

NGFS’s Work on Transition Plans



GENERAL FINDINGS

WHAT IS THE COST OF CLIMATE CHANGE?

In the **short-term**, regional disasters could cause large GDP losses regionally*

-6% Asia

-12.5% Africa

In the **long-term**, the GDP losses due to climate change will be major worldwide**

-15% by 2050

-30% in 2100

TRANSITION PLAN (TP) IS A FORWARD LOOKING TOOL
which can support financial and non-financial entities navigate the shift toward a resilient and low carbon economy

What is a TP?

A strategic response to risks and opportunities arising from climate mitigation and adaptation;
TP (final product) must be distinguished from the transition planning process

What are the possible use cases?

- Achieve strategic climate outcomes
- Enhance transparency to stakeholders
- Ensure management of climate risks

What are the examples of key components?

- Goals/targets
- Governance
- Risk analysis
- Viable actions

CONTEXT TO THE DEVELOPMENT OF TP MATTERS

Country context matters

- **Higher physical risks** and **more constraints in the enabling environment** in EMDEs for financial institutions (FIs)
- **Different transition pathways** across different jurisdictions

Connecting TP matters

- FIs can benefit from **using and engaging with transition plans of non-financial firms.**
- FIs leaning into transition of their counterparties become **dependent on climate action of their counterparties.**

Capabilities matter

- **Internal capacity** is the key to undertake transition planning.

Unintended consequences matters

- Risk of **unintended consequences** (e.g., undermining access to finance, retrenchment effect) from poor policy design

Find out more in the NGFS reports

[Stocktake report \(2023\)](#)

[Transition plan Package \(2024\)](#)

[Climate Target setting \(2025\)](#)

[Climate scenario analysis \(2025\)](#)

[Adaptation into Transition Plans \(2025\)](#)

*NGFS Short-term scenarios (2025), the “Disasters and Policy Stagnation” scenario combines at regional level a sequence of extreme events (droughts, floods etc.) in 2026 and 2027, leading to a loss of GDP in 2026 in the different regions.
**NGFS Long-term scenarios – Phase V (2024)

NGFS’s Work on Transition Plans

KEY FINDINGS FOR MICRO-PRUDENTIAL SUPERVISORS



TRANSITION PLAN (TP) CAN BE A USEFUL SOURCE OF INFORMATION FOR MICRO-PRUDENTIAL SUPERVISORS.

In particular, it helps supervisors to develop a view of:

- 1. The potential change in risk profile of a financial institution (FI) over time
- 2. Whether climate risks from an FI’s transition strategy are commensurate with its risk management framework

CHARACTERISTICS OF A ROBUST TP FOR SUPERVISORS

Articulates the FI’s approach to climate change, which encompasses both **mitigation and adaptation**

Integrates **risk management** and follows a coherent narrative

Builds on **climate scenario analysis** to identify vulnerabilities and tests potential outcomes

Sets **clear assumptions and dependencies** underlying targets

PRACTICES THAT ENHANCE FIs’ TRANSITION PLANNING

Developing **appropriate governance oversight**

Testing **different scenarios to assess strategy in a range of climate-change outcomes**

Building capacity and upskilling

Building an **overarching framework that integrates transition planning and scenario analyses processes**

Integrating **data management framework and scenario analysis** in the planning process

Incorporating climate-related targets into **remuneration policies**

POSSIBLE ACTIONS BY SUPERVISORS

Balancing proportionality and credibility

Understanding TPs, including targets, assumptions and limitations

Assessing the implications to FIs’ risk management frameworks and practices

Evaluating FIs’ climate-related data and measurement capabilities

Find out more in the NGFS reports