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NGFS publishes a stock-take on Transition Plans

The Network for Greening the Financial System (NGFS) published today a [report](#) taking stock of emerging practices relating to climate transition plans and assessing the role of central banks and supervisors in relation to transition plans. The report was released alongside discussions on climate transition in the real economy at the [Green Swan Conference 2023](#), co-organised with the Bank for International Settlements, the Central Bank of Chile, and the South African Reserve Bank.

Stocktake on financial institutions' transition plans and their relevance to micro-prudential authorities

Building on the conclusions of the previous NGFS Report on '[Capturing risk differentials from climate-related risks](#)' which emphasised the importance of a forward-looking approach to assess climate-related risks, the NGFS took stock of the recent development of transition plans by corporates and financial institutions transition plans. The Network also examined the relevance and extent to which financial institutions' transition plans (i) relate to micro-prudential authorities' roles and mandates, and (ii) could be considered and used most effectively within their supervisory toolkit and in the overall prudential framework.

The NGFS has identified six key findings as well as steps to advance the work on the relevance of transition plans and planning to micro-prudential authorities.

The NGFS recognises that transition plans have the potential to provide much needed forward-looking visibility on the real economy's pathway to a net-zero future. Financial institutions will prepare their own transition plans as well as engage entities that they finance on their respective transition plans. The forward-looking information contained in transition plans will be key to enable the financial sector to mobilise private finance in support of the transition.

Ravi Menon, Chair of the NGFS and Managing Director of the Monetary Authority of Singapore:

"It is important that financial institutions develop sound and credible transition plans so that they can effectively finance the decarbonisation of the real economy. The NGFS is examining the potential roles that supervisors can play in assessing financial institutions' transition plans and transition planning processes."

Details on the 'Stocktake on financial institutions' transition plans and their relevance to micro-prudential authorities'

The NGFS reviewed available frameworks and emerging literature on transition plans from external bodies. The Network also analysed the current state of play in the regulatory landscape as it relates to transition plans among NGFS members. This report sets out six key findings.

1. While the potential of transition plans is widely recognised, there are multiple definitions of transition plans, reflecting their use for different purposes;

2. There is merit in distinguishing transition planning (understood as a process to design a transition strategy) from a transition plan (transparency to a specific audience);
3. Existing frameworks speak to a mix of objectives, audiences and concerns for transition plans but predominantly relate to climate-related corporate disclosures;
4. Transition plans could be a useful source of information for micro-prudential authorities to develop a forward-looking view of whether the risks resulting from an institution's transition strategy are commensurate with its risk management framework;
5. There are some common elements to all transition plans which are relevant to assessing safety and soundness;
6. The role that micro-prudential authorities play needs to be situated in the context of the actions of other financial and non-financial regulators rather than acting in isolation.

Following the overall conclusion and key findings, the NGFS will take forward actions in two broad areas.

1. **Engagement with relevant international authorities and standard setters:** Given the different scope of transition plans as well as their potential relevance to the micro-prudential authorities, the NGFS will engage standard setting bodies, such as the FSB, BCBS, IAIS, and IOSCO, so that they can advance their respective work on transition plans and planning in a coordinated manner;
2. **Further actions by the NGFS:** Based on the findings of Phase 1, the sub-team will also take forward additional work to advance the discussion on the relevance of transition plans to micro-prudential authorities' mandate, supervisory toolkit, and the overall prudential framework.

Tolga Yalkin, Chair of the NGFS Workstream Supervision and Assistant Superintendent – Policy, Innovation and Stakeholder Affairs at the Canadian Office of the Superintendent of Financial Institutions (OSFI):

“The release of the Stocktake on financial institutions’ transition plans and their relevance to micro-prudential authorities comes at a critical time in the global financial system. This report establishes a strong understanding of the current frameworks for transition plans and highlights areas for future collaboration and cooperation. The work done by the NGFS is crucial to furthering the discussion across regulatory agencies and standard setters to ensure an orderly transition to meet the Paris climate goals.”

About the NGFS

The Network for Greening the Financial System (NGFS), launched at the Paris One Planet Summit on 12 December 2017, is a group of central banks and supervisors, which on a voluntary basis is willing to share best practices and contribute to the development of environment and climate risk management in the financial sector, and to mobilize mainstream finance to support the transition toward a sustainable economy. The NGFS brings together 125 central banks and supervisors and 19 observers. Together, they span across five continents, operate in economies that account for more than 88% of global greenhouse gas emissions and are collectively responsible for the supervision of all global systemically important banks and 80% of the internationally active insurance groups. The NGFS is chaired by Ravi Menon, Managing Director of the Monetary Authority of Singapore. The Secretariat, headed by Jean Boissinot, is provided by Banque de France.

For more details, visit the [NGFS website](#) and [Twitter account](#) or contact the NGFS Secretariat at Banque de France sec.ngfs@banque-france.fr

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