

UK TPT consults on Sector Deep Dives

AT A GLANCE

November 2023

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What's new?

- The UK Transition Plan Taskforce (TPT) published seven [Sector Deep Dives](#) for consultation on 13 November 2023. These Deep Dives set out additional, sector specific guidance for Asset Managers, Asset Owners, Banks, Electric Utilities & Power Generators, Food & Beverage, Metals & Mining, and Oil & Gas industries.
- The consultations are open until 29 December 2023, and follow the finalisation of the [Disclosure Framework](#) in October 2023.

What does this mean?

- The TPT was launched by HM Treasury in April 2022 to develop a gold standard for climate transition plans and make recommendations to inform the UK's regulatory requirements on transition plan disclosures.
- The TPT outputs are intended to provide granularity and specificity on transition planning to meet the needs of the UK market.
- The Sector Deep Dives published on 13 November are intended to help preparers interpret the final Disclosure Framework for their sector, building on the sector-neutral Implementation Guidance and sector-specific Sector Summary.
- In the guidance, the TPT recommends that all businesses disclose assumptions expected to inform or affect their transition plan, including those relating to the short, medium, and long term, at a regional or global level (where relevant). It also recommends that transition plans should be transparent around data limitations and any steps taken to mitigate identified limitations.
- Key sectoral recommendations from the Deep Dives are summarised below:

Asset Managers & Owners

- The recommendations for [asset managers](#) and [owners](#) focus on financed emissions, investment activities and stewardship.
- The guidance suggests that all asset classes should be included in transition plans.

- The TPT notes that Asset Owners produce mandates for their portfolio to achieve outcomes, while Asset Managers help to achieve outcomes through their expertise, investment products, and stewardship of these portfolios. The TPT suggests that it is important to factor these dependencies into each transition plan.
- The guidance suggests that plans should focus on long-term value, and avoid a narrow focus that could lead to unintended consequences, for example by focusing on decarbonisation without considering whether it will contribute to greening the economy more broadly.

Banks

- The recommendations for [banks](#) focus on financed and facilitated emissions associated with on and off balance sheet activities.
- The TPT recommends that banks address their full range of operations and activities in their transition plans, including lending, sales and trading, capital markets and advisory activities. It also recommends that banks outline how they evaluate clients' transition plans to inform decision-making.
- The guidance also specifies that transition plans should outline whether banks are creating or changing products and services. This should include a description of any underlying taxonomy, tools, methodologies, or definitions used to classify products, and any mitigation and/or assessment exercises undertaken to monitor sustainability-linked financing.

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- The TPT recommends that banks also consider potential impacts and dependencies on stakeholders and society, such as changes to product accessibility and affordability.

Real-economy Corporates

- The recommendations for the Electric Utilities & Power Generators, Food & Beverage, Metals & Mining, and Oil & Gas industries focus on specific business activities for each sector.
- The TPT recommends that [electric utilities and power generators](#) disclose their objectives and priorities for electricity generation, transmission and distribution of electricity, and retail operations relating to electricity.
- The guidance for [food and beverage businesses](#) recommends disclosing their objectives and priorities for reducing land and non-land emissions; achieving no deforestation and/or land conversion; the agricultural practises and systems they will pursue to support their transition; and relevant synergies, trade-offs, and co-benefits between their transition plan and food security.
- The TPT recommends that [businesses in the oil and gas sector](#) disclose their objectives and priorities in relation to each of their business segments; timeframes for phasing down and phasing out any unabated fossil fuel-related business and diversifying towards products and services that support their transition; and the purpose of any new or planned oil and gas exploration and production activities.
- The guidance recommends that businesses in the [metals and mining sector](#) disclose their objectives and priorities in relation to each stage of their value chain; materials for a low-GHG emissions, climate-resilient economy, including any associated changes in their commodity mix; reducing transportation-related GHG emissions; and reducing upstream and downstream GHG emissions.

What do firms need to do?

- The TPT recommendations build on existing global standards, including the work of the Glasgow Financial Alliance for Net Zero (GFANZ) and the Task Force for climate-related Financial Disclosures (TCFD). The TPT recommendations are also aligned with the International Sustainability Standards Board (ISSB) Standards, which are expected to be widely adopted internationally, and could form the basis for regulatory requirements in countries that adopt the ISSB Standards.
- In the UK, the FCA [intends](#) to consult on guidance aligned with the TPT Framework for listed companies when it consults on UK Sustainability Disclosure Requirements (SDR) rules in H1 2024. Meanwhile, the Government has [committed](#) to consulting on transition plan disclosure requirements for UK-registered companies in Q4 2023.
- Ahead of regulatory requirements, businesses should begin work now to implement the TPT recommendations and integrate transition planning across their business. Businesses that do this will enhance the strategic value of their transition planning and gain a head start on formal regulation as part of UK SDR.
- To further enhance their strategic value, businesses should adopt a value creation lens and take a strategic and rounded approach to the design, development and disclosure of transition plans, ensuring enough flexibility to meet the requirements of new regulation as it develops.
- Both users and preparers should review the draft Sector Summary and Sector Deep Dives, and consider providing feedback via the relevant sector page. This will support sector-specific guidance that is decision useful and proportionate.
- More broadly, businesses should carefully consider their approach to transition planning and preparing for strengthened regulation as part of UK SDR.

Next steps

The consultations close on 29 December 2023. The UK Government is expected to consult on mandatory transition plans disclosure requirements for UK-registered companies in Q4 2023, while the FCA is expected to consult on expectations for listed companies in H1 2024.

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