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T20 Policy Brief

Task Force 02

SUSTAINABLE CLIMATE ACTION AND INCLUSIVE JUST ENERGY TRANSITIONS

Towards An Integrated Transition Planning Ecosystem

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Abstract¹

Achieving the ambition of the Paris Agreement will require a fundamental rewiring of the economy. Every government and every company will need to think strategically about how to respond and contribute. And capital will need to be mobilised at speed and scale.

So, we need strategic transition planning across the economy. Momentum has built behind transition planning in recent years, and the topic remains a priority for the G20 – including in the Taskforce on Global Mobilization against Climate Change (TF-CLIMA).

To date, however, the focus has been on private sector planning. This is not sufficient. Given the scale of transformation required, climate action will need to be embedded into almost every aspect of government strategy at national and sub-national levels.

This Policy Brief proposes a framework for strategic national transition plans (NTPs). NTPs would sit at the centre of a wider *integrated transition planning ecosystem* – directing, financing, incentivising, coordinating and enabling private sector action. To facilitate integration, our framework aligns with the Transition Plan Taskforce (TPT) disclosure framework, which is increasingly used for private sector plans.

Better targeted resource and capital allocation, and greater planning certainty, will give corporates and capital providers the confidence and the incentives to invest in the transition – crowding-in and scaling private climate finance. And more strategic overseas funding support for EMDEs will help to accelerate progress globally.

NTPs would build from governments' existing plans and strategies, including under current Nationally Determined Contributions (NDCs). They could, in turn, inform the next iteration of NDCs, giving them stronger strategic orientation, deeper focus on whole-

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of-government planning, and closer coordination with transition planning across the economy.



Keywords: Climate Transition Plans, System Transformation



Diagnosis of the Issue

The Parties to the Paris Agreement (2023) have acknowledged that we “are not yet collectively on track towards achieving the purpose of the Paris Agreement and its long-term goals”.²

Capital will need to be mobilised at scale to accelerate progress. BNEF (2022) estimates that investment of \$7 trillion per annum, until 2050, will be needed to meet net zero goals. Songwe et al. (2022) estimate that \$2-2.8 trillion per annum will be needed by 2030 for emerging market and developing economies (EMDEs) other than China.

By setting a strategic vision and identifying capital needs, transition plans (TPs) are central to the scaling of finance (G20, 2023a). But currently, transition planning is not sufficiently coordinated within and between the public and private sectors.

Market failures also impede progress – e.g., failure to price the true cost of greenhouse gas emissions and other externalities; as well as informational and coordination frictions and capital market imperfections. These failures amplify systemic risks (Stern et al., 2021).

To deliver the necessary transformation, private sector TPs need to be part of a coherent *system-wide response*. Governments must play a strategic and decisive role.³

² Parties to the Paris Agreement (2023).

³ Throughout this Brief, references to government encompass all levels – national, regional, and local governments, and cities – as well as other public bodies (e.g., central banks, public finance institutions, and state-owned enterprises).

- ***Whole-of-system coordination.*** At the centre of system-wide efforts, the government can coordinate and oversee activity, helping key actors connect and align. This can help to allocate resources and capital more effectively and deliver productivity gains from new innovations – e.g., by sequencing the rollout of interconnected technologies, and harnessing knowledge spillovers (Valero and Van Reenen, 2023). Central banks, market regulators and supervisors also have an important systemic risk oversight role to play, including to manage the consequences of dislocations in some industries as the economy transforms.

- ***Whole-of-government coordination.*** Advanced economies (AEs) and EMDEs alike would benefit from a strategic approach that embeds climate action in almost every area of government activity. True transformation will inevitably have deep impacts on, *inter alia*, growth, job-creation, productivity, wealth distribution, and social policy. So, whole-of-government coordination is essential, including to reveal trade-offs, co-benefits, and competency gaps; and to expose potential conflicts between measures – e.g., the continued application of fossil fuel subsidies (estimated by the IMF at \$7 trillion globally in 2022).

- ***Strategic direction and support to economic actors.*** Across the economy, companies cite challenges arising from a lack of long-term funding certainty, mixed policy signals, and a slow public planning system (Skidmore, 2023). Columbia Center on Sustainable Investment (2023) emphasises the role governments can play to “drive innovation, shift markets, assign costs and liabilities, incentivise important investments and behaviours...” Legislation in areas such as clean air, water and the phase-out of chlorofluorocarbons illustrates how the market can find an optimal solution when policy direction is clear.

- *A strong, transparent policy framework to unlock private finance.* Investors stress the importance of aligning market fundamentals with stated global ambitions to reduce uncertainty for providers of capital (Tayler, et al., 2023). The Parties to the Paris Agreement (2023) highlighted “the need to strengthen policy guidance, incentives, regulations and enabling conditions to reach the scale of investments required”, also acknowledging that public funding and clear signals to investors can help reduce barriers to climate finance. Staff of the International Monetary Fund (IMF), World Bank and Organisation for Economic Cooperation and Development (OECD) similarly emphasise the importance of policies that help to align investment with sustainability goals (Gardes-Landolfini et al., 2023). This could encourage investors and development partners to commit finance to EMDEs.

Parties to the Paris Agreement have agreed to publish NDCs, National Adaptation Plans (NAPs) and Long-term Low Emission Development Strategies (LT-LEDs). These documents are inherently linked.⁴ Parties’ plans for climate mitigation, adaptation and sustainable development come together in their NDCs.

Countries’ existing NDCs could form the basis for a government’s system response. However, analysing the 2023 stocktakes of NDCs (UNFCCC, 2023a) and LT-LEDs (UNFCCC, 2023b), we find that these documents currently often lack strategic orientation. Furthermore, they do not yet provide the decision-useful information and

⁴ They also link with documents produced under other related international agreements, such as National Biodiversity Strategies and Action Plans produced under the Convention on Biological Diversity. IPCC (2023) examines the linkages between mitigation, adaptation, and countries’ development pathways.

mechanisms for whole-of-economy coordination and support that are necessary for successful delivery.

Signatories must submit revised NDCs by February 2025. As observed by the UN Climate Change Executive Secretary, “NDCs 3.0 which double as national investment plans can steer economies towards growth-driving industries and services fuelled by renewable energy” (Steill, 2024). Several initiatives are therefore underway to enhance NDCs. The recommendations in this Brief can inform this work.

Recommendations

An integrated transition planning ecosystem

We propose a framework for NTPs, which:

- sets out a clear national Strategic Ambition towards a just, equitable, low emissions and climate resilient economy, in the context of the government’s sustainable development and growth priorities
- translates this Strategic Ambition into costed and coordinated actions across government
- considers how the government can improve the effectiveness of transition planning and delivery across the economy, by directing, financing, incentivising, coordinating and enabling private sector action
- provides for accountability to citizens

Our theory of change is that NTPs will help address the coordination and other market failures that are holding back the transition – in turn accelerating, crowding-in and scaling private finance.

Our recommendations link to the work of TF-CLIMA, which is considering frameworks for “comprehensive plans targeting economic and sustainable transformation” (G20, 2023b). The authors to this Brief are continuing their work to elaborate the content of NTPs.

Figure 1 illustrates the key elements of our proposed framework.

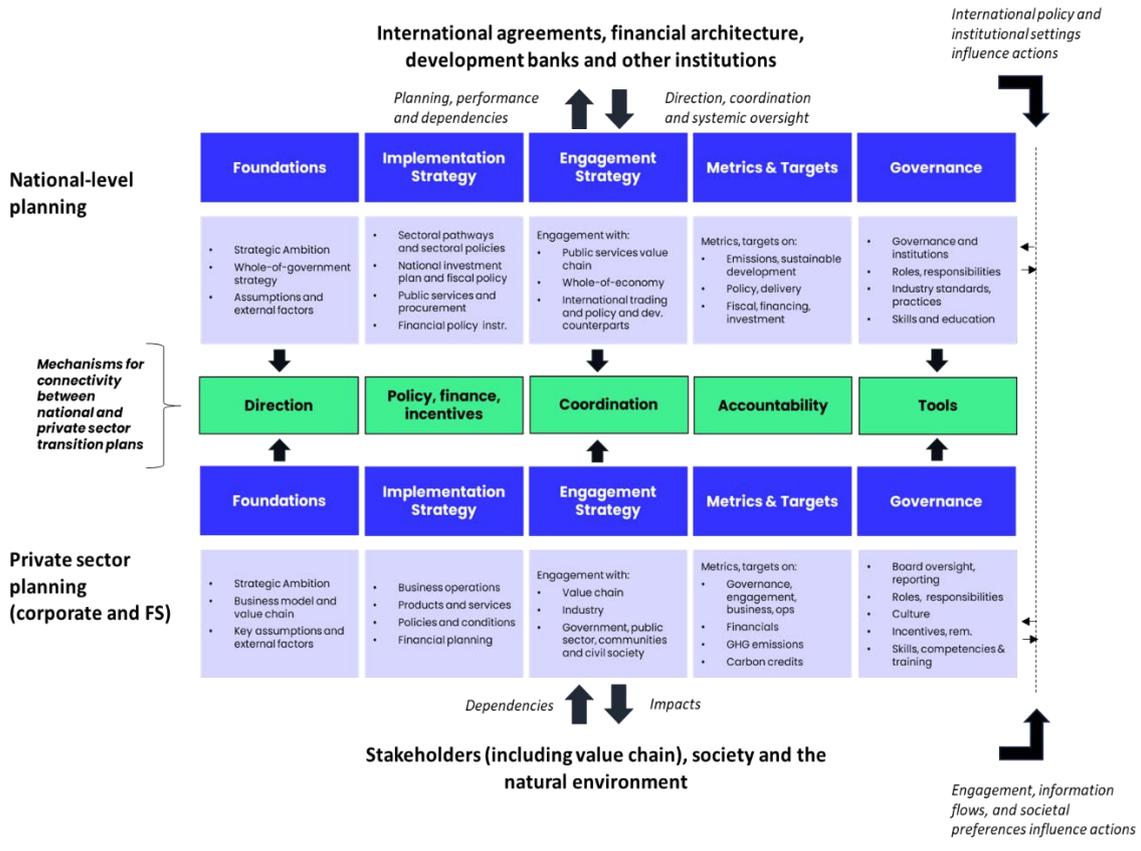


FIGURE 1. An integrated transition planning ecosystem. *Note:* The content under each of the five pillars of private sector TPs is drawn from the disclosure framework developed by the TPT. We have reinterpreted that content for strategic NTPs.

Content, coverage, and mechanisms for integration

We have grounded our recommendations in the frameworks of GFANZ (2022) and Transition Plan Taskforce (TPT) (2023). While other TP frameworks share common elements, the strategic, whole-of-economy orientation of these frameworks is consistent with our systems perspective. The TPT framework also links helpfully to international sustainability-related reporting standards, and provides for climate mitigation, adaptation to be pursued together, while having regard to other sustainable development considerations. Furthermore, aligning national and private sector TP frameworks will facilitate integration between the two.

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, we highlight the key elements of an effective NTP (Figure 2).

Elements of NTPs	Foundations	Implementation Strategy	Engagement Strategy	Metrics & Targets	Governance
Key content items	<ul style="list-style-type: none"> Strategic Ambition Whole-of-government strategy Assumptions and external factors 	<ul style="list-style-type: none"> Sectoral pathways and policies National investment plan, fiscal policy Public services and procurement Financial policy instruments 	Engagement with: <ul style="list-style-type: none"> Public services value chain Whole-of-economy International trading, policy and dev. counterparts 	Metrics, targets on: <ul style="list-style-type: none"> Emissions, sustainable development Policy, delivery Fiscal, financing, investment 	<ul style="list-style-type: none"> Governance and institutions Roles, responsibilities Industry standards, practices Skills and education
Key content items in NDCs, provided for in the Paris Agreement	Targets on mitigation (Art.4) Targets on adaptation (Art. 7) Support for EMDEs, incl. finance/tech.(Art. 9-11)	Domestic mitigation measures (Art. 4) National adaptation plan, policies (Art. 7) Accelerating innovation (Art. 10)	Voluntary cooperation mechs (Art. 6)	Accounting for emissions (Art. 4) Transparency framework (Art. 13)	Periodic global stocktakes (Art. 14) Governance oversight at COPs (Art. 15)

FIGURE 2. Content and coverage of an NTP. *Note:* Key content items in NDCs drawn from the Paris Agreement (2015).

Figure 2 also identifies key content items in NDCs, as provided for in the Paris Agreement (2015). This demonstrates that an NTP would be an evolution of a government’s existing international commitments.

Other inputs to an NTP might include existing LT-LEDS, NAPs, as well as country-led strategies, such as Just Energy Transition Partnerships (UK Government, 2021) and climate prosperity plans. Adding to these inputs, as appropriate, in accordance with our proposed framework, a government can deliver a credible, effective NTP that accelerates climate action. This NTP would, in turn, inform enhancements to the country’s future NDCs.

Figure 3 drills down into the ‘green’ layer of Figure 1, elaborating on the potential mechanisms for integration between NTPs and private sector TPs. These mechanisms would be incorporated into the content of NTPs.

Content element	Key mechanism for integration	Explanation, examples
Foundations	Direction	Including: <ul style="list-style-type: none"> Strategic Ambition and whole-of government policy direction, informed by upward information flow on private sector plans, execution and dependencies
Implementation Strategy	Policy, finance and incentives	Including: <ul style="list-style-type: none"> Sectoral pathways, sectoral policies and incentives Direct and indirect financing
Engagement Strategy	Coordination	Including: <ul style="list-style-type: none"> Public-private mechanisms for coordination and collaboration (e.g., platforms and working groups) Consultation, communications and public campaigns
Metrics & Targets	Accountability	Including: <ul style="list-style-type: none"> Regular reporting on progress against targets on emissions, policy and delivery
Governance	Tools	Including: <ul style="list-style-type: none"> Industry standards and practices (e.g., quality/performance standards) Ecosystem and capacity building

FIGURE 3. Mechanisms for integration

We elaborate on each content element below.

Foundations

NTPs would articulate a national Strategic Ambition towards a just, equitable, low emissions, climate resilient economy, aligned with international commitments and domestic sustainable development and growth priorities. The government would embed this ambition in its overarching national strategy. Multilateral policies and responsibilities provide important context (e.g., EMDEs’ access to support from AEs).

Mechanism for integration: Direction. The national Strategic Ambition would set a clear direction, helping to align action across the economy, and giving private agents confidence to invest. Insights on private actors’ policy and technological dependencies,

and financing needs, would inform government policy⁵ and support optimal allocation of public resources and capital (Aviva and WWF, 2022).

Implementation Strategy

Informed by engagement with industry and other stakeholders, the government would reflect its Strategic Ambition in sectoral pathways, policies and regulatory settings. This would include measures to accelerate innovation in key sectors, and to align national infrastructure and public services with its ambition. The scope of policy instruments could span those in the OECD’s Climate Actions and Policies Measurement Framework (Nachtigall et al., 2022). A comprehensive fiscal, financing and investment plan would underpin the Implementation Strategy.

Mechanism for integration: Policy, finance and investment. Well-designed sectoral pathways, policies, regulation and incentive structures would channel private actors’ behaviour towards the Strategic Ambition. Complementing this, clarity on the government’s investment plan – including targeted public finance, informed by real economy financing needs – would help to crowd-in private finance. IMF highlights the importance of public-private risk sharing, especially in EMDEs (IMF, 2023). Development banks and other public finance institutions would play a key role.

Engagement Strategy

Engagement is key to delivering a truly integrated ecosystem. The government would develop plans to engage at every level: suppliers and consumers of public services;

⁵ For financial institutions, TPs already inform the implementation of existing regulatory requirements.

stakeholders across the economy, including communities and households; and international trading, policy and development partners.

Mechanism for integration: Coordination. Mechanisms for public-private coordination and collaboration – e.g., platforms and working groups – would be especially important, to reduce uncertainty and build buy-in. For example, public-private engagement to inform sectoral pathways would set a common direction, while also identifying industry-specific challenges. Targeted consultation could help the government design and sequence interventions.

Metrics and Targets

The government would report on metrics and targets that reflect the national Strategic Ambition. These would incorporate indicators linked to emissions reduction and other commitments. Other metrics may also be reported – e.g., performance indicators associated with key policies, investments or initiatives identified in the plan.

Mechanism for integration: Accountability. Regular reporting would ensure transparency of progress, supporting accountability to economy-wide stakeholders (and international processes). This would in turn help to build and maintain societal trust.

Governance

This pillar relates to arrangements for delivery, oversight, and scrutiny of the TP. As part of this, governments would allocate clear roles and responsibilities – perhaps to a dedicated ministry – while building out cross-ministerial coordination mechanisms. Given the centrality of detailed investment plans, finance ministries would play a core role (Bowman, 2022).

Mechanisms for integration: Tools. It would be important to build a supportive environment for private actors to contribute to the national Strategic Ambition, including by encouraging aligned industry standards and practices. The national TP would also provide the basis for a capital markets ecosystem of data, taxonomies, benchmarks, analytical tools, metrics, and methodologies – helping to reward ambition.

Scenario Of Outcomes

With these features, an integrated transition planning ecosystem could help to address some of the externalities and informational and coordination failures set out earlier:

- ***Better targeted resource and capital allocation.*** Better information flow, and mechanisms for coordination and support, would facilitate allocation of resources and capital to their most productive use, helping the government meet its objectives. This could include financing of infrastructure, innovation, and the scaling of climate solutions. IPCC (2023) observes that policy tailored to national circumstances and directed towards innovation and capacity building can better support the transition. Furthermore, governments have an opportunity to amplify impact by harnessing public support for climate action.⁶

- ***Increased resources.*** Clear communication of an NTP, setting out concrete, costed actions aligned with the Strategic Ambition would give capital providers greater confidence and incentives to commit private finance.

- ***More strategic overseas development support and private finance for EMDEs.*** Especially in EMDEs, publishing NTPs with a clear connection to sustainable development and growth priorities can reduce risk perceptions, improve access to finance and lower the cost of capital for both sovereign and corporate borrowers. Development partners and private capital providers alike will use the information to identify the most effective and efficient ways to support EMDEs' goals.

⁶ A 2024 global study revealed broad-based public support for climate action across 125 countries (Andrew et al., 2024).

To achieve these outcomes, we recommend a decisive, but balanced, role for government. By setting a clear direction and coordinating climate action, the government would equip private actors to take better informed decisions. But public-private coordination and cooperation cannot become a vehicle for institutionalised lobbying and private self-interest. Careful monitoring and governance of mechanisms for engagement would mitigate this risk.

Finally, given the scale and complexity of system transformation, integrated transition planning will necessarily take time, and be a dynamic and iterative process. Figure 4 illustrates a potential *phased* approach. In the short term, building from existing plans and initiatives, the emphasis might be on setting strategic direction. The government could then deepen integration over time, ultimately producing a coordinated, costed and clearly communicated plan, along with accountability for delivery.

We do not suggest specific timelines for each phase, though we note the opportunity of refreshing NDCs in 2025. Early action would bring forward the outcomes described above, in turn accelerating progress towards a whole-of-economy transition.

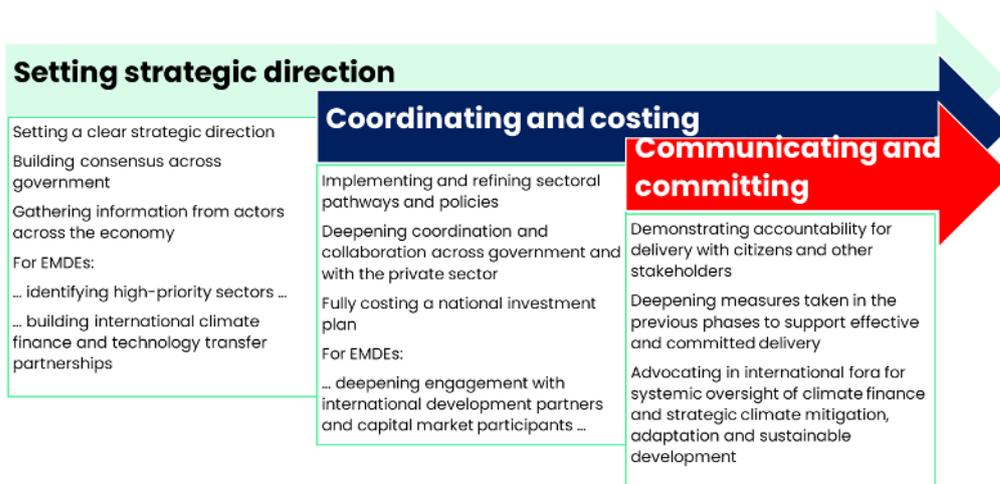


FIGURE 4. Phasing-in an integrated ecosystem

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