

Transition Plan Project 2024 – Report:

**Gaps in existing plans and key insights on the value and challenges
of the transition planning process**

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Authors

Claire Wigg, Head of Climate Performance Practice, ERI
Annachiara Torciano, Business Transformation Fellow, ERI
Michelle Silva Vásquez, Project Manager, ERI
Andrea Lindblom, former Head of Communications, ERI
Evan Eskilson, former Climate Performance Analyst, ERI

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Executive Summary

Transition plans are high up on today's sustainability agenda. Companies within scope of the European Union legislation are now required to publish 1.5°C-aligned climate transition plans,¹ a measure that will likely be adopted by other regions in the near future. These plans are already required for participation in the Race to Zero campaign.² Beyond compliance, the development of transition plans is essential for operationalising climate targets alongside businesses growth and profitability.

The Exponential Roadmap Initiative (ERI) considers transition plans to be a key tool for the transformation of companies towards net zero. These plans should set out not only the actions needed to decarbonise a company's operations and value chain, but also how the company's portfolio of products and services will be transformed to be competitive in a net zero world. Transition plans should be treated as a strategic tool to secure business resilience and take advantage of the opportunities that come with the transition.

To contribute to work in this area and support companies in the creation of high-quality transition plans, ERI carried out a Transition Plan Project funded by the European Climate Foundation (ECF) during 2024. The project explored 1) the transformations needed for businesses to thrive in a net zero world, 2) the state of existing transition plans in order to identify areas for improvement and 3) how leading companies are thinking about the transition planning process, its value and its challenges.

This report describes the activities and outcomes of the project; it also compiles the key insights from the review of existing transition plans and from interviews and workshops with companies that have published their first transition plan documents. The report provides insights into both a) what companies are writing in their transition plans and b) their reflections on the process of developing these forward-looking documents.

We found that the perception of transition plans as a compliance exercise is still dominant among companies and that existing documents (most of them were first versions) are still quite limited in terms of their sophistication. A few gaps appeared consistently in the plans reviewed. There was:

- No post-2030 planning.
- Poor identification of opportunities.
- Lack of specificity on blockers.
- Poor disclosure of dependencies.
- Lack of clarity on governance structures.

Despite this, the experience of companies at the forefront shows that the process of transition planning is making a big difference in how companies approach sustainability and climate.

¹ European Commission (2024). Directive on Corporate Sustainability Due Diligence – FAQ. Luxembourg: European Union.
https://commission.europa.eu/document/download/7a3e9980-5fda-4760-8f25-bc5571806033_en?filename=240719_CSDD_FAQ_final.pdf

² UN Framework Convention on Climate Change (UNFCCC) (2022). Race to Zero Criteria 3.0. UNFCCC: Bonn. <https://climatechampions.unfccc.int/wp-content/uploads/2022/06/Race-to-Zero-Criteria-3.0-4.pdf>

Transition planning can push companies to shift from setting stand-alone targets to developing detailed plans for the investments needed, and to creating profitable pathways to net zero.

The tension between profitability and the investments needed for net zero is the most significant challenge companies are facing in this process. A limited understanding of the net zero transition and its actual costs, difficulties in recognising the business opportunities, and external dependencies are some of the factors that contribute to these challenges. Throughout the report, we highlight actions, based on our learnings from the project, that can be taken to overcome these gaps and challenges.

The outcomes of the project and insights documented in this report can contribute to developing best practice in this critical field. ERI looks to continue promoting and guiding companies in the development of credible³, ambitious and opportunity-driven transition plans that consider both profitability and growth.

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³ See recent ATP-Col's conceptual framework and guidance for assessing the credibility of transition plans [here](#). ATP-Col, co-chaired by The World Benchmarking Alliance (WBA), is a collective made up of 90 experts from 40 organisations aimed to harmonise practices for assessing the credibility and robustness of companies transition plans.

1. Project Overview

The overall aim of this project was to contribute to the development of best practice on climate transition plans by

- 1) analysing the transformations needed for businesses to thrive in a net zero world,
- 2) assessing the state of existing transition plans in order to identify areas for improvement and,
- 3) exploring the value leading companies find in the transition planning process, and the challenges the process poses.

The main activities of the project were:


Net zero operating space research. Research identified the overarching transformations companies need to undergo to do business in a net zero world. A [thought piece](#) was produced to explain the concept, to define the characteristics of a net zero operating space for business and how this space links to company transition plans.

Company transition plans review. The coverage in 12 ERI members' plans of the topics in ERI's transition plan [template](#) was assessed. Since the review was not assessing the ambition level of transition plans, we considered a topic to have been included if it was mentioned at all.

In a few cases, topics were deemed not applicable to the plan being evaluated, but this was rare as the template has wide applicability. While quantitative metrics were created to identify trends and overall gaps, the analysis was mainly qualitative. The focus was on assessing material gaps in how companies are thinking about, relating to, and implementing the transition planning process. The analysis was primarily conducted using publicly available documents – although some confidential planning materials, which would provide the basis for published transition plans in 2024 – were also reviewed as part of ongoing collaborations between ERI and member companies.

A series of **interviews and workshops** were conducted to gather more detailed information about how companies are developing transition plans and about the current benefits and challenges of the process. Six large ERI member companies were selected to participate in the interviews, based on their leadership in this area. In the majority of interactions, two representatives of each company – one from the sustainability team and one from business/operations – participated. Preliminary findings from the interviews were disseminated and discussed further in the workshops that followed.

Events and communication activities. ERI arranged a number of face-to-face sessions on transition planning at two key climate events – Climate Week NYC and COP29 – as well as participating in events organised by other actors on the topic. See blog posts available on our [website](#) and recordings of the sessions on our [YouTube channel](#).



2. Key Findings

This section is divided into two main parts. The first part presents the findings from the review of existing transition plans of selected ERI companies and describes the main gaps identified in these documents. A short analysis follows, of the inclusion of key performance indicators (KPIs) in the plans. The second part presents insights compiled during the interviews and workshops with leading companies on the value and the challenges of the transition plan process.⁴

2.1 Transition plans review – gaps and room for improvement

ERI reviewed the transition plans of 12 member companies from various industries and sizes. The plans were assessed against ERI's template for developing transition plans. Published in 2023 or the first half of 2024, most of the documents were the first climate transition plans prepared by the companies. These documents were mainly developed in response to regulation or to requests from the board of directors to explain how 2030 climate targets might be achieved. We identified five main gaps in many of the transition plans:

1. No post-2030 planning

Most of the companies have committed to achieving net zero by 2050, with many aiming to do so sooner. Most plans are clear about the short term and include relatively detailed descriptions of the emissions reduction levers that would be used between the time of writing and 2030. But action levers to be used in the medium and long term are seldom specified. In general, then, companies are planning for 2030 but are not presenting clear long-term visions and concrete plans beyond 2030. Because transition plans must look to the long-term future, we identified this as a key gap.

Obviously uncertainty about the availability of some technologies, market opportunities, and social and political conditions make it challenging to develop a public strategy document with a multi-decade timespan. However, for most companies, becoming net zero-aligned will take more than picking the immediately available low-hanging fruit: it will require investment and long-term commitments to new technologies and business models. Companies that intend to operate for decades into the future will need to lead the change and map out their direction of travel.

As the Cambridge Institute for Sustainability Leadership (CISL) argues, businesses “must go beyond setting targets for individual company change and instead focus on a ‘whole of economy’ transition, with a strategy to compete and win within that transition”.⁵ By working through the transition planning process, companies can assess how they must evolve to be compatible with the new competitive landscape of the net zero world.

⁴ Note that the sample for these activities was limited in terms of size and company type. The project's findings must be interpreted with this limitation in mind. See more details on samples in the project overview section.

⁵ Hooper, L., Gilding, P. (2024). *Survival of the Fittest: From ESG to Competitive Sustainability*. Cambridge, UK: Cambridge Institute for Sustainability Leadership.

https://www.cisl.cam.ac.uk/files/from_esg_to_competitive_sustainability.pdf

Addressing this gap helps to:

- secure a competitive position in the net zero world by being at the leading edge of sectoral transformation. As an agent of change, a company has the power to influence the evolution of new markets rather than react in response to them.
- establish the terms of the conversation to ensure your organisation will get the help it needs to achieve its transition plan targets.
- align leadership across your organisation to develop a robust strategy for long-term value generation and to ensure commitments are upheld through leadership changes.
- communicate your dedication to your net zero targets based on realistic and actionable transition plan steps, thereby developing the value of your brand.

2. Poor identification of opportunities

The sustainability transition represents one of the greatest business opportunities of the next 25 years as consumer demand shifts and regulations tighten. Present business models risk becoming obsolete as new entrants seize the opportunities that lie ahead. Few organisations show awareness of these shifts in their transition plans. Instead, the dominant attitude seems to be that climate transition plans are an obligation and burden. Few plans recognise the size of new markets, the shifting expectations of customers, or the advantages that early action confers.

Moreover, the plans are occasionally fragmented and lack the depth necessary to support lasting change. Perfunctory plans will hamper success; but they also leave opportunities on the table, limiting potential future growth. Transition planning should be a vision-setting process, based on identified opportunities. These opportunities should set the overall direction for company transformation over the long term and motivate the actions outlined in the transition plan.

For businesses, achieving sustainability must come hand in hand with profitability. Failing to set long-term strategies to take advantage of the opportunities in the coming transformation risks projects being scrapped when harsher economic conditions set in. Communicating the value that can be won by aligning early with the net zero world and justifying the overall direction are key for finding support in the organisation.

Addressing this gap helps to:

- communicate expectations of future value and company resilience to internal and external stakeholders and attract their support.
- diversify the business by investing in sustainable revenue streams.
- avoid crowding out by more innovative or agile competitors better prepared to capitalise on the opportunities of the sustainability transition.

3. Lack of specificity on blockers

Progress towards GHG reduction targets will be difficult if companies don't recognise blockers and work collaboratively with others to remove them. Companies must identify the factors external to their businesses that might block the successful implementation of their transition plans and work

to minimise their impact. For example, regulatory requirements for material use might make valorisation of circular materials impossible. Transition plans must call out and shed light on the potential risks posed by blockers. Sharing a strategy for reducing their impact is crucial for credible climate transition plans.

Additionally, identifying blockers can shift the narrative by bringing attention to corporates' most significant concerns and to the actions required to address them. Sharing specifics about blockers sends a clear signal to enabling actors such as policymakers that support is needed. Key actors may be generally aware of a problem, but detailed information can help them recognise concrete actions that can reduce bottlenecks and unlock further positive action towards transition goals.

In the transition plans analysed, a handful of companies addressed these concerns under the umbrella of “challenges”, but many lacked sufficient detail. For example, one noted that grid decarbonisation is a potential challenge for meeting sustainability targets. While this observation is valuable, it does not provide direction about how to solve the issue. General descriptions of blockers can also be interpreted as a deflection of responsibility rather than a solutions-oriented disclosure. In this example, it would be more valuable to call out the specific factors that have limited the company's uptake of clean energy in the grids they use, eg complex permitting processes or a lack of long-distance grid connectivity. This type of specificity will help others to prioritise efforts and centre the company in the search for efficient solutions in the near term.

Addressing this gap helps to:

- incorporate blockers into the conversation to speed up change.
- foster collaboration and innovation between value chain or industry actors that have similar blockers. This may lower long-term costs as well.
- set up opportunities for showcasing positive outcomes in sustainability reporting documents when barriers are overcome.

4. Poor disclosure of dependencies and needs

As with blockers, the companies' plans fell short when it came to disclosing the dependencies on which their transition plans relied and their needs. Although communicating externally about dependencies and needs might feel uncomfortable for companies – eg due to risks of being perceived as engaging in greenwashing and greenhushing⁶ – this exercise is essential for several reasons.

A disclosure of dependencies and needs sends a signal to outside actors about what conditions must stay the same and what must change for a company to make progress on their emissions reduction goals. For instance, disclosing the policies that have enabled a transition plan bolsters those policies and increases the likelihood that support will not fade. It valuably boosts transparency, allowing readers and investors to understand where support is coming from. Sharing needs can also help indicate interest and support for the development of new technologies that can facilitate the transition. In this way, companies can show that there are legitimate markets for innovative products,

⁶ See the conceptual framework proposed by the University of Zurich and the University of Oxford with red flag indicators to assess transition plan inconsistency and greenwashing [here](#).

and they can allocate research time and investments to organisations that are better suited to developing these products, rather than taking on that work themselves. This can reduce implementation costs in the long term, as businesses can focus on their core competencies.

But again, specifics matter. For example, one transition plan described the expansion of regenerative agriculture as a key lever in their sustainability strategy. In other words, they need lower emissions commodities to achieve their transition plan targets. But for this need to be met, outsiders need to know what factors must stay the same and what must change – for example, perhaps programs educating farmers on regenerative agriculture should be expanded, or support payments to farmers for conservation efforts should be continued. The lack of signals is a key gap in present transition plans; they should be included going forward.

Addressing this gap helps to:

- specify the need for development and scaling of key technologies and policies so that stakeholders have clear signals to continue investing in transition plan enablers. This should lower implementation costs.
- engage value chain and political partners in collaborative projects to ensure their dependencies are met in a manner that is conducive to their transition plan implementation.
- optimise wording for SEO and PR so that value chain partners such as innovators and investors can find the opportunity and amplify the story.

5. Lack of clarity on governance structures

To demonstrate a genuine commitment to their climate transition plans, companies must provide clear insights into their governance and decision-making structures. This includes outlining how decisions will be made, how work will be shared between departments and how resources will be allocated. Our analysis found that while many companies attempt to address these questions, their responses often lack consistency and specificity.

Organisations should focus on describing the frameworks they use to guide decision-making. By sharing concrete features such as KPIs, companies can communicate the practicalities of their plans more effectively. This transparency not only strengthens the validity of their plans but also shows stakeholders that the company is serious about achieving its goals and is prepared to navigate a complex landscape.

Clear governance and prioritisation frameworks also help reduce implementation costs and improve organisational efficiency. For example, aligning departments on shared goals and metrics – eg giving equal weight to sustainability performance indicators and profitability metrics – can streamline efforts and enhance coordination. Yet, we found that companies rarely provide a framework for how decisions on short-term profitability are weighed against long-term sustainability and transformational value goals. By detailing their decision-making processes, companies can ensure a cohesive approach to sustainability that will reduce costs and foster a culture of collaboration and shared responsibility across the organisation.

Furthermore, companies should establish feedback mechanisms to assess progress and update strategies as conditions evolve. Feedback mechanisms encourage flexibility and responsiveness, ensuring that transition plans remain relevant and effective over time. A clear framework for governance, with built-in feedback loops and conflict resolution strategies, can prevent internal disagreements and promote a cohesive approach to achieving sustainability goals. By demonstrating a commitment to continuous improvement and adaptive management, companies can enhance their credibility with stakeholders and show they are serious about achieving their long-term climate objectives.

Addressing this gap helps to:

- facilitate alignment between finance and operational departments, reducing implementation costs.
- foster a culture of collaboration and shared responsibility across the organisation.
- strengthen the validity of the transition plan by showing stakeholders that the company is prepared to navigate a complex landscape.

Review on KPIs for the four net zero conditions

In addition to the review against ERI's template, we also analysed whether ERI members' transition plans included KPIs for the four key conditions for conducting business in a net zero environment⁷ – renewable, regenerative, optimised and circular. It was found that 10% of transition plans included KPIs for all four conditions, and 30% for three of them. But more than half of the transition plans reviewed (60%) only included KPIs for one or two of the four conditions (see Figure 1).

Does the company have KPIs for their business following the four net zero principles?

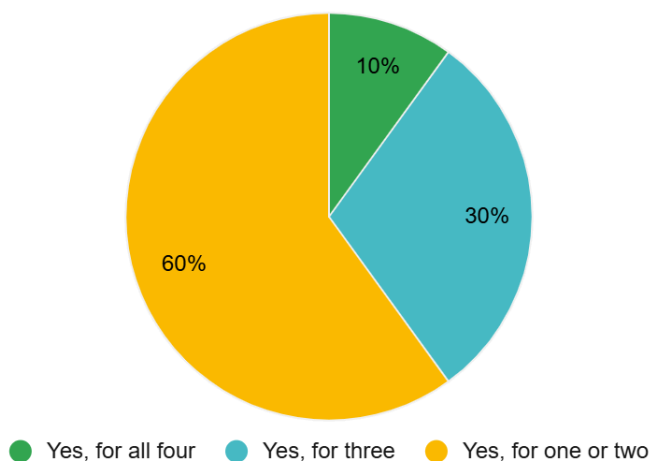


Figure 1: Inclusion of KPIs for net zero conditions in existing transition plans

⁷ It is important to note that these conditions are more or less relevant for companies depending on their sector and business model. For further explanation of the four conditions, see Exponential Roadmap's thought piece on the [net zero operating space for business](#).

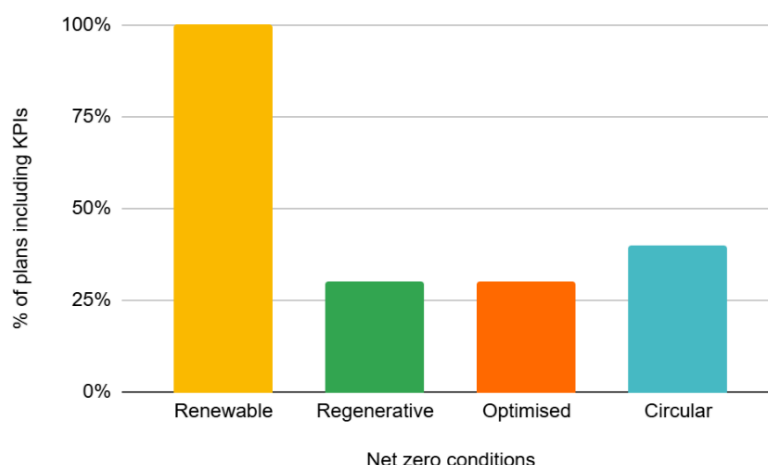


Figure 2: Percentage of plans that include KPIs for each condition

As shown in Figure 2, the inclusion of KPIs in the plans varies significantly for each net zero condition. All plans include KPIs on renewables, although they focus more on energy and less on materials. Just under half of the plans (40%) include KPIs on circularity, mainly with respect to plastic packaging, whereas only a few include clear and measurable targets for the optimised and regenerative conditions (each included in one third of the plans). It is worth noting that some of the companies reviewed have KPIs for all or some of these areas but included them in their annual or sustainability reports and not in their transition plans. KPIs found in sustainability reports were not considered in the above statistics. Also, some transition plans have general descriptions of aims, goals, or actions needed in these areas but they lacked clear metrics. These statements were not counted as KPIs.

2.2 Value and challenges of transition planning: insights from companies

ERI conducted interviews and workshops with representatives of leading companies to gather insights on their experiences of transition planning. Below we summarise the main insights that emerged about the benefits and main challenges of this process.

Transition planning and its benefits

Overall, transition planning offers an opportunity to thoroughly evaluate the impact of the company's initiatives and investments. It is a process that can contribute effectively to operationalising climate and sustainability goals. Climate transition plans, among other things, 1) provide internal clarity about the roles and responsibilities of different business units in achieving the targets, 2) help to identify opportunities and address challenges and dependencies relevant to enabling the delivery of goals, and 3) provide further granularity and specificity on each level of action, which in turn, improves transparency.

To date, most companies have set climate targets without sufficiently detailed planning and analysis, which has resulted in a poor understanding of the implications of the targets, particularly at the board level. But now, transition planning is pushing companies to shift from setting stand-alone

targets to developing detailed plans, which makes a big difference in how climate action is approached internally.

Organisations at the forefront showed us that transition planning is leading them to develop thorough feasibility studies and to open up discussions among and within business units about the impacts of company-level targets. Transition plans reveal likely costs, impacts on profits, and what investments will be required for the transition. Transition planning also reveals gaps in meeting targets and can prompt the setting of related KPIs.



The [transition plan] process is getting everyone engaged, and it's a new way of working. The process is creating positive energy because it makes things tangible. There's a positive mindset for change and pragmatism, with discussions on feasibility, sales and sourcing.

— Interview participant

This clarity on the implications and business consequences of greenhouse gas (GHG) emission reduction targets contributes to increased engagement and support from top management and from the company as a whole. In turn, more tangible implications help employees to better understand how the transition will impact their roles and how they can contribute. The process facilitates the delegation of responsibilities and ownership of climate goals at business units. In some companies, business divisions create their own transition plans, which are then consolidated.

However, most companies are not leveraging the value transition planning can provide due to poor engagement and support from key stakeholders. Many existing plans are not yet integrated into overall business strategy, which significantly reduces their usefulness as tools for business transformation.

Transition planning: challenges of the process

The level of coherence and specificity of a transition plan and, even more, its level of integration with the business strategy reflect the way in which transition planning is being managed internally. For some companies, the process of developing a transition plan will bring more challenges than for others. Below we highlight five main challenges that emerged from the conversations with leading companies about this process.

1. Misalignment between company culture and the net zero transition

The culture of a company significantly affects the transition plan process. Depending on the values embedded in the DNA of the company, company culture can hinder or facilitate the integration of the transition plan into the business strategy. For example, in companies where efficiency and optimisation have not been central, the alignment between an emissions reduction plan and business strategy will take more effort. Conversely, companies that focus on generating high-value products or services may integrate transition plans into their business strategies more easily.

When the process of transition planning fits better into the company culture, there is less opposition from top management and more willingness to find solutions to move the plan ahead, eg by working on product design and choice of materials to minimise costs. Companies with a culture that is more aligned to the required transition are also more willing to assume higher costs in the short-term for the sake of innovation and scaling.

It is also worth noting that, apart from the culture, there are business models that by default are more aligned with the transition. For example, companies that have always implemented a *total cost of ownership (TCO)* model are generally more aligned with net zero scenarios from the start.

2. Pitting growth against transitioning to net zero

A perception that climate transition is in conflict with growth is dominant among companies, particularly at top management and investor levels. In many companies, business growth and the net zero transition are seen as two separate, and even opposing, elements. This reveals a lack of understanding that a) the transition presents opportunities and that b) transformation is necessary for financial sustainability long term.

In companies where this view is predominant, transition plans are perceived as another compliance exercise and not as a business transformation tool. This leads to questions about the need for transition plans and going beyond the minimum requirements in regulation such as the Corporate Sustainability Reporting Directive (CSRD). Even if a transition plan is developed and approved, it is usually disconnected from the business strategy. Top management teams in these companies tend to argue against climate investments and favour business-as-usual goals. Moreover, investors and shareholders resist re-evaluating profit and growth goals. It's hard to talk to them about resilience and risk mitigation arguments for climate investments and about the costs of inaction.

On the other hand, there are companies that don't see an opposition between climate transition and business growth but still have difficulty seeing and realising the opportunities that come with the transition. Identifying these opportunities could be more or less difficult for companies depending on their industry and their position in the value chain.

3. Tensions between profitability and the investments needed for net zero

Profitability is a constant challenge for many companies, and a constant concern, particularly during economic downturns. However, when it comes to climate investments, these tensions might be higher for companies with a limited understanding of the net zero transition or for companies that have more difficulty recognising business opportunities (see point above).

What's certain is that the development and implementation of transition plans requires investment commitment from the top management in terms of both financial and human capital. Seizing the opportunities the climate transition offers and securing long-term financial sustainability depend on investing appropriately today. However, securing sufficient resources from the executive level is often a challenge for sustainability teams. They find it difficult to argue for climate investments, especially when the level of engagement and interest from board members and key stakeholders in the transition plan is low.

Even if there is interest at top management level, climate mitigation projects are usually planned and scaled without considering the investments needed in terms of human capital and money, which affects the implementation and delivery of results. This creates tension at lower levels within the company, where business units are expected to deliver on business-as-usual growth and profitability goals and decarbonise at the same time without sufficient resources or any margin relief.

In short, progress towards climate targets is expected, but the investments needed are not recognised or are at risk of being deprioritised. Thus, trade-offs between financial targets and climate performance and investments are currently being experienced primarily at junior levels, which can lead to a pushback about the transition planning at middle and lower levels too (see Figure 3).

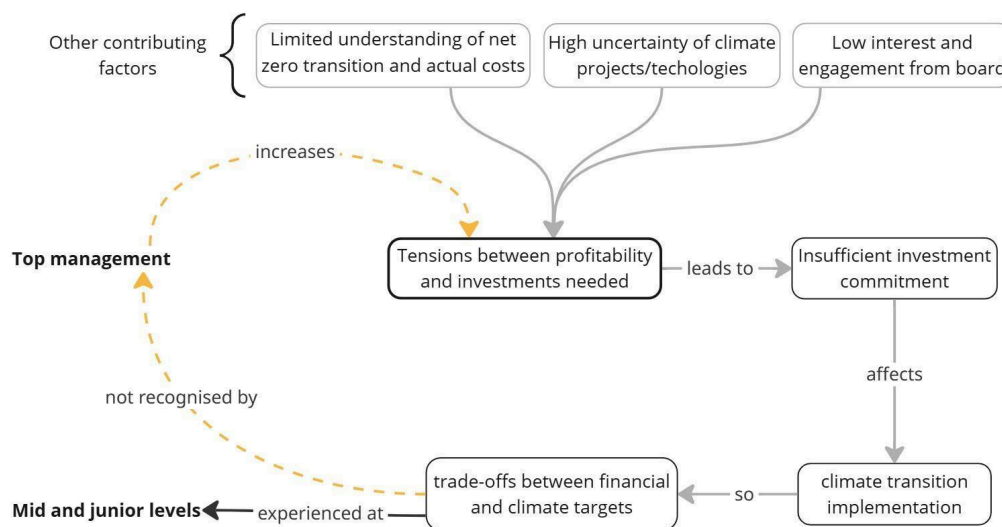


Figure 3: Tensions between profitability and investments and some contributing factors

Transitions have costs, not all of which will be absorbed by efficiencies. These trade-offs need to be recognised at the top of the company. At the same time, key stakeholders need to acknowledge that not all these costs are linked exclusively to the transition. Many of them – eg costs of energy and logistics, and of product innovation to meet consumer demands – are already embedded in the overall business plan. More detailed cost analysis can help to reduce financial concerns from boards and investors.

Another aspect that contributes to tensions around climate investments is the level of uncertainty about the outcomes of climate projects. For example, although solutions to tackle emissions reduction already exist for all sectors, some of the technologies currently available are more uncertain than others, eg renewable energy technologies involve less uncertainty than regenerative agriculture technologies. Therefore, companies implementing technologies that are not well known face higher uncertainty in their climate projects, which can increase tensions around investments needed.

Ways to overcome tensions about costs and investments: examples from companies

- Model profitability and growth goals and include them in the transition planning.
- Conduct detailed analysis on costs and levers and present it to the board.
- Reveal current and potential trade-offs of the transition to those at the top of the company, where remuneration usually depends on the results, as well as to investors.
- Steer away from “separate costs for net zero”. A great portion of net zero costs is already embedded in the overall business plan (see above). Demonstrating that fewer transition activities add costs and that costs can be absorbed over time can reduce opposition from top management.
- Show that some extra costs, eg sustainable sourcing of raw materials or commodities, are essential for ensuring the long-term resilience of the business.

4. Finding profitable pathways to net zero

In companies in which there is a clearer understanding that the net zero transition and profitability can go hand-in-hand, efforts are focused on creating profitable pathways to net zero. However, finding new ways to maintain profitability while transitioning to net zero is challenging. This is largely because of unresolved external dependencies – for example, the market demand for net zero products may not be significant yet, or policies needed to unlock investments and sustainable innovation may not yet be established. To face this challenge, more and stronger collective action is needed among companies. As CISL argues, leading companies need to advocate for the right policies to redesign markets and unlock the movement of capital necessary for finding commercially viable transition pathways.⁸

Finding profitable pathways to net zero can be more difficult for certain products or services and types of customers. For example, it might be easier to transition to B2B service-based models than make significant shifts in B2C product portfolios. In addition, as mentioned previously, for some industries, the solutions or technologies available today have higher costs and levels of uncertainty, and so, more innovation and development in those sectors is required to 1) better understand the existing solutions and how to implement them, 2) reduce their costs and 3) increase the number of solutions available. All these will facilitate the creation of profitable paths in sectors where uncertainty is higher.

5. Back-casting from an envisioned future

As noted previously (see gap 1), most companies are planning only until 2030 rather than back-casting from an envisioned future. Planning for the longer-term is perceived by many companies to be too challenging. A notable preference for short-term goals and action plans may be given for several reasons:

- Companies, particularly public ones, are used to planning their business strategies every three or five years. This has been the standard for many years, and there is a natural resistance to changing this practice.

⁸ Hooper, L., Gilding, P. (2024). Survival of the Fittest: From ESG to Competitive Sustainability. Cambridge, UK: Cambridge Institute for Sustainability Leadership.
https://www.cisl.cam.ac.uk/files/from_esg_to_competitive_sustainability.pdf

- Companies believe that focusing on short-term goals and prioritising areas where the biggest impact can be achieved is more practical; this focus allows them to see results quicker, which increases confidence in the transition process.
- Given the high level of uncertainty beyond 2030, eg about policy and regulations and social and market conditions, the back-casting exercise is perceived as a process that does not provide much value to today's work and that could lead to procrastination of the work that needs to be done.
- Companies also believe plans should be short-term enough for current employees to comprehend them and work on concrete steps.
- Imagining how products or services in a net zero world could look is time-consuming and often requires high investments in research and development. Current transition plans are more focused on changes in current products rather than significant portfolio shifts.

Although companies are not planning much beyond 2030, some recognise an “innovation gap” in their transition planning and are already investing in scaling low-carbon solutions for a post-2030 scenario.



3. Summary of findings

On existing transition plans – content and gaps:

- Overall, the level of sophistication of existing transition plans is limited; they lack specificity and coherence. Although there is significant heterogeneity in the contents of the plans reviewed, a few gaps appeared consistently. The plans often lack
 - 1) post-2030 planning,
 - 2) identification of opportunities,
 - 3) specificity on blockers,
 - 4) disclosure of dependencies and needs and
 - 5) clarity on governance structures.

By addressing these critical areas, companies can develop more transparent, credible and effective transition plans.

- While the degree of detail in transition plans around specific post-2030 actions may be a function of time, it is recommended that companies state their strategic direction towards net zero with the highest degree of clarity possible.
- The inclusion of KPIs for each net zero condition varies significantly. A great majority of existing plans include KPIs on the renewable area, though with a high focus on energy and much less on materials. Almost half of the plans include KPIs on circularity, but only a few of them outline measurable targets for the optimised and regenerative net zero conditions.
- Effective transition plans are essential not only for fostering internal alignment but also for bridging the gap between the company and its external environment. They serve as a communication tool that signals to stakeholders, investors, and partners how the company is thinking about the future and the steps it is taking to get there. By clearly articulating their strategies and needs, companies can create opportunities for others to support and

collaborate on their journey. This collaborative approach helps companies find synergies, leverage external expertise, and build stronger partnerships that enhance their capacity to achieve sustainability targets and maintain a competitive edge.

On the transition planning process, its value and challenges:

- Transition planning is pushing companies to: shift from setting stand-alone targets to developing a detailed plan, acknowledge investments are required for the net zero transition and create profitable pathways to net zero. The process makes the implications of the transition tangible, which affects how sustainability and climate are approached internally.
- The perception that transition planning is a compliance exercise is still dominant among companies. Even if a transition plan has been developed and approved, it is usually not integrated into the business strategy, which significantly reduces its capacity as a business transformation tool. Transition planning should be seen as an opportunity to chart a clear path into the net zero future.
- The tensions between profitability and the investments needed for net zero pose the greatest challenge for companies. A limited understanding of the net zero transition and its actual costs and difficulties in recognising the business opportunities are factors that can increase these tensions within companies. As a result of these tensions, investment commitments from management teams are often insufficient, which affects the implementation and delivery of results at lower levels of the companies.
- Trade-offs between financial targets and climate performance and investments that come with the transition are currently being experienced primarily at junior levels. To alleviate tensions about costs and investments for net zero, current and potential trade-offs of the transition need to be revealed at the top of the company, where remuneration usually depends on the results.
- The process of transition planning will prove more or less challenging depending on how well it fits into the culture of the company. The values embedded in the DNA of the company can hinder or facilitate the integration of the transition plan into the business strategy. For example, in companies where efficiency and optimisation have not been central to the culture, the alignment between an emissions reduction plan and business strategy will take more effort.
- While climate science suggests a back-casting approach from an envisioned future in 2050 is necessary for successful transition planning, the reality is that this approach is difficult for companies to adopt. Most companies are only planning until 2030 and find planning for a post-2030 scenario challenging. There is a notable preference for short-term actions goals and plans for several reasons:
 - 1) a natural resistance to changing the standard planning cycle,
 - 2) the belief that focusing on short-term goals is more practical and affords immediate results,
 - 3) a view that back-casting is not valuable given high uncertainties post-2030,
 - 4) the belief that plans should be short-term enough for current employees to work on concrete steps and
 - 5) the fact that significant shifts to net zero are time-consuming and often require high financial investments.
- Although the net zero transition should be understood as an opportunity for any type of business, the identification of those opportunities may be more or less difficult depending on

the industry and the company's position in the value chain. The more difficult it is to spot net zero opportunities, the more challenging the profitability and investment discussion will be internally.

- More concerted action is needed among companies to overcome some of the transition planning challenges presented above. A coordinated effort needs to be deployed on several fronts:
 - 1) Policy – companies need to get together and become more granular in policy asks by looking at specific countries and linking their asks to specific factories or sectors.
 - 2) Markets – companies need to send coordinated signals to obtain better access and more affordable solutions, such as renewable energy.
 - 3) Supply chain – companies can create clusters of value chain commitments to get value chain actors together and co-invest in solutions. New types of commitments are needed towards suppliers, eg advance market commitments (AMCs) to reduce prices for low-carbon supplies needed.

Future work

- In light of the outcomes of this project, the tensions around profitability and investments required for net zero need to be further explored, including their internal and external causes, their consequences and transition planning best practices to overcome them.
- Investigating how company transition plans relate to Nationally Determined Contributions (NDCs) and how they could be articulated to advance the climate transition would be another important topic for future work.
- Bundling company transition plans to draw conclusions on what new net zero value chains for different industries look like, holds a potential that would be worth exploring. This analysis could help provide more tailored or sector-specific guidance to companies for the identification of opportunities and for finding profitable pathways to net zero.