CSF Center for Sustainable Finance India

Climate Transition Planning

WHAT IS CLIMATE TRANSITION PLANNING?

Climate transition planning is the process by which governments, businesses, and financial institutions develop structured strategies to shift from high-carbon to low-carbon operations in line with net-zero goals.

A climate transition plan is a time-bound roadmap that sets targets, defines actions, monitors progress, and ensures accountability through transparent disclosures.

Transition planning vs. net zero strategy

A net-zero strategy identifies the end goal. A transition plan provides a step-by-step pathway to reach it, including milestones and mechanisms that make commitments credible.

Why climate transition planning matters

Transition planning has emerged as a strategic tool to help governments meet climate commitments, businesses remain competitive, and financial institutions align portfolios with a low-carbon economy. Without a roadmap, net-zero targets risk becoming empty promises.

Core elements of a climate transition plan

Targets	Ambitious, science-based, and emission reduction targets that are aligned with net zero.
Pathways	Short, medium, and long-term milestones.
Actions	Measures such as technology upgrades, renewable energy adoption, and efficiency improvements.
Financing	Green bonds, concessional finance, blended finance, and carbon markets.
Governance	Board-level oversight, transparent disclosures, and accountability mechanisms.
People-centric Transition	Safeguarding employment, reskilling workers, and supporting vulnerable communities.

TRANSITION PLANNING FOR FINANCIAL INSTITUTIONS

Financial institutions play a pivotal role in enabling the low-carbon transition. Their lending and investment decisions shape the trajectory of industries and economies. Transition planning enables institutions to align with regulations, protect against risks such as stranded assets, unlock new opportunities in green finance, and strengthen long-term resilience.

The Indian context

India requires an estimated total investment of USD 10.1 trillion to achieve its 2070 net-zero target. Banks and non-banking financial companies (NBFCs) represent the largest pool of capital outside government spending and are therefore critical to financing this transition.

India's Business Responsibility and Sustainability Report (BRSR) framework, introduced by the Securities Exchange Board of India (SEBI) in 2021 and applicable to the top 1,000 listed companies, includes early elements relevant to transition planning through disclosures on emissions profiles, mitigation measures, and company-defined sustainability targets. However, these transition-related disclosures are not clearly defined or mandatory. While the BRSR requires reporting on environmental and social risks and opportunities, approaches to addressing them, financial implications, and policies under its nine principles, it does not link these disclosures to specific metrics, targets, or overall business strategy. Similarly, the Reserve Bank of India (RBI) has issued draft guidelines on climate-related disclosures (February 2024), with final directions still awaited.

Global lessons in transition planning for financial institutions

Several leading international banks provide practical examples of operationalizing climate transition plans. **Barclays** has committed to aligning its financed emissions with net-zero by 2050, supported by sector-specific pathways and interim 2030 targets for high-emission industries. **HSBC** has published a transition plan that includes science-based targets, client engagement strategies, and a phased reduction in financing for unabated coal, alongside an expansion of green finance commitments. **ING** developed the "Terra approach," a portfolio steering methodology that uses sector-level pathways to align lending with the Paris Agreement. These examples demonstrate how global banks are translating climate commitments into structured targets, engagement strategies, and transparent reporting.

REFERENCES

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The Clarifying Concepts series provides short explanations of foundational ideas and terminology in sustainable finance to help professionals from different fields navigate emerging issues.
It is produced by the Center for Sustainable Finance (CSF), a knowledge and net-working hub which aims to accelerate India's financial sector towards a more sustainable future. CSF is managed by Climate Policy Initiative (CPI).