ITPN International Transition Plan Network

The Debt Discount: **The financial benefits of transition planning**

This research provides new global evidence of the financial implications of private sector climate transition planning. Based on an econometric analysis of approximately 8,000 publicly listed companies globally, including nearly 3,400 companies that disclosed one or more transition plan components between 2016 and 2023, it examines how transition plan disclosure and implementation relate to business performance.

The study finds:

1. **Transition planning supports lower cost of debt.** Companies that disclose all transition plan elements have a lower cost of debt than those who don't, equivalent to an 11.7% reduction in the interest paid on outstanding debt.[1]

2. **Companies benefit from a "start now, build over time" approach**, with a 0.15% average reduction in cost of debt for every additional 1% increase in the completeness of their transition plan.[2]

3. **Investors place value on transition plan follow-through**. Companies disclosing that their emissions targets are on track tend to outperform the stock market in the year following disclosure.[3] Companies that go furthest in aligning their financial planning with the transition, with higher shares of transition-aligned financial metrics, show stronger share price growth relative to the broader market in the year following disclosure.[4]

4. **Transition planning does not negatively impact profits or expected stock performance over the long run.** We see limited evidence of financial trade-offs associated with disclosure of transition plans. Specifically, we see no statistically significant effect on profits, return on assets, or cumulative stock alpha across any indicators.

Policymakers and regulators should encourage transition planning, disclosure, and implementation so more companies can realise the financial benefits. This can be done through guidance, expectations, requirements, and/or capacity building.

Transition planning plays an important role in strengthening business resilience, financial stability, and competitive markets.

Have questions or would like to explore this topic further with the ITPN team?

Contact us at **team@itpn.global**

Read the full report here

1) $p < 10\%$ 2) $p < 1\%$ 3) $p < 10\%$ 4) $p < 5\%$