From Targets to credibility: Why Climate Transition Planning is becoming a Strategic Imperative

Richard Betts | RZB Advisory

January 2026

From Targets to credibility: Why Climate Transition Planning is becoming a Strategic Imperative

Richard Betts | RZB Advisory

Over the past decade, climate strategy has often been framed around targets — net zero commitments, interim milestones and long-term ambitions. While this has driven progress, the focus is now shifting decisively towards implementation and credibility. Despite short-term geopolitical volatility, the long-term direction of travel is clear: climate risk, transition planning and sustainability disclosure are increasingly tied to financial stability, capital markets and stakeholder scrutiny. And increasingly, key stakeholders such as regulators, investors and lenders are asking more difficult questions such as:

'What is the organisation's pathway from today's business model to those future targets - and how credible is it?'

'What are the financial implications in terms of Opex and Capex, and how have these been reflected in budgets, decision-making and financial reporting?'

A climate transition plan (CTP) is a mechanism through which organisations are expected to demonstrate not only intent, but delivery, governance and financial credibility. While organisations can and should leverage AI and new technologies to accelerate data processing, credible transition planning ultimately depends on human judgement, cross-functional alignment and real-world engagement across the value chain.

A CTP provides an organisation with a mechanism to drive strategic change while protecting business value and unlocking new financial opportunities. For example, research from CDP published in 2025 reported that the ROI from addressing physical climate risks could deliver a return up to USD 21:1 with a median return of USD 8:1[1]. Identification and action on climate-related risks and opportunities are key building blocks of a climate transition plan.

This shift is evident across jurisdictions with many leading ESG standards and frameworks having disclosure requirements or expectations related to climate transition planning. These include the EU's ESRS, the IFRS S2 Standard, the UK's Transition Plan Taskforce Framework (TPT), GRI and CDP amongst others. While there are important differences between these standards and frameworks, often linked to stakeholder expectations and regulatory context, there is a high degree of commonality between them - reinforced by ongoing efforts to improve interoperability.

Many of these frameworks focus primarily on climate mitigation but to develop a robust climate strategy and transition organisations need to consider together with a climate adaptation strategy and also with other materially connected areas such as nature. This is vital since transition plans that ignore physical risks or adaptation pathways risk materially underestimating business impacts and capital requirements and hence not being a credible strategic response to dealing with accelerating global warming. More positively, there is an emerging range of frameworks and tools to assist users in these areas as well.

Why many transition plans currently lack credibility

Despite the proliferation of frameworks and guidance, many transition plans currently struggle to withstand scrutiny from auditors, investors and other stakeholders. In practice, I often see transition plans undermined by a small number of recurring issues - including weak links to operational reality, limited financial integration, over-reliance on future solutions, and unclear governance and accountability. Common issues include:

1. A disconnect between targets and operational reality

Targets are often set without sufficient linkage to:

- investment decisions
- operational constraints

[1] CDP Disclosure Dividend (2025): https://www.cdp.net/en/insights/disclosure-dividend-2025

- value-chain dependencies

This creates plans that can look strong on paper but are weak in execution.

2. Limited integration with financial planning
Transition plans currently tend to sit outside core financial processes. Where assumptions are not embedded into budgeting, forecasting or capital allocation, plans lack credibility with investors, lenders and auditors.

3. Over-reliance on future technologies or offsets
While innovation will play a role, plans that depend heavily on unproven technologies or external offsets are likely to be met with scepticism not least in response to many high-profile accusations of greenwashing in recent years.

4. Weak governance and accountability
Without clear ownership, escalation routes and board oversight, transition planning becomes a static document rather than a strategic tool.

What effective transition planning looks like in practice

Strong transition planning is less about producing a perfect document and more about embedding climate considerations into corporate decision-making and across an organisation and its ecosystem. In practice, this means:

- **Clear governance and accountability**, from board oversight through to executive ownership
- **Scenario-based thinking**, used to test strategic resilience rather than justify predetermined outcomes
- **Integration with financial and risk frameworks**, ensuring assumptions are transparent and challengeable
- **Explicit recognition of uncertainty**, rather than creating plans that are precise but ultimately misleading.

The most effective plans are those that evolve over time, informed by new data, market developments and strategic choices.

Beyond compliance: the strategic value of transition planning

For leading organisations, transition planning is becoming a core strategy tool, rather than a sustainability add-on, creating strategic value that goes beyond regulatory compliance:

- **Risk management:** earlier identification of transition risks and strategic vulnerabilities
- **Development of new products and services:** unlocking business value and innovation with new revenue streams from climate-related products and services
- **Access to capital:** increased confidence from lenders and investors
- **Strategic resilience:** better-informed decisions in uncertain markets
- **Internal alignment:** clearer priorities across functions and geographies

For many organisations, the process of developing a credible transition plan is likely to be at least as valuable as the final output and as AI tools reduce the cost of technical compliance, the greatest sources of value will increasingly lie in areas that cannot be automated — strategic interpretation, governance, financial integration and stakeholder alignment.

A brief sector perspective

- **Financial institutions** face increasing expectations to demonstrate how transition considerations are costed and embedded in their lending, investment and portfolio strategies. They need better and more granular data regarding their climate-related risks and scope 3 emissions from their lending portfolios in order to be able to develop and implement a robust and credible climate transition plan.
- **Energy and infrastructure organisations** must balance long-term transition pathways with near-term operational and financing decisions. They often have asset bases with material long-lived infrastructure assets that should have useful

economic lives that run over several decades. In light of increasing transition and physical risks from climate change, they need to consider what the potential financial cost and accounting implications are for these assets and how they can reduce the risks.

- **Consumer-facing sectors,** to develop a credible transition plan, need to address climate-related risks and gaps in their emissions data from their value chains (e.g. scope 3). Since this data is outside these organisations' direct control they will need to work closely with a wide range of partners and leverage AI and other new technologies in order to improve understanding and data.

Across sectors, the underlying challenge is consistent: linking climate ambition to real-world decision-making.

What organisations should be focusing on now: 5 priorities

As expectations continue to evolve, priorities for organisations should include the following 5 points:

1. **Understand their reporting landscape for CTP**: across the jurisdictions in which they operate and the applicable standards/frameworks.
2. **Agree the ownership and governance mechanisms** for the CTP.
3. **Strengthen the links between the CTP, and financial planning**, including Opex and Capex integration. For example, CDP research on CTPs from 2023[2] mentioned earlier also reported that 95% of CDP respondents did not provide sufficient details on the financial costings for their CTP.
4. **Establish a structured value-chain engagement plan**, recognising that delivery depends on collaboration with a wide range of stakeholders. Yet >90% of CDP respondents (>23,000 companies) did not have a clear value chain engagement plan for their CTP[3].
5. **Improve the robustness of emissions data**, particularly scope 3, to support credible planning and assurance. Limitations such as these in data accuracy, completeness and external auditability all materially undermine the credibility and feasibility of the CTP. Data needs to improve further, new tech is and can help but as the old adage reminds us you cannot manage what you can't measure.

Where RZB Advisory helps

RZB Advisory supports organisations in developing credible, decision-useful transition plans, including:

- Transition planning design & governance
- Stakeholder engagement (incl. Boards/ executives & external stakeholders)
- Targeted deep-dives on CTP 'hotspots' in areas such as value chain exposure, financial assumptions & scenario design, providing expert judgement in material areas
- Scenario analysis & strategic integration
- Alignment with ISSB, CSRD & other ESG regulations & organisational integration

Our focus is on practical, scalable approaches that support both compliance and long-term value creation. Organisations increasingly need advisors who understand how different standards, frameworks and sector-specific requirements interact in practice. RZB brings this integrated, practitioner-led perspective.

This paper reflects evolving regulatory and market expectations as of January 2026 and is intended to support strategic discussion.

© 2026 RZB Advisory. All rights reserved.
This paper is provided for general information purposes only and does not constitute legal, regulatory or professional advice. No part of this publication may be reproduced without prior permission.

[2] 'CDP: The State of Deplay 2023 Climate Transition Plan Disclosure': https://cdn.cdp.net/cdp-production/cms/reports/documents/000/007/783/original/CDP_Climate_Transition_Plans_2024.pdf?1720436354
[3] Ibid.