameworks across government and the private sector will support the emergence of an *integrated transition planning ecosystem*[18] that can help to deliver a whole-of-system climate response (Figure 3.2).

As noted in Section 2, transition planning in the private sector has exposed important dependencies on government policy. Private actors are increasingly calling for clearer policy signals and incentives from government to inform their decisions. We argue that these may be best provided through an integrated approach that connects national and private sector planning, and creates a supportive, collaborative environment for public–private action.

The five functions of 5 Cs of effective national transition planning set out above serve as the mechanisms to bring national and private sector plans together in an integrated ecosystem. These mechanisms operate within the wider context of international agreements and institutions, with due consideration to impacts and dependencies on stakeholders, society and the natural environment.

[18] Tayler et al. (2023) describe the interactions between transition plans across the ecosystem. The authors illustrate how national transition planning can both inform, and be informed by, planning across the economy.

Figure 3.2. An integrated transition planning ecosystem



Notes: The authors acknowledge that the mechanisms for government to coordinate, engage and share information with private sector agents will differ between corporate and financial services actors. The exposition is therefore a simplification. See in Tayler et al. (2023: Figure 6) for a more granular illustration of the interlinkage between transition plans across the economy.
Source: Authors' analysis, informed by TPT (2023)

Below we explore how our recommendations help to fulfil each function.

Foundations → Compass for strategic direction

Our approach is anchored in the concept of a national Strategic Ambition (see Recommendation 1.1). The national Strategic Ambition will be science-based and informed by the government's commitments under international agreements – e.g. the Paris Agreement, Global Biodiversity Framework, and the Sustainable Development Goals (SDGs) – and it will align with the country's NDC, NAP and existing national development plans. Reflecting country characteristics, including sustainable development and growth priorities, the Strategic Ambition will set clear objectives and priorities for the government's contribution to a just, global transition towards a net zero-emissions, climate-resilient and nature-positive economy.

The Strategic Ambition will form the basis for a coherent whole-of-government strategy across the many layers, branches and functions of government, exploiting synergies and managing trade-offs (see Recommendation 1.2). It will also guide policy and climate action across the economy. To this end, we recommend translating the Strategic Ambition into transition pathways for all major sectors (see Box 3.1 below; Recommendation 1.3), again, importantly, reflecting country-specific characteristics. A government may pragmatically prioritise the most critical and impactful sectors for the economy (see Section 4).

Box 3.1. Developing transition pathways for all major sectors

Translating the national Strategic Ambition to sectoral pathways can help to set a common direction for all major sectors. Sectoral pathways can be used to inform the design of sector-specific and broader government policy, and they can serve both as a reference point for private sector transition plans, and as a benchmark against which investors and other stakeholders can assess progress and hold companies to account (see also Box 2.2 in the Handbook). By developing sectoral pathways in collaboration with industry participants – exploring and analysing a range of potential scenarios – the government can gather expert inputs and also learn about common challenges and constraints. Such engagement can help to inform future policy.

Working back from a 2050 target, policymakers and industry participants can identify key dependencies and consider carefully the necessary sequencing of investments, including investments in core infrastructure.

Sectoral pathways will ideally be consistent with relevant internationally developed pathways and scenarios, extending to 2050, such as the IEA's Net Zero Emissions by 2050 Scenario (NZE; IEA, 2021; IEA, 2023b). The NZE considers how different sectors will need to transform to achieve the necessary decarbonisation. It focuses in particular on the supply of fossil and low-emissions fuels, electricity generation and three main end-use sectors – industry, transport and buildings. For each sector, the IEA details critical technology and infrastructure milestones and the policies required to achieve them.

The IEA's scenarios may then be adapted for relevant country-specific circumstances (see e.g. Brinsmead et al., 2023; Climateworks Centre, 2023). Local tailoring will be especially important in the context of EMDEs, where for reasons of credibility, feasibility and fairness, all foundational policy parameters, including taxonomies and other investment allocation criteria, will need to be viewed through a country-specific lens (see NGFS, 2024; IMF, 2023a; TPT, 2024).

Implementation strategy → Costed action and investment plan

Informed by the Strategic Ambition and sectoral pathways, we recommend that governments develop a detailed implementation Strategy. An effective implementation strategy will apply an integrated regulatory and policy approach, with a mix of financial and facilitative policy tools, that sets incentives, and provides finance and support for a whole-of-economy transition in line with the national Strategic Ambition (see Recommendations 2.1-2.7). The optimal policy mix will be jurisdiction-specific and take into account the effectiveness of each tool, by sector, and also the economic efficiency, revenue mobilisation, administrative practicality, and political acceptability of each tool (see IMF, 2023b). An effective Implementation Strategy will also embed just transition principles and other sustainability objectives; and be supported by a costed national investment plan (see Box 3.2 below and the Handbook).

In a detailed study of around 1,500 climate policies spanning two decades, 41 countries, and four sectors, Stechemesser et al. (2024) observe a wide range of policy approaches. Examining the effectiveness of the observed policies, both individually and when implemented as part of a package, the authors find evidence of just 63 successful policy interventions. This underscores the importance of carefully designed and well targeted policy. Furthermore, the authors find that in most cases, "effect sizes are larger if a policy instrument is part of a mix than [if] implemented alone".

A 'green premium' is currently observed on most transition solutions across sectors – in other words, low-emissions options carry an additional cost. This makes such options commercially non-viable. Governments therefore have a substantial role to play to help change the economics. This may involve the application of a range of policy measures considered elsewhere under 2. Implementation strategy – e.g. public investment (Recommendation 2.1), taxes and subsidies (Recommendation 2.2), and public procurement (Recommendation 2.3) (see Box 2.13 in the Handbook).

In this context, the IEA emphasises the role of government in committing public funds to basic scientific research, and incentivising and cooperating with the private sector to accelerate the development and deployment of new technologies (IEA, 2020). Box 3.3 introduces the approach to government-led innovation that the US government has taken over several decades (this is detailed further in Box 2.7 of the Handbook; both draw heavily from Mazzucato, 2023).

Box 3.2. Guidance on national investment planning from the NDC Partnership

The NDC Partnership has developed best-practice guidance on investment planning for NDCs (NDC Partnership, 2023). The guidance sets out three process stages:

- *Stage 1*. Investment planning and capacity (including establishing institutional arrangements, engaging stakeholders, and monitoring and reporting).
- *Stage 2*. Identification and prioritisation of investment needs (including identifying the investment needs to support achievement of NDCs, costing and analysing financing gaps, prioritisation investment and supporting activity).
- *Stage 3*. Investment mobilisation (including identifying barriers, adapting policies and regulation [as necessary], matching sources of funding, preparing projects and pipelines).

Jointly with the Green Climate Fund (GCF), the NDC Partnership has built from this guidance to develop a comprehensive *Climate Investment Planning and Mobilization Framework,* designed to help governments move "from planning for the implementation of NDC/NAP/LT-LEDSs to identifying and mobilizing finance for investment needs" (GCF and NDC Partnership, 2023).

Box 3.3. Government-led innovation

It is understood that substantial innovation will be needed to develop the technologies required for the transition of different economic sectors. Among its recommendations to accelerate clean energy progress, the IEA calls for governments to "increase public spending on clean energy R&D [research and development] and demonstration to address pressing innovation gaps", and to "accelerate development of enabling infrastructure" (IEA, 2023a).

In the US, the government has played an important role in stimulating innovation and R&D since the 1950s, through a network of government agencies. This network has proactively supported academic research, developed ties between academia and startups, and provided financial support and other forms of assistance to new and existing firms.

One of the US government agencies that is central to this approach is the Defense Advanced Research Projects Agency (DARPA). Initially set up to enhance US technological superiority, DARPA has always been highly mission-oriented. Its main focus is to assist firms in developing new product and process innovations, which it does by: fostering a scientific community across academia, government and business; providing funding to a mix of university-based researchers, start-up firms, established firms and industry-consortia; helping firms commercialise new technologies; and building cross-system links.

Government leadership and close collaboration between public sector officials, innovators and the business community are critical to the success of the model.

Engagement strategy → Coordination vehicle

An effective whole-of-system response relies on coordination and connectivity across the ecosystem, domestically and internationally. Every economic actor has some agency in the transition.

Accordingly, it will be important for governments to engage, collaborate and build partnerships with the full range of stakeholders, to inform and advance action in line with the Strategic Ambition – that is: companies and financial services firms (see Recommendation 3.1); civil society, communities, the public (see Recommendation 3.2); and international policy, trading and development partners (see Recommendation 3.3).

There are many examples of effective engagement with companies and financial services firms in support of transition goals (see Box 3.4). The approach to engagement will necessarily be tailored to the particular purpose of the engagement, and the operational context – including relevant institutional, social, cultural and trust factors. Careful consideration of success drivers will also be important; these include inclusivity, and the agency and incentives of participants in the engagement. Indeed, acknowledging the risk of entrenched behaviours and vested interests (see Section 2), engagement with incumbents will need to be balanced with mechanisms for engagement with, and support for, innovators and disruptors.

Beyond engagement with companies and financial services firms, it will be critical that governments work proactively to educate citizens and ensure a just and equitable transition. Box 2.19 in the Handbook provides some examples of public engagement approaches.

Box 3.4. Public-private engagement in support of transition goals

Public-private engagement with companies and financial services firms in support of transition goals typically falls into one of the following three categories:

- *Collaborating on policy development*. Private actors support the development of an effective policy environment, aligned with national goals, by providing access to specialist knowledge and expertise, along with additional policy development resources; and by communicating insights and shared experience.
  Examples: Consultation on transition pathways, Japan; development of the TPT Disclosure Framework, UK (see also Appendix 1).
- *Identifying and addressing implementation barriers*. Companies, financial services firms and government come together regularly to identify and address informational, technological, legal/regulatory or financial barriers to the achievement of national policy goals.
  Example: the Danish Government's Climate Partnership.
- *Partnering to scale up solutions*. Government and private actors partner to scale up emergent technological solutions and other high-impact practices and activities, including by identifying targeted financing mechanisms. By coming together with a clearly defined 'mission', actors from across government, business and finance can collaborate to identify critical cross-system connections, resources and capacities – e.g. targeted R&D, public-private financing, recalibration of incentives, or sequencing of public and private action. *Example*: DARPA (see Box 3.3 above and Box 2.7 in the Handbook); World Business Council for Sustainable Development (WBCSD) Zero Emission Vehicle Emerging Markets Initiative (WBCSD, 2023).

See Handbook for further details plus examples.

Metrics and targets → Communications tool

Clear communication of the outcomes of the national transition planning process can help to build confidence in the plan and support private decision-making (see Recommendation 4.1). Such communication should be directed to both domestic and international stakeholders, including the public. It may take the form of a dedicated NTP, or an equivalent existing document such as the country's LT-LEDS, that brings all relevant planning information together, across all the recommended action areas, in a way that is accessible and useful to decision-making. Providing progress updates, at least annually, will help to instil trust and provide accountability. It is recommended that these build from the Enhanced Transparency Framework of the Paris Agreement (UNFCCC, 2022), also referencing other metrics relevant to the national Strategic Ambition.

The alignment of our approach with the frameworks developed for private sector transition planning can support the emergence of a common language, assisting actionable communication. The detailed indicators considered by the ASCOR framework (see Appendix 2) may be helpful examples as a government considers which metrics associated with its transition plan may be useful to providers of capital in their decision-making.

Governance → Commitment device

National transition planning will necessarily be flexible, dynamic, iterative and responsive to new information. For this reason, it will be important that plans are not static and that domestic accountability, governance and coordination processes are put in place to oversee implementation and keep plans under review. At the same time, private actors will seek policy stability beyond the incumbency of the prevailing government.

Alongside communication on the lines described above, an effective commitment and accountability device will entail the establishment of legal, governance and institutional arrangements (see Recommendation 5.1) to support the design and development of action plans aligned with the Strategic Ambition. Ideally, this will introduce institutional settings that reduce the risk of policy reversals. It will also assign clear executive and decision-making roles and control processes, as well as whole-of-government coordination mechanisms (see Recommendation 5.2). Responsibility could be allocated to a dedicated ministry – one that has influence and access across government. Given the centrality of detailed investment plans, finance ministries will need to play a core role, alongside other ministries and independent bodies.

Some governments may seek capacity-building support, including from multilateral bodies to support planning and implementation, to help, *inter alia*, develop effective governance and institutional frameworks.

Target outcomes and theory of change

If implemented in accordance with our recommendations, our theory of change is that national transition planning will deliver three key outcomes:

- **Outcome 1. Better targeted resource and capital allocation by governments.** A critical benefit of transition planning is its use as a tool to identify what needs to be done, analyse barriers and constraints, and consider how the collective resources of the organisation can be mobilised to address them. At the national level, the exercise of bringing the various layers, branches and functions of government together, co-creating solutions, and negotiating towards a whole of government strategy, can help ensure a better targeted approach to the transition. Supplementing a whole-of-government strategy with mechanisms to direct, incentivise, finance, coordinate and support actors across the ecosystem will help the government allocate resources and capital more effectively and efficiently. Close engagement, coordination and partnership with private actors – including with innovators and disruptors – will help inform the government on policy, technological and financial dependencies, and design and sequence interventions more effectively. For instance, the government will be better informed to direct and sequence the financing of infrastructure, or provide support for R&D and the deployment of emergent technologies. Clear communication, accountability, and a focus on justice, equity and prosperity in the transition, will enhance trust and wider societal buy-in.

- **Outcome 2. Increased mobilisation of capital for the transition.** The Parties to the Paris Agreement (2023: para 70) highlighted the need to strengthen policy guidance, incentives, regulations and enabling conditions to scale up private finance. More coherent and strategic government planning and better targeted government resources and capital can help to make NDCs investible. And with clear, accessible communication of planning outcomes, and effective implementation, actors across the economy will have greater planning certainty, confidence and incentive to invest in the transition. This will, in turn, help to crowd-in and scale up private finance.

- **Outcome 3. Increased development support and private finance for EMDEs.** Providing transparency of future regulatory and policy reforms, and investment pathways, through national transition planning – in an NTP or equivalent document – will help capital providers reevaluate risk, improving access to finance and lowering the cost of capital for both sovereign and corporate borrowers. This will in turn improve their access to development support and private finance to advance their strategic objectives. Development partners and private capital providers alike will use the information to identify the most effective and efficient ways to support EMDE goals. Commitments by advanced economies to provide support may be incorporated directly into their own national transition planning processes, forming part of their Strategic Ambition and investment plans.

4. Maximising benefits and smoothing implementation

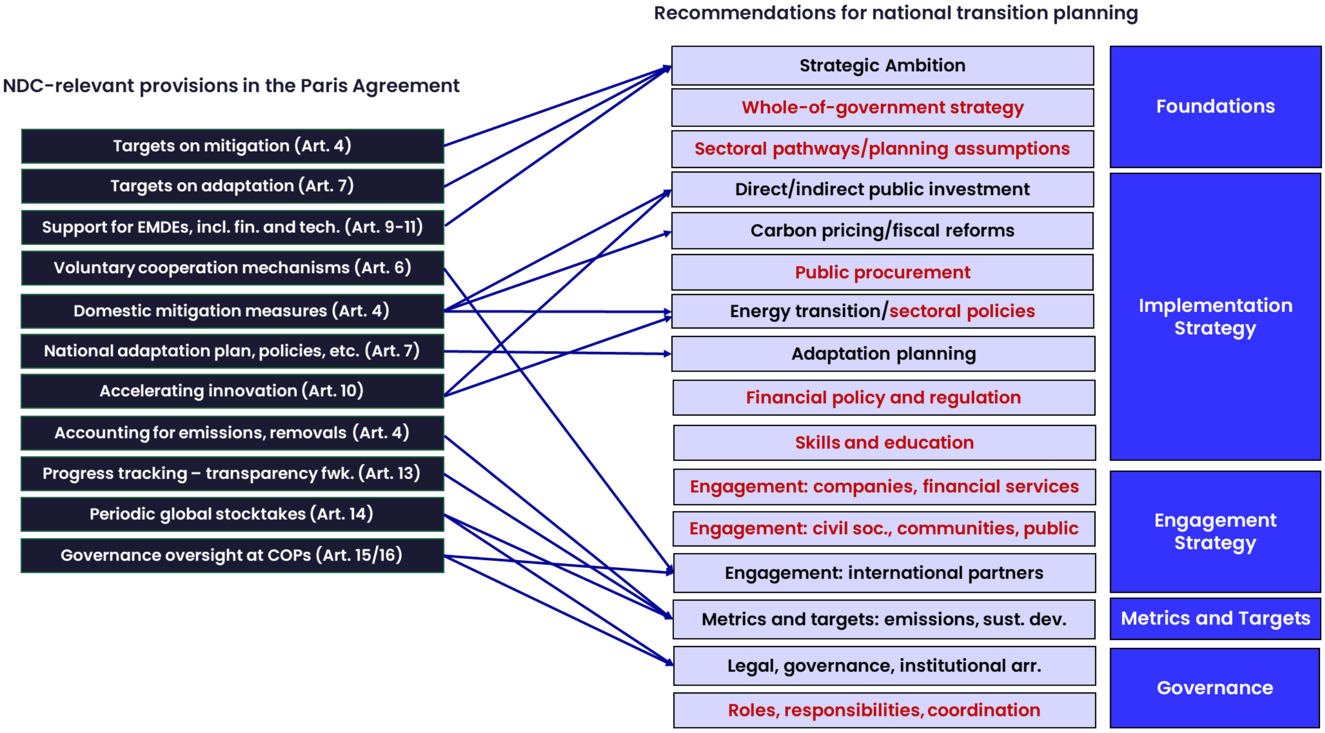
Governments do not have to start from scratch in their national transition planning process. Rather, they can build on existing policies and strategies. When properly combined, existing NDCs, NAPs, LT-LEDS, and other climate-related and development plans and strategies can inform and shape national transition planning. This planning will then feed into *future* NDCs, LT-LEDS and other strategic documents; and anchor the design of country platforms and other similar country-driven mechanisms for advancing climate action and sustainable development.

Building on current NDCs, LT-LEDS and country-led plans and strategies

NDCs

Our proposal for national transition planning has been developed to be compatible with the Paris Agreement and the nationally determined contributions that signatories are required to update and publish every five years. To date, despite the availability of guidance and support, NDCs have varied widely in their starting point, ambition, comprehensiveness and quality. Core content items in NDCs, as set out in the Paris Agreement, already address many of the key considerations and action areas included in our recommendations across all their five pillars. But the Paris Agreement operates at a less granular level and does not explicitly cover the subjects of several of our more detailed recommendations (see the red items in Figure 4.1).

Figure 4.1. Mapping NDC-related provisions of the Paris Agreement to our recommendations



Source: Authors' analysis; NDC-relevant provisions drawn from the Paris Agreement (2015)

In the absence of granular expectations for NDCs, it is inevitable that there is some ambiguity in the interpretation of each of the articles and variability in implementation outcomes. This creates difficulties for economic actors that rely on assumptions about future policy direction to inform their own transition planning efforts. Where signals from governments are too vague, conflicting or time-inconsistent, decision-makers across the economy cannot make bold transition decisions.

A UN stocktake of NDCs carried out in 2023 observed that only 48% of signatory countries had "integrated their NDC targets, goals and policies into national legislative, regulatory and planning processes as a means of implementation" (UNFCCC, 2023a). Indeed, when reviewing a sample of NDC submissions, we found that NDC information is often not up-to-date and is insufficiently detailed to support economic decisions.

LT-LEDS

Long-term low emission development strategies are another key piece of the national transition planning puzzle. In accordance with Article 4, para. 19 of the Paris Agreement, signatory countries are encouraged to disclose their strategy for a just transition to net zero by or around 2050. The purpose of LT-LEDS is therefore firmly aligned with our vision for national transition planning.

While some countries have issued quite detailed LT-LEDS,[19] the UN's analysis again reveals that many of the 68 LT-LEDS available at the time of its stocktake do not provide enough actionable information (UNFCCC, 2023b). For instance, while 85% of LT-LEDS noted that financial support is needed to implement the strategy, only 37% provided costed needs – with 19% describing financial needs qualitatively, or providing more general statements.

To provide further direction, the UN Development Programme has set out 'building blocks' for the effective development and implementation of LT-LEDS (UNDP, 2024). These include: ambition and vision; pathways and scenarios; sector transformations and priorities; finance and investments; monitoring and revision; adaptation and resilience; and an equitable, fair and just transition. These items map closely to our recommendations.

Country platforms and other country-led strategies

Some governments have negotiated country platforms:[20] these are bilateral or plurilateral agreements to plan and finance the net zero, climate-resilient transition in specific sectors in EMDEs. The most prominent examples of country platforms are the Just Energy Transition Partnership (JETP) Agreements that Indonesia, South Africa, Senegal and Vietnam have signed in recent years.[21]

The funding envisioned to support these country platforms may come from advanced economy governments and multilateral entities, in some cases supplemented by capital from private sector investors. Country platforms often include granular information about sector-specific transition pathways and targets, as well as governance and accountability mechanisms. They also set out a detailed list of implementation actions and projects, their respective costs, and ways to fund and finance them.

Governments that have entered into such agreements can therefore incorporate these established plans, strategies and arrangements into their national transition planning processes. Since country platforms are often confined to one sector, policymakers may benefit from devising compatible climate action in other sectors that feed into a single, coherent, whole-of-government strategy.

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[19] See, for example, the LT-LEDS published by the governments of Chile and Ethiopia. Chile's is summarised in the Appendix to the Handbook to illustrate the degree of coverage relative to our recommendations.
[20] See Sabogal Reyes and Ahlgren (2024) for a discussion of country platforms.
[21] See, for example, Republic of South Africa (2022) and Sri Lanka's Climate Prosperity Plan.

Some countries have also developed climate investment plans[22] or formulated policy frameworks to attract transition finance from capital markets.[23] The ideas and assumptions underlying a country's green or transition taxonomy are another useful input.[24]

Implementation considerations in national transition planning

National transition planning is therefore an evolution of governments' existing planning activities. However, as observed above, even where a government has the core elements of an NTP in place, planning activities in different parts of government are often disconnected or conflicting, and rarely integrated with private sector transition planning. This may reflect the inherent complexity in government policy-making – including legacy ministerial divisions and responsibilities, and frictions in political processes. Indeed, experience has shown that intra-governmental coordination for any country, whether an advanced economy or an EMDE, is extremely rare (though we have identified some examples in the Handbook).

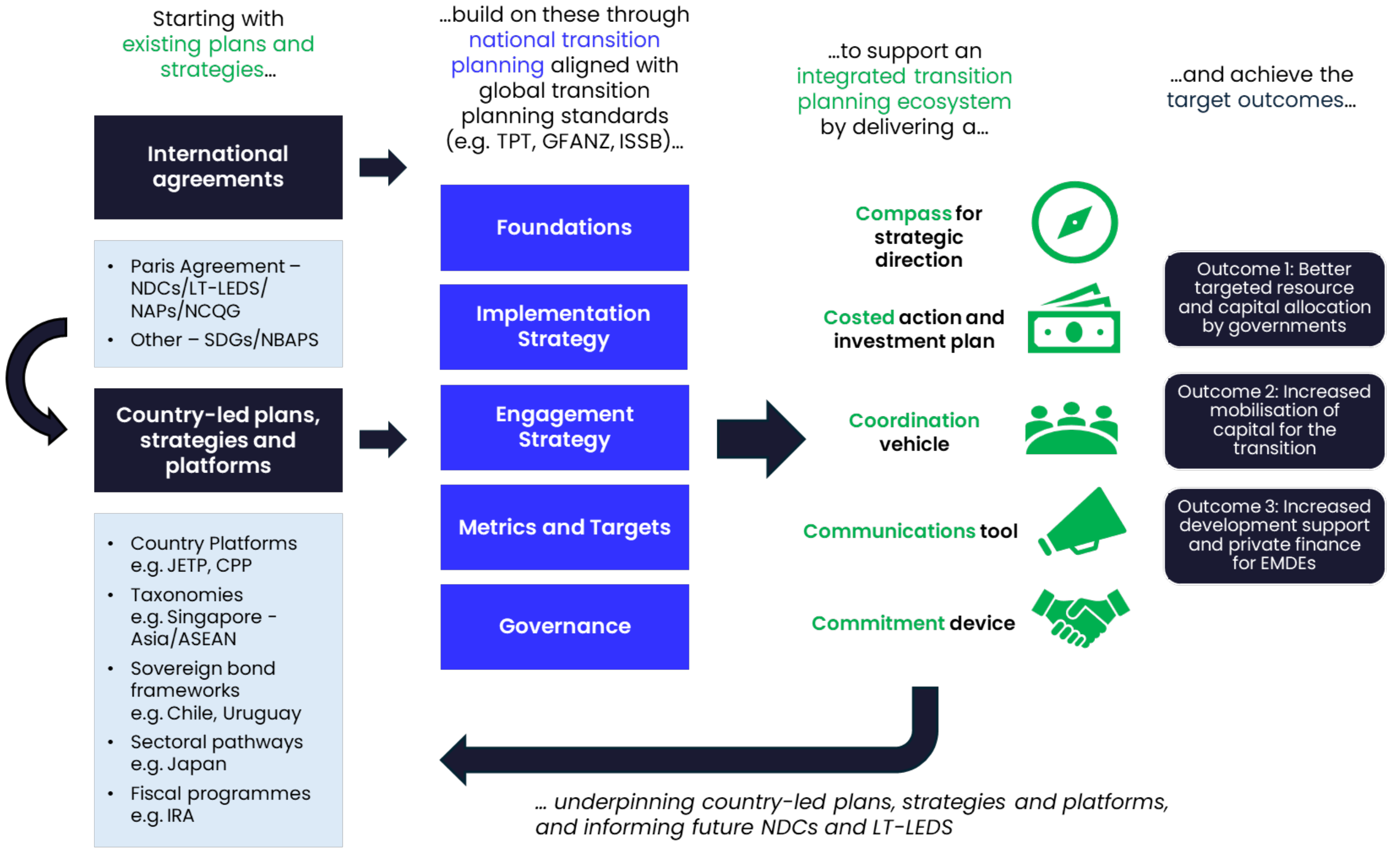
Moreover, the deployment and upscaling of emerging technologies is often commercially unviable, poorly incentivised or hampered by barriers such as permitting delays. Private actors also often question commitment to particular policies beyond the incumbency of the prevailing government. These factors all contribute to the observed shortfall in private finance for the transition.

Thus, current approaches are not yet delivering the whole-of-system climate action, or finance, necessary to achieve the goals of the Paris Agreement. By building on and leveraging existing approaches, informed by our framework, a government can accelerate progress (see Figure 4.2). Harnessing existing plans and strategies, and incorporating them into national transition planning in a way that facilitates whole-of-government and whole-of-economy coordination, can support an integrated transition planning ecosystem and help achieve the outcomes in our theory of change.

National transition planning should not therefore be seen as yet another administrative exercise. Indeed, international law is pointing the direction of travel towards national transition planning becoming a state obligation, as discussed in Box 2.1. We argue that national transition planning is a strategic blueprint for genuine action: a tool that brings all the inputs and key planning elements together in a coordinated, costed and clearly communicated way, with accountability to stakeholders.

22 The Vulnerable Group of Twenty (V20) Climate Prosperity Plan is a case in point.
23 See, for example, Chile's Sustainability-Linked Bond Framework and Uruguay's Sovereign Sustainability-Linked Bond Framework.
24 Good examples are the Singapore-Asia and ASEAN transition taxonomies.

Figure 4.2. Leveraging existing plans and strategies in national transition planning



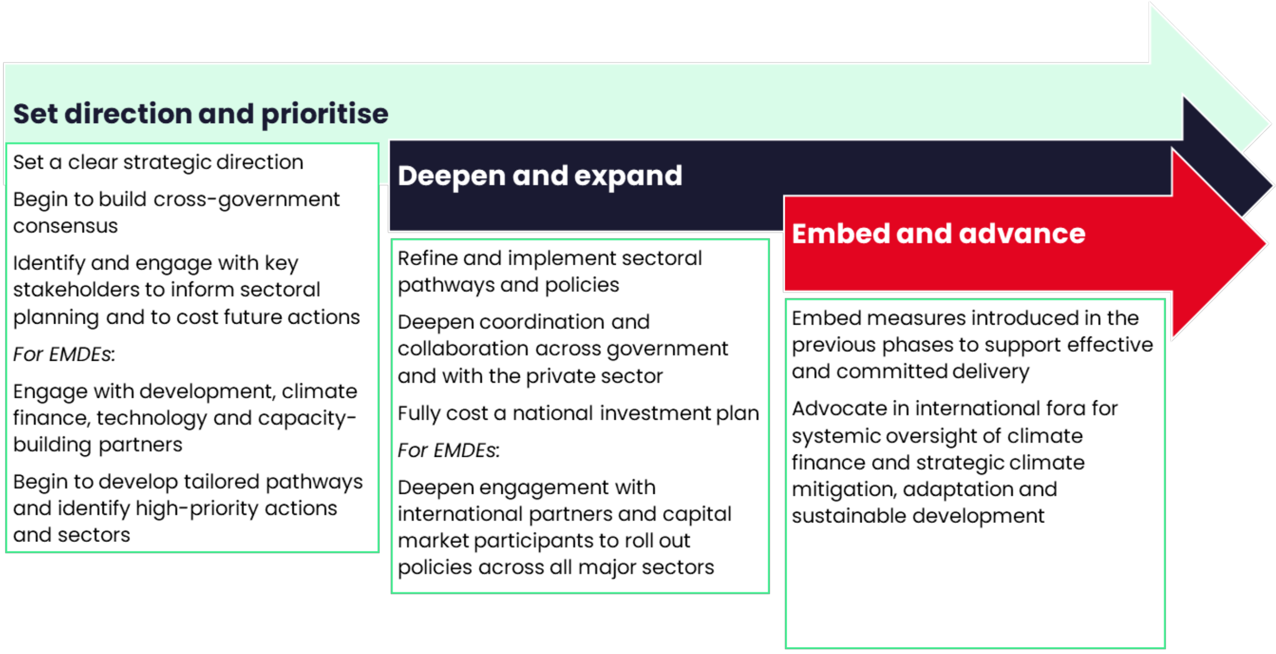
Note: International agreements: NDCs = nationally determined contributions; LT-LEDS = long-term low emissions development strategies; NAPs = national adaptation programmes; NCQG = New Collective Quantified Goal; SDGs = Sustainable Development Goals; NBAPs = national biodiversity action plans. Country-led inputs: JETPs = Just Energy Transition Partnerships; CPPs = country prosperity plans.
Source: Authors' analysis, informed by TPT (2023)

Phased implementation

Governments around the world have different starting points, different socioeconomic and political contexts, and different resources, capacities and priorities. Depending on the stock of existing climate and development plans and strategies, and these initial conditions, the nature of implementation of a comprehensive and strategic approach to national transition planning will vary by country, as will the timeframe. However, this is a process that all countries will ultimately need to embark on as the global economy shifts and the impacts of climate change crystallise at an accelerating rate.

Prevailing legal, institutional and fiscal planning frameworks may also have implications for a government's readiness. A partial or phased implementation approach may therefore be pragmatic in some cases. Figure 4.3 suggests three broad phases of implementation: deepening, expanding and more fully embedding national transition planning over time. The phases summarised in Figure 4.3 are described further below.

Figure 4.3. A phased approach to implementation



Source: Authors' analysis

A natural approach for some governments may be to begin by setting a high-level national Strategic Ambition. Even where implementation is phased over time, there will be substantial benefit to providing clarity and transparency over medium- and long-term goals. Setting overall strategic direction can be a helpful way to steer and coordinate actions both within government and by private actors.

Depending on its starting point, a government may wish to prioritise strategies for certain key sectors initially, as it builds capacity. An important foundation for this will be to develop national and sector-level transition pathways that are credibly aligned with the Paris Agreement, and that are coherent with country-specific circumstances and domestic sustainable development and growth priorities. These can help the government identify high-priority actions and sectors, and begin developing targeted, costed action plans for their transition that can credibly attract finance. Where a government has already developed, or taken steps towards developing, a country-level investment plan for energy transition, this may be the starting point for the roll-out of a similar strategy to other sectors.

Phase 1. Set direction and prioritise

In the early stage of implementing its national transition planning process, a government can draw on the strong foundations of existing commitments and implementation initiatives to establish the Strategic Ambition of its plan, informed by a stocktake of existing domestic plans and strategies, and an assessment of progress to date. From this starting point, the government may begin to build key connections within government, and between government and private actors, and prioritise initial actions. As noted, the government may focus initially on certain key sectors.

In order to advance national transition planning, some countries – EMDEs, in particular – may need to access new technical, human and financial resources. A first step may be to deepen engagement with development, climate finance, technology-transfer and capacity-building partners. The government may then work with partners to carry out an 'architectural mapping' with a view to assessing the 'distance to target', identifying and engaging key stakeholders, and establishing capacity-building needs (see the detailed guidance on Recommendation 5.1 in the Handbook).

Such a mapping may take the form of a comprehensive review and assessment of legal, regulatory, policy and institutional strengths, as well as incentives, barriers and gaps to achieving the national Strategic Ambition. As part of this, the government may identify and consult with actors critical for effective implementation, and agree the roles they will need to play. Over time, the government may establish more formal, enduring mechanisms for information flow, coordination and partnership with these actors.

We note the extensive capacity-building work already underway, including the efforts of UN agencies, multilateral development banks and other development finance institutions. Among our detailed recommendations (under 5. Governance), we encourage continued efforts in this area, and cross-country sharing of practices. In particular, we encourage governments to consider multilateral financial assistance for capacity-building and sharing of practices – including to develop and enhance governance and institutional arrangements for national transition planning, with an emphasis on roles, responsibilities and mechanisms for coordination. Table 4.1 provides some example activities, distinguishing between advanced economies and EMDEs.

Table 4.1. Priority activities in the 'set direction and prioritise' phase

For advanced economies, the emphasis could be on:	For emerging markets and developing economies, the emphasis could be on:
• Taking stock of existing plans and strategies, as part of architectural mapping. • Setting a clear strategic direction by articulating the national Strategic Ambition. • Improving coordination and building consensus across government, taking first steps to: identify synergies and co-benefits between policies; identify and address trade-offs, competency gaps and internal blockages; and establish governance and institutional arrangements to strengthen accountability. • Identifying and engaging with key stakeholders across the economy, to: better understand the dependencies in their transition plans, and barriers to accelerated progress (e.g. related to policy, technology or funding); collaborate in the development of sectoral transition pathways, tailored to the local context; refine sectoral policies, develop appropriately sequenced plans for infrastructure rollout, and identify opportunities to catalyse innovation. • Establishing arrangements for tracking and disclosing costs and expenditure associated with implementation measures, working towards a fully costed national investment plan. • Setting financial and technical commitments to support EMDEs in the delivery of their sustainable development and growth priorities.	• Engaging with development, climate finance, technology-transfer and capacity-building partners. • Working with partners to carry out comprehensive architectural mapping to assess status, set direction, prioritise early actions, and identify capacity-building needs. • Setting a high-level Strategic Ambition that places climate change mitigation and adaptation in the context of sustainable development and growth priorities. • Identifying the sectors with the highest priority transition needs, and for these sectors working with partners, and other actors across the economy, to develop costed transition pathways tailored to the national context; and deepening international climate finance and technology transfer partnerships (e.g. via country-led platforms). • Deepening the climate information architecture, including disclosures, and other supportive policy frameworks. • Working with partners, as appropriate, taking steps to enhance governance and institutional arrangements, especially to improve coordination and build consensus across government.

Phase 2. Deepen and expand

A key aspect of the transition planning process is coordination across government and the private sector to understand barriers and necessary incentives to support the transition. Deepening processes to bring together the national strategy and sectoral pathways, and to marry these with information from private sector transition plans, can help the government assess the committed and uncommitted capital in train to deliver the plan; and identify financing solutions to close gaps. This, in turn, can support private sector actors with a supply of bankable projects to meet their own commitments and corporate strategies.

In this phase, the government may also deepen whole-of-government coordination to more fully consider the menu of policy options and other actions available – e.g. policies, finance, skills, planning and other delivery processes – to create an enabling environment for accelerated progress across the economy. Where a government has begun with the highest priority sectors, deeper connections both within government and with the actors across the economy may facilitate the roll-out of its transition strategy to other key sectors. Table 4.2 provides some example activities in this phase.

Table 4.2. Priority activities in the 'deepen and expand' phase

For advanced economies, the emphasis could be on:	For emerging markets and developing economies, the emphasis could be on:
• Refining and implementing sectoral pathways and policies, including infrastructure investment and deployment of new technologies. • Deepening arrangements for coordination, cooperation and collaboration, both within government and with wider external stakeholders, including: deeper engagement with companies and financial services firms across the economy; more effective public campaigns and other societal engagement initiatives for climate action; and influencing activities with international policy and trading partners, to promote alignment with the national Strategic Ambition. • Fully costing and implementing a national investment plan, including: allocating public funding to catalyse private climate finance for the transition; setting fiscal and other incentives for accelerated business transformation; and scaling up international climate finance and development support for EMDEs. • Establishing stronger arrangements for oversight and accountability.	• Deepening engagement with international development partners and capital market participants to scale up international climate finance, technology transfer and capacity-building. • Working with partners to refine and implement sectoral pathways and policies in priority sectors, including: development of a costed action and investment plan for a wider range of priority sectors; transparent policy settings for these sectors, tailored to the national context; and infrastructure investment, deployment of new technologies and targeted development and growth initiatives. • Deepening coordination across government.

Phase 3. Embed and advance

In the final phase, the government may embed more fully the actions taken in the previous phases, while also submitting to closer scrutiny of its progress towards delivering its plan. Table 4.3 provides some example activities.

Table 4.3. Priority activities in the 'embed and advance' phase

For advanced economies, the emphasis could be on:	**For emerging markets and developing economies, the emphasis could be on**:
• Demonstrating accountability to citizens and other stakeholders, also building trust through regular reporting. • Deepening measures taken in the previous phases to support effective and committed delivery in line with the national Strategic Ambition. • Advocating in international fora for systemic oversight of climate finance and the provision of strategic support to EMDEs on climate mitigation, adaptation and sustainable development.	• Deepening measures taken in the previous phases to ensure effective delivery in line with the national Strategic Ambition, in close collaboration with international development partners.

Source: Authors' analysis

Governments' priorities may also usefully be informed by investors' expectations, since meeting these can help to scale up private capital. It will be instructive to consider what investors view will make NDCs 'investible' (IIGCC, 2024a). The elements of governments' climate policies and climate finance strategies captured in the ASCOR assessment framework for sovereign issuers (see Appendix 2) may also be helpful indicators of these expectations. Investors' expectations will be tailored to countries' prevailing circumstances. Indeed, we note that low-income countries in particular are exempt from assessment against several indicators in the ASCOR framework.[25]

The authors will continue to engage bilaterally and multilaterally with governments and policy organisations to examine resources and capacity further, to identify connections with other initiatives, and to identify opportunities to pilot the recommendations in this report.

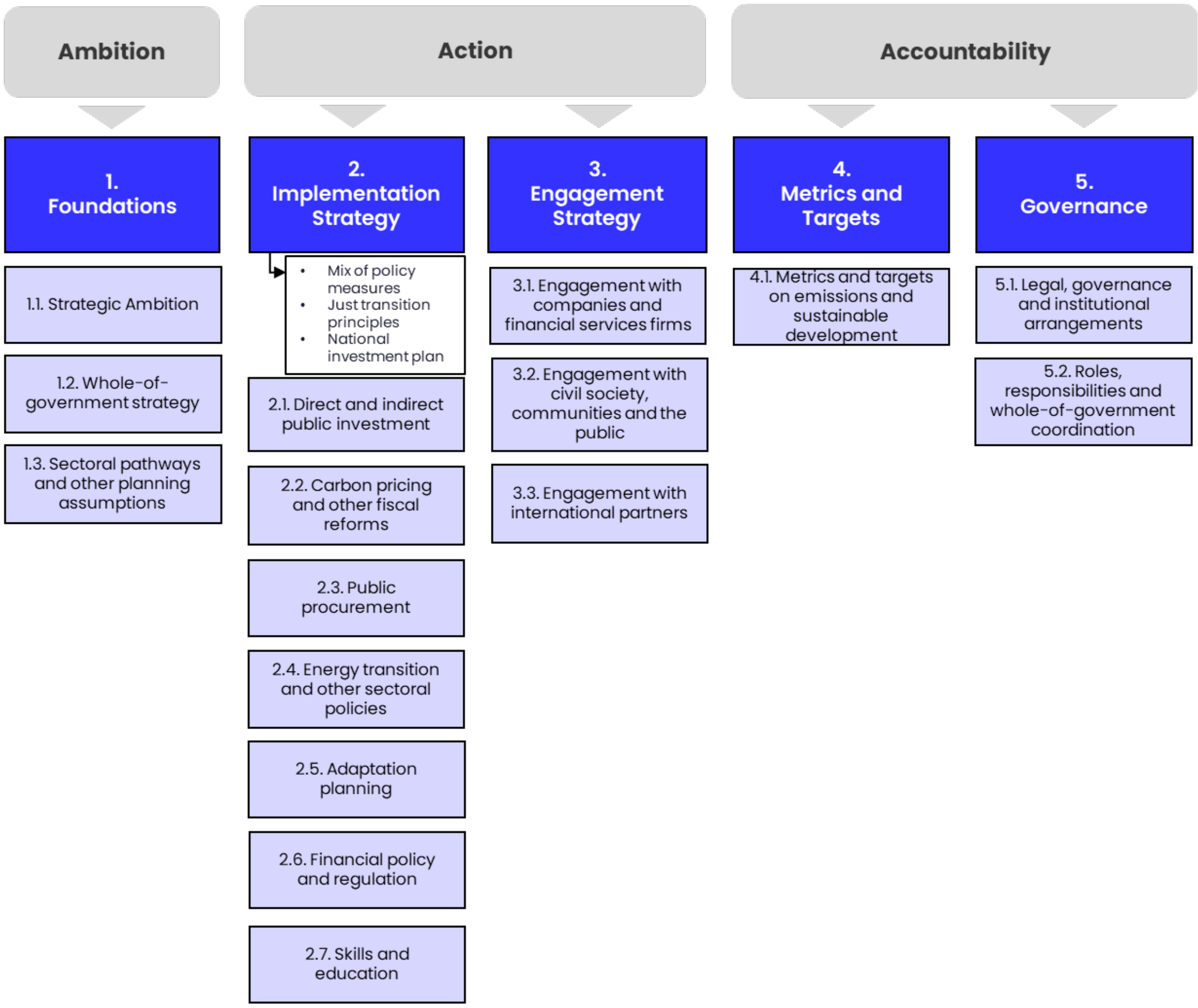
[25] Exemptions for low-income countries in particular include several climate policy indicators related to carbon pricing, fossil fuels and sectoral transitions (see Scheer et al., 2023).

5. Recommendations and action areas

Developing a strategic, whole-of-government approach to transformation – at the centre of a system-wide response – will necessarily be complex, touching almost every area of government policy. While acknowledging this complexity and the necessary limits to the scope of this report, in this section we set out in detail our recommendations on the key considerations and action areas for national transition planning.

The accompanying Handbook elaborates on these recommendations further, providing additional guidance and practical examples. To help readers navigate between the two reports, Table 5.1 includes references to practical examples and resources that are detailed in the Handbook. First, Figure 5.1 sets out the key considerations and action areas.

Figure 5.1. Key considerations and action areas for national transition planning



Source: Authors' analysis and TPT (2023)

Table 5.1. Overview of recommendations for national transition planning

1. Foundations **Establish a clear Strategic Ambition for the government's contribution to a just, global transition towards a net zero greenhouse gas emissions, climate-resilient and nature-positive economy. This should set the direction for the whole of government and the wider economy; inform pathways for all major sectors; and give companies and financial services firms the confidence to commit capital.**		
Recommendation **1.1. Strategic Ambition** Establish the Strategic Ambition of national transition planning, including short-, medium- and long-term targets. Informed by science and international commitments, the national Strategic Ambition will comprise the government's objectives and priorities for its contribution to a just, global transition towards a net zero-emissions, climate-resilient and nature-positive economy.	**Summary** Strategic Ambition is the compass of national transition planning activities, helping to steer the transition across all major sectors, and in the context of the country's sustainable development and growth priorities. Clear direction to decision-makers, both within government (see Recommendation 1.2), and in the corporate and financial services sectors, will help to align climate action across the economy. The national Strategic Ambition will be science-based and informed by the government's commitments under international agreements, setting its objectives and priorities for its contribution to a just, global transition towards a net zero-emissions, climate-resilient, and nature-positive economy. In some cases, international commitments will have binding legal status in the jurisdiction (see Recommendation 5.1).	**Key planning content – further guidance** • Science-based emissions reduction pathways and targets. • Complementary objectives and priorities towards a just, equitable, climate-resilient and nature-positive economy. • Goals related to the provision of, or reliance on, international climate finance, cooperation and support. **Examples in the Handbook** • Brazil's Ecological Transformation Plan; Colombia's Leadership Portfolio for Climate Action and Sociological Transition (Box 2.1).
Recommendation 1.2. **Whole-of-government strategy** Embed the national Strategic Ambition coherently across all layers, branches and functions of government, aligning policy and strategy at national and sub-national levels.	**Summary** Recognising that transformation will inevitably have deep impacts across the many layers, branches and functions of government, whole-of-government planning and coordination will be essential (see Recommendation 5.2). A joined-up, coordinated strategy across government, at national and sub-national levels, will reveal synergies and co-benefits between	**Key planning content – further guidance** • Anchoring public policy in the national Strategic Ambition. • Addressing any misalignment of policy, and harnessing opportunities for greater alignment.

	policies, along with trade-offs, conflicts, competency gaps and internal blockages.	**Examples in the Handbook** • Chile's LT-LEDS, summarised in the Appendix to the Handbook, provides an example of whole-of-government planning, including the allocation of roles and responsibilities across ministries and mechanisms for inter-ministerial coordination.

Recommendation 1.3. Sectoral pathways and other planning assumptions
Determine sectoral pathways aligned with the national Strategic Ambition, in the context of the specific constraints and opportunities of the country, and identify other key planning assumptions.
	Summary
	Sectoral pathways set a common direction for all major sectors, grounded in science, and aligned with the national Strategic Ambition.
	Sectoral pathways can be used to drive and design policy interventions – e.g. to inform targeted support for research, development and commercialisation and deployment of new or emerging technologies. Transparency of sectoral pathways also provides a reference point for private sector transition plans, and a benchmark against which progress can be assessed.
	Sectoral pathways will ideally be developed through close engagement with stakeholders (see 3. Engagement Strategy), bringing together authoritative global scenarios for net zero by 2050 (e.g. developed by bodies such as the IEA), and expertise from local industry participants. Engagement with stakeholders will ideally consider a selection of possible pathways. Sectoral pathways, once agreed, should then be appropriately tailored to country-specific circumstances.
	Clarity on other planning assumptions is also important, e.g. related to international policy developments and macroeconomic conditions, or access to international climate finance and cooperation.
		Key planning content – further guidance
		• Sectoral transition pathways:
		  ○ Use of sectoral pathways, including to inform policy and act as a reference point for private actors
		  ○ Developing sectoral pathways: grounding in science; engagement with industry participants; consistency with internationally developed pathways and scenarios; tailoring for country-specific circumstances.
		• Other planning assumptions: international policy developments; macroeconomic conditions; access to international climate finance and cooperation.
		Examples in the Handbook
		• IIGCC has articulated the usefulness of sectoral pathways in scaling up investment for the transition (Box 2.2).
		• The French Environmental Agency has set out decarbonisation trajectories for the nine principal energy-intensive industrial

		sectors, informed by consultation with industry participants (Box 2.3). • Japan's Ministry for the Economy, Trade and Industry has set up a taskforce to develop sector-specific roadmaps to underpin transition finance. Roadmaps have been developed for 22 industrial sectors (Box 2.4).

2. Implementation strategy

Drawing from a menu of financial and facilitative policy tools, detail concrete actions designed to provide incentives, finance and support for a whole-of-economy transition in line with the national Strategic Ambition and the sectoral pathways that flow from it; embed just transition principles and other sustainability objectives across all measures; and track the financing needs to implement these actions by way of a costed national investment plan.

An effective Implementation Strategy will be grounded in an **integrated regulatory and policy approach**, which draws from a menu of financial and facilitative measures to arrive at a package of complementary interventions. It will also embed **just transition principles** and other sustainability objectives across all measures; and be supported by a **national investment plan**, which costs the government's action plan and helps direct public funding, incentives and other policy instruments to where they are most needed. Careful tracking of financing needs to deliver on the Strategic Ambition, and identification of gaps can help to ensure well-targeted public investment and sound macroeconomics, while crowding in private finance. Specificity and quantification will be important to ensure the strategy is useful in decision-making processes, both within government and for private sector actors.

Examples in the Handbook

- Resources considering an integrated regulatory and policy approach, and implementing principles for a just transition: Bowman (2023); Nachtigall et al. (2022); IMF (2023b); ILO (2016); Macquarie et al. (2023).
- Resources considering national investment plan: NDC Partnership (Box 2.5).
- Example of national investment plan: Kenya's Energy Transition Investment Plan (Box 2.6).

Recommendation 2.1. **Direct and indirect public investment**	**Summary**	**Key planning content – further guidance**

Invest public funds in activities aligned with the national Strategic Ambition, either directly or indirectly (e.g. via public financial institutions/ development finance institutions).	A public investment programme is likely to be a key aspect of the government's implementation strategy. This may include measures to finance and support the deployment of national transition-enabling infrastructure (such as public transport, charging infrastructure, or an extended flexible grid), R&D, innovation, and education programmes, and bioeconomy initiatives and adaptation measures against climate disasters (see also Recommendations 2.4 and 2.5). Granularity and specificity in the articulation of projects and commitments under the programme – with reference to the national investment plan – will be important for whole-of-government and whole-of-economy planning purposes.	• Examples of direct and indirect public investment, including:
		  ○ Public financial institutions' (PFIs') and DFIs' activities
		  ○ De-risking investments, including public-private financing.
		• Sovereign sustainable debt issuance.
		Examples in the Handbook
		• Government-led innovation and the DARPA model (Box 2.7).
		• PFI/DFI activities:
		  ○ UK Green Investment Bank investment in wind energy (Box 2.8)
		  ○ Multilateral and national development bank cooperation – World Bank-Development Bank of Rwanda (Box 2.9).
		• De-risking:
		  ○ Green Guarantee Company (Box 2.10).
		• Sovereign sustainable debt issuance:
		  ○ Uruguay Ministry of Economy and Finance, 2022; Japan Climate Transition Bond (Box 2.11).

**Recommendation 2.2.
Carbon pricing and other fiscal reforms**
 	
Influence private actors' economic decisions through fiscal measures, including by setting incentives (and disincentives) that accelerate private investment in projects and activities that align with the national Strategic Ambition.
	Summary
	
	Setting fiscal incentives (and disincentives) that make transition pathways cost- and profit-competitive can help to accelerate the development, commercialisation and deployment of new technologies, and crowd-in private finance. Such policies may include well targeted environmental taxes, catalytic subsidies that alter the economics of new low-emissions technologies, or the removal and repurposing of fossil fuel subsidies.
		Key planning content – further guidance
		
		• Influencing private actors' economic decisions through fiscal measures, including through:
		    o Carbon pricing
		    o Fiscal programmes
		    o Economic clusters.
		
		Example in the Handbook
		• Fiscal programmes – US Inflation Reduction Act, which has the potential to unlock nearly $400 billion in federal funding for clean energy (Box 2.12).

Recommendation 2.3. Public procurement Align public procurement with the national Strategic Ambition.	**Summary** Public procurement (a government's purchase of goods and services) typically comprises a high share of GDP in both advanced economies and EMDEs. A well-structured and purposeful 'green public procurement' system can be a powerful vehicle to shift demand towards low-emissions alternatives in line with the national Strategic Ambition.	**Key planning content – further guidance** • Shifting demand and upscaling new technologies. • Features of effective green public procurement. • Purposeful public procurement.
Recommendation 2.4. Energy transition and other sectoral policies Determine the national strategy for clean energy upscaling and deployment, while also establishing the optimal policy mix for other key sectors, informed by sectoral pathways aligned with the national Strategic Ambition.	**Summary** 'Supply-side' measures to restrict, phase out or ban certain high-emissions activities – most notably fossil fuel exploration or extraction activities – are increasingly observed, alongside measures to develop and upscale the deployment of renewable energy alternatives, and build out associated infrastructure. The government may consider other sector-specific policies, informed by the sectoral pathways determined under Recommendation 1.3. Given the 'green premium' that is currently observed on most low-emissions solutions across sectors, governments have a substantial role to play to help change the economics. This may involve the application of a	**Key planning content – further guidance** • Fossil fuel phaseout and other activity restrictions. • The upscaling and deployment of clean energy alternatives. • Sectoral policies informed by sectoral pathways. • Industry standards and practices (e.g. ISO Standards).

	range of policy measures considered under 2. Implementation Strategy – e.g. public investment, government-led innovation, fiscal programmes, and public procurement. Energy transition or sectoral policies may need to be pursued in the context of regional efforts, e.g. regional power generation and distribution; or region-wide management of forests and other ecosystems.	**Examples in the Handbook** • Upscaling and deployment of clean energy alternatives. Resource: IEA Renewable Energy Policy Recommendations. • Sectoral policies informed by sectoral pathways. Scale and magnitude of the transition: multiple transitions – multiple solutions (Box 2.13).
Recommendation 2.5. Adaptation planning Integrate identification and assessment of physical climate risks, hazards and vulnerabilities into national transition planning, and develop policies and strategies to address them, in line with the national Strategic Ambition.	**Summary** Effective national transition planning will be carried out in conjunction with adaptation planning. This will entail careful consideration of physical climate risks, hazards and vulnerabilities that could crystallise over the planning horizon, and the plans to address them – including as set out in the government's national adaptation plan. Public financing, especially from development finance institutions, currently accounts for the majority of adaptation finance.	**Key planning content – further guidance** • Principles for effective adaptation and resilience strategies. • Mobilising adaptation finance. **Examples in the Handbook** • Resources: Least Developed Countries Expert Group (2012); World Bank (2020); UN Environment Programme (2023a), (2023b); Climate Policy Initiative (2023). • Lessons learned from UNEP adaptation projects (Box 2.14).

Recommendation 2.6. Financial policy and regulation
 	
Set out an approach to financial policy, regulation and supervision that can support private climate and sustainable finance in line with the national Strategic Ambition, and remove any barriers, including by supporting trust and transparency and financial stability as the economy transitions.
	Summary
	
	Guided by the government's Strategic Ambition, financial policy and regulation can further support and incentivise private finance to invest in the transition. Adopting a whole-of-government approach should, at the very least, ensure that financial and monetary policy authorities remove barriers to financing transition activities, helping to mainstream transition considerations in financial markets. Policymakers may consider measures spanning:
	• Market conduct rules
		Key planning content – further guidance and examples in the Handbook
		• Market conduct rules:
		  ○ Transparency rules on sustainability-related risks, opportunities and impacts
		  ○ Transparency rules on corporate transition plans
		  ○ Classification schemes for sustainable activities

	• Macro- and micro-prudential regulation and supervision • Market development efforts.	○ Standards for labelled financial instruments and products ○ Trust in the wider capital markets ecosystem. • Macro- and micro-prudential regulation and supervision: ○ Lead by example ○ Refine the prudential framework ○ Develop climate stress testing and climate scenario analysis. • Market development efforts. **Examples in the Handbook** • EU's Sustainable Finance Strategy (Box 2.15). • Central bank transition plans (Box 2.16).
Recommendation 2.7. **Skills and education** Determine how the government plans to introduce or adapt educational, skills-building or reskilling programmes across the economy to support a just transition and help achieve the national Strategic Ambition.	**Summary** Ensuring that the knowledge and skills required for a green and more inclusive future are diffused throughout the economy will be an essential element of planning for a just, equitable transition aligned with the national Strategic Ambition.	**Key planning content – further guidance** • Skills and education. **Examples in the Handbook** • Resources: International Labour Organization just transition guidelines, which include guidelines for skills development policies.

3. Engagement strategy

Develop plans to coordinate and connect at every level: companies and financial services firms; civil society, communities and the public; and international trading, policy and development partners – in order to inform national transition planning activities and advance the national Strategic Ambition.

Recommendation 3.1. Engagement with companies and financial services firms
 	
Determine how the government plans to engage with companies and financial services firms across the economy in support of the national Strategic Ambition.
	Summary
	
	Corporate and financial services sector actors will need to be engaged throughout the transition planning process to inform the design of sectoral pathways and policy design, and build whole-of-economy buy-in. Mechanisms for ongoing coordination and collaboration during implementation will be crucial for effective delivery. The design of these will be important – e.g. clarity of purpose, appropriate tailoring for the operational context, and careful consideration of success factors (such as who is present, their agency, their capability to engage effectively, and their incentives to act on what is decided). Ensuring that engagement extends beyond incumbents to also include innovators and disruptors will be important. Different strategies are likely to be required for engagement with financial services firms compared with companies in the real economy; and for large public companies compared with small and medium-sized enterprises (SMEs).
		Key planning content – further guidance
		
		• Mechanisms for engagement, coordination and collaboration with companies and financial services firms:
		  ○ Collaborating on policy development
		  ○ Identifying and addressing implementation barriers
		  ○ Partnering to upscale solutions.
		
		Examples in the Handbook
		
		• The Danish Government's Climate Partnerships (Box 2.17).
		• Zero Emission Vehicle Emerging Market Initiative (WBCSD, 2023) (Box 2.18).

Recommendation 3.2. Engagement with civil society, communities and the public Determine how the government plans to engage with civil society, communities and the public in support of the national Strategic Ambition.	**Summary** Achievement of the national Strategic Ambition will depend on governments developing a clear understanding of societal preferences and the potential impacts of alternative transition strategies on affected communities. It will also depend on building buy-in for the transformational policies identified through national transition planning. There is evidence of broad-based	**Key planning content – further guidance** • Mechanisms for engagement, coordination and collaboration with civil society, communities and the public - different options for government engagement with society, e.g.: ○ Large-scale public communication and buy-in

	societal support for climate action, which governments have an opportunity to harness as they work towards the national Strategic Ambition. Ongoing engagement with civil society, communities and the public at every stage will therefore be essential.	◦ Formal deliberation processes ◦ Place-based community-owned, community-led initiatives. • Nudging public behaviour. **Examples in the Handbook** • Examples of public engagement approaches (Box 2.19).
Recommendation 3.3. Engagement with international partners Determine how the government plans to engage with other international partners to influence policy, systemic oversight and development outcomes in support of the national Strategic Ambition.	**Summary** Bilateral and multilateral engagement with international trading, policy and development partners can support systemic delivery of implementation actions aligned with the national Strategic Ambition. Influencing partners to build consensus can help to avoid fragmentation and economic and policy bubbles. And it can encourage a lockstep approach to the transition. Overall, close engagement with international partners will lower the cost of transition and adaptation globally, while also supporting sustainable development outcomes.	**Key planning content – further guidance** • Mechanisms for cooperation, influence and engagement with: ◦ UN processes ◦ DFIs and international financial institutions (IFIs) ◦ Regulatory bodies across the international financial architecture. • Bilateral and regional collaboration and engagement. **Examples in the Handbook** • Resources: Bridgetown Initiative; Coalition of Finance Ministers for Climate Action

4. Metrics and targets

Communicate key actions and outcomes clearly and accessibly across all recommendations, with regular reporting on progress against metrics and targets that build from obligations under the Enhanced Transparency Framework of the Paris Agreement and reflect the national Strategic Ambition. The aim should be to provide accountability and inform the economic decisions of private actors and international stakeholders.

Recommendation 4.1. Metrics and targets on emissions and sustainable development	**Summary**	**Key planning content – further guidance**

Determine the metrics and targets that the government plans to use to drive and monitor progress towards the national Strategic Ambition, and report against these metrics and targets on at least an annual basis as part of wider communication of key national transition planning outcomes and implementation actions. Relevant metrics and targets may, *inter alia*, include those related to:
• Greenhouse gas emissions and removals
• Non-greenhouse gas emission goals
• Policy measures
• Mobilisation of public and private finance
• Engagement activity
• International climate finance and support
	Critical to building trust and buy-in for the national Strategic Ambition and informing private actors' economic decisions is using the national transition planning process as a communications tool with stakeholders across the economy; this includes clear and accessible communications to citizens. It will therefore be good practice to monitor and report regularly on metrics and targets that reflect the national Strategic Ambition as part of wider communication of key actions and outcomes – across all recommendations. Especially in EMDEs, such transparency can enhance credibility and help the re-evaluation of risk among international financial actors and development partners.
	
	Monitoring and reporting will include indicators linked to emissions reduction and other planning commitments. Other metrics may include performance indicators associated with key policies, investments or initiatives identified in the planning process. Since some outcomes such as emissions reductions can be driven by a variety of factors, it will be important that monitoring and reporting on progress applies a rigorous process for identifying which policies and interventions are really driving change, and which are simply happening in parallel to that change.
		• Greenhouse gas emissions and removals:
		  ○ *Baseline*: monitoring and reporting in accordance with the Enhanced Transparency Framework of the Paris Agreement (ETF)
		  ○ Other emissions-related metrics and targets (e.g. at a sectoral level).
		• Non-greenhouse gas emissions goals:
		  ○ Metrics and targets related to other climate-related, environmental, social or sustainable development objectives and priorities.
		• Policy measures to support the national Strategic Ambition:
		  ○ *Baseline*: monitoring and reporting of mitigation and adaptation actions and impacts in accordance with the ETF established under the Paris Agreement
		  ○ Metrics and targets related to other sectoral and cross-sectoral policies set out in 2. Implementation Strategy.

Metrics and targets may be monitored and reported, both on a whole-of-government basis and at a sub-national level.		• Mobilisation of public and private finance:
		  ○ Metrics and targets related to the mobilisation of public and private finance – e.g. in accordance with the national investment plan.
		• Engagement activity:
		  ○ Metrics and targets related to whole-of-economy and international engagement activity.
		• The provision and/or receipt of international climate finance and other support:
		  ○ *Baseline*: monitoring and reporting of support in accordance with the ETF
		  ○ Other metrics and targets related to the provision and/or receipt of international climate finance and support.
		Examples in the Handbook
		• Baseline: Article 13 of the Paris Agreement establishes an ETF, which sets out, *inter alia,* the information that each Party to the Agreement is expected to report in a Biennial Transparency Report (BTR).
		• Other metrics and targets: in considering which metrics are likely to be decision-useful to providers of capital, a government may wish to consult ASCOR (see Scheer et al., 2023, summarised in Appendix 2 of this report). (Box 2.20).
		• Example: Sectoral targets in Chile's LT-LEDS (Box 2.21).

5. Governance

Establish effective legal, governance, accountability and whole-of-government coordination mechanisms to support the design and development of action plans aligned with the national Strategic Ambition, along with regular review, scrutiny and oversight of implementation.

Recommendation 5.1. Legal, governance and institutional arrangements
 	
Establish effective legal, governance and institutional arrangements to support the design and development of action plans in line with the national Strategic Ambition, as well as regular review, scrutiny and oversight of implementation.
	Summary
	
	While multilateral institutional regimes provide important context for national transition planning, the planning process itself will be country-driven, based on and responsive to societal needs. Within the context of the prevailing legal framework, effective governance and institutional arrangements will create commitment and accountability, from the design and development of action plans in line with the national Strategic Ambition, through to implementation. This will ensure that: all relevant bodies are included and engaged; all relevant planning elements are aligned, coherent and coordinated; and the outcomes of national transition planning become the authoritative source of direction and strategy, internally within government and across the economy. Capacity-building and further resources from multilateral and other organisations may be utilised to support the development of effective governance and institutional arrangements.
		Key planning content – further guidance
		
		• Legal framework and regulatory requirements:
		  ○ An integrated regulatory and policy approach
		  ○ Design-in regular reviews.
		• Architectural mapping as a preliminary step.
		• Engaging expert advice and feedback.
		
		Examples in the Handbook
		
		• National transition planning as a strategy to mitigate climate litigation (Box 2.22).
		• Transition plans and the political economy of climate reforms (Box 2.23).
		• Architectural mapping: examples of capacity-building support from multilateral organisations (Box 2.24).

Recommendation 5.2. Roles, responsibilities and whole-of-government coordination	Summary	Key planning content – further guidance
Determine executive and decision-making roles and control processes, and whole-of-government coordination mechanisms, to support the delivery, governance, monitoring, management, oversight and implementation of action plans in line with the national Strategic Ambition. As part of this, the government may clarify how national transition planning is embedded within its wider control, review and accountability mechanisms.	No country can achieve whole-of-economy transformation in line with its Strategic Ambition without whole-of-government planning that manages effectively the synergies and co-benefits between policies, along with the trade-offs, conflicts, competency gaps and internal blockages. Therefore, clarifying roles and responsibilities and implementing mechanisms for whole-of-government coordination will be paramount. Given the central role of finance in the transition, a prominent role for Ministries of Finance will be important. Again, capacity-building support and other resources may be engaged to accelerate progress in developing appropriate mechanisms for coordination and delivery.	• Legislating institutional coherence. • Mainstreaming transition priorities throughout government. • Assigning responsibilities and facilitating coordination. **Examples in the Handbook** • Resources: Bowman (2023) considers cooperation and collaboration as a necessary part of an integrated regulatory architecture for a net zero transition; Macquarie et al. (2023) consider the different dimensions of an effective institutional model for coordination.

6. Conclusions and next steps

This report has called on governments to take the lead in accelerating climate action through national transition planning. We have presented a set of recommendations designed to support whole-of-government and whole-of economy action towards a fair transition, while advancing climate resilience, sustainable development and energy security goals.

We have shown that strategic national transition planning is an evolution of a government's existing commitments under the Paris Agreement and other international agreements, building from NDCs, NAPs and LT-LEDS, as well as the many other plans, strategies and country-led activities that are observed around the world. Our approach aims to bring together and, where necessary, build on, all of the existing strands in a way that unlocks the three outcomes in our theory of change: better targeted allocation of resources and capital; an increase in resources; and greater development support and private finance for EMDEs.

Our principles-based recommendations are intended to work in a complementary way with other tools and more detailed targeted guidance materials under development by UN agencies, governments, NGOs and other organisations. These include, for example, the framework for NDC investment plans developed by GCF and the NDC Partnership (2023), and mechanisms for public–private engagement under development as part of the Policy Advocacy and Member Mobilization agenda at WBCSD (see Dodson, 2024). Our recommendations also align with ongoing work at GFANZ on making NTPs financeable. We will continue to engage with such initiatives to explore the complementarity between our respective work programmes.

Recognising that governments around the world have different starting points, different socioeconomic and political contexts, and different resources, capacities and priorities, we note that a phased implementation approach to our recommendations may be pragmatic. Nevertheless, we encourage governments to consider taking initial steps with reference to our recommendations as they update their NDCs ahead of submission in 2025, and as they develop future LT-LEDS. To that end, we will continue to engage with relevant organisations to explore resources, capacities and feasibility to 'get started', while also considering opportunities to pilot the ideas in this report in a live context.

We have also identified questions beyond the scope of this report arising from our stakeholder consultations. These will require investigation in appropriate forums. They include:

- How to assess the effectiveness of national transition planning, which may be considered in the context of the ASCOR framework.
- When and how to identify that the Strategic Ambition of a government's NTP has been achieved – i.e. that a fair and sustainable transition has occurred in reality.
- Whether the necessary system transformation can truly occur, causing the end of 'business as usual', if we continue to use legacy institutions and concepts as reference points.
- How and to what extent the process of national transition planning can help to embed a new narrative to support equitable, sustainable and regenerative economies at

national, regional and global levels: one that is empowering for all people and countries, particularly those that have been traditionally shut out or exploited.

The effectiveness of government leadership on the lines envisaged in this report rests heavily on complementary actions elsewhere in the system. Nonetheless, governments need to take the lead, catalysing a systems shift among actors across the economy, and ultimately making the economic and financial system a more regenerative force.[26]

[26] This aligns with the call to action in *Rewiring for Success*, a report developed by a coalition of NGOs, think tanks and other organisations (Manning et al., 2024).

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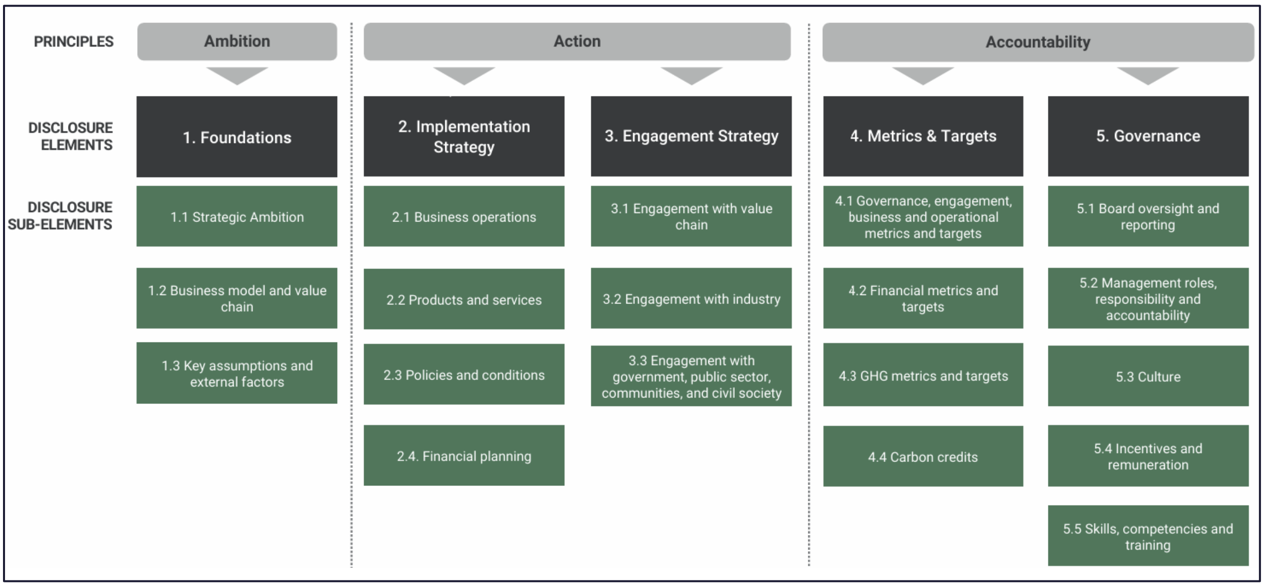
Appendix 1. The TPT Disclosure Framework

The Transition Plan Taskforce (TPT) was launched by the UK Treasury at COP26 in November 2021. Co-chaired by senior leaders from the public and private sectors, the TPT brought together a broad community of real economy companies, financial services firms, policymakers, regulators, civil society representatives and academics to develop a dedicated disclosure framework for credible, strategic transition plans that could be adopted in regulation.

Although launched in the UK, the TPT approached its work with the aim of developing a framework that could be applied internationally. The work was informed by extensive international engagement, including with international organisations, bodies and initiatives, and by bilateral engagement with policymakers and stakeholders in a wide range of jurisdictions.

In October 2023, the TPT published a sector-neutral Disclosure Framework, grounded in the principles of ambition, action and accountability. The Framework is organised under five pillars, with a total of 19 recommendations sitting beneath them (see Figure A.1.1). While the Framework itself is sector-neutral, it is complemented by sectoral guidance, including detailed guidance in seven sectors: oil and gas; electric power and utilities; metals and mining; food and beverages; banks; asset owners; and asset managers. Its development has also been informed by the outputs of dedicated working groups on adaptation, nature and just transition.

Figure A.1.1. Content and coverage of the TPT Disclosure Framework



Source: Transition Plan Taskforce (2023)

The Framework was also designed to align with the transition planning guidance developed by GFANZ, and to act as a source of guidance to transition plan-relevant provisions in the ISSB's sustainability-related reporting standards. The IFRS Foundation announced in May 2024 that it would assume responsibility for the TPT's disclosure-specific materials (IFRS Foundation, 2024) and use these to develop educational materials to support disclosures against the transition plan-related provisions in the International Sustainability Standards Board (ISSB) climate-related disclosure standard (IFRS S2; IFRS Foundation, 2023).

An important conceptual underpinning of the Framework is the notion of a "strategic and rounded approach" to transition planning, which involves looking beyond narrow target-setting at the entity level to also encourage actions that contribute to whole-of-economy decarbonisation. This steers entities towards strategic consideration of how reorientation of their business models or financing activities (for financial services firms) could help to embed and accelerate the decarbonisation of other actors across the economy. In this way, each entity can contribute to reducing future systemic risks for all.

Appendix 2. The ASCOR Framework

Assessing Sovereign Climate-related Opportunities and Risks (ASCOR)[27] is an investor-led project to develop an open access and publicly available, independent tool that assesses countries on climate change. The TPI Centre is the academic partner,[28] housed in the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science.

The ASCOR framework is designed to "inform, support and facilitate investors' decision making on sovereign bonds and enable a more explicit consideration of climate change". In so doing, it aims to "facilitate engagement and dialogue between issuers and investors and drive financing for climate change mitigation and adaptation" (Scheer, et al., 2023).

The framework is organised under three pillars, with more granular focus areas and indicators sitting under each of these (Figure A.2.1.)

Figure A.2.1. Content and coverage of the ASCOR framework

Pillar 1: Emission Pathways (EP)	Pillar 2: Climate Policies (CP)	Pillar 3: Climate Finance (CF)
EP 1. Emission trends	CP 1. Climate legislation	CF 1. International climate finance
EP 2. 2030 targets	CP 2. Carbon pricing	CF 2. Transparency of climate costing
EP 3. Net zero targets	CP 3. Fossil fuels	CF 3. Transparency of climate spending
	CP 4. Sectoral transitions	CF 4. Renewable energy opportunities
	CP 5. Adaptation	
	CP 6. Just transition	

Source: Scheer et al. (2023)

Since it captures areas and indicators identified by investors as being core to the effectiveness of a government's approach to climate policy and climate finance, the ASCOR framework has informed the national transition planning recommendations presented in this policy report.

Table A.2.1 below presents a high-level mapping between our recommendations and the ASCOR framework. It demonstrates that the focus areas of the ASCOR framework are nested within our recommendations, with the majority of these informing the Implementation Strategy and Metrics and Targets pillars. Given their focus on governments' contribution to a strategic, whole-of-system response to climate change in the context of sustainable growth and development, our recommendations for national transition planning necessarily go further in some areas. Most notably, they include additional key considerations and actions in

[27] See ASCOR. The methodology of the ASCOR framework is set out in Scheer et al. (2023).
[28] TPI Centre.

the areas of whole-of-government strategy, engagement with actors across the economy and internationally, and governance and institutions.

Table A.2.1. Mapping of national transition planning recommendations and ASCOR

National transition planning recommendations	Relevant ASCOR focus areas
Foundations	
1.1. Strategic Ambition	Emissions pathways: 2030 targets (EP 2); Net zero targets (EP 3)[29]
1.2. Whole-of-government strategy	Partly covered in Climate legislation (CP 1)
1.3 Sectoral pathways and other planning assumptions	Partly covered in Sectoral transitions (CP 4)
Implementation strategy	
Integrated regulatory and policy approach Just transition National investment plan	Climate finance: Transparency in climate costing (CF 2) Transparency in climate spending (CF 3) Just transition (CP 6)
2.1. Direct and indirect public investment	
2.2. Carbon pricing and other fiscal reforms	Carbon pricing (CP2); Fossil fuels (CP3)
2.3. Public procurement	Not directly covered
2.4. Energy transition and other sectoral policies	Fossil fuels (CP3); Sectoral transitions (CP 4); Renewable energy opportunities (CF 4)
2.5. Adaptation planning	Adaptation (CP 5)
2.6. Financial policy and regulation	Not directly covered (though indicator CP 4.c. considers climate-related disclosure)
2.7. Skills and education	Just transition (CP 6)[30]
Engagement strategy	
3.1. Engagement with companies and financial services firms	Not directly covered
3.2. Engagement with civil society, communities and the public	Just transition (CP 6)
3.3. Engagement with international partners	International climate finance (CF 1)
Metrics and targets	
4.1. Metrics and targets on emissions and sustainable development	ASCOR indicators across all three pillars incorporated here
Governance	
5.1. Legal, governance and institutional arrangements	Partly covered in Climate legislation (CP 1) Partly covered in Just transition (CP 6)
5.2. Roles, responsibilities and whole-of-government coordination	

Source: Authors' analysis and Scheer et al. (2023)

[29] Emission trends (EP 1) would be a primary input to the national transition planning process.
[30] Just transition is otherwise integrated across all Implementation Strategy recommendations and captured in Recommendation 3.2.