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CISL Cambridge Institute for Sustainability Leadership

Competing in the Age of Disruption

A business briefing by the University of Cambridge Institute for Sustainability Leadership

Transforming Markets

The University of Cambridge Institute for Sustainability Leadership

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Key takeaways

1

Politics may change but the laws of nature do not.

Politics affect the speed of change, but not the ultimate direction. Change is inevitable because it is driven by the laws of nature and technology innovations – and their economic consequences – rather than by sentiment, ideology or good intentions. Pay attention to geopolitical shifts and adapt tactics accordingly, but do not lose sight of the deeper structural forces already reshaping markets. Transition may not be linear, but its momentum is real, and in many sectors it is already underway.

2

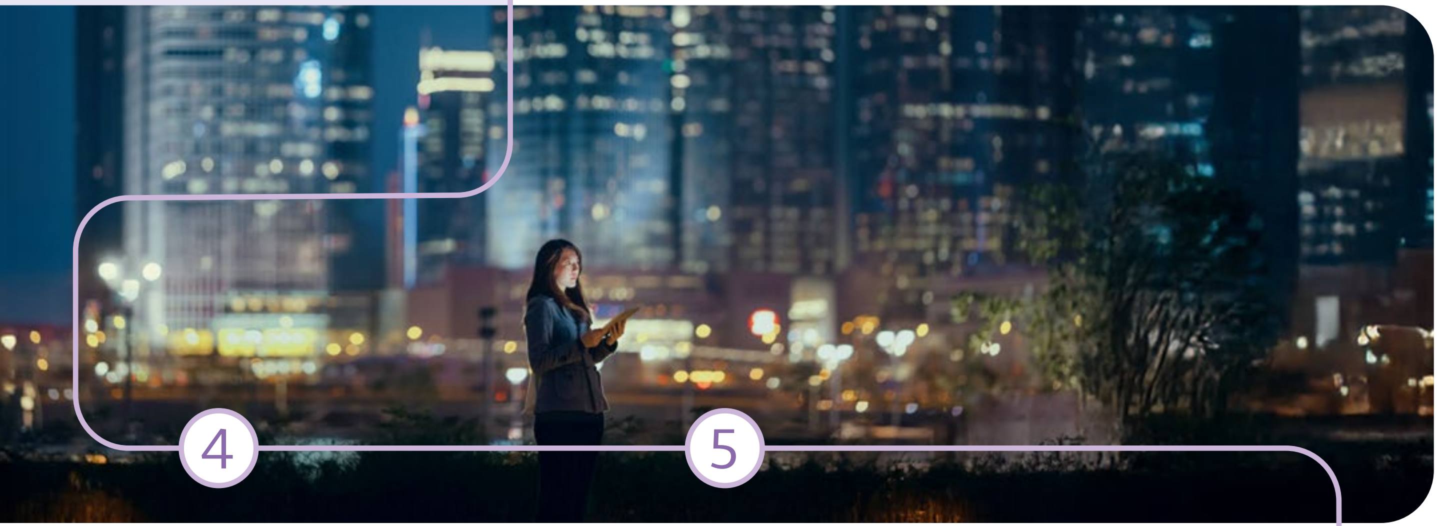
The competitive landscape is transforming and there is huge value at stake.

Systemic sustainability risks are increasingly driving – and destroying – business value. Climate instability, resource scarcity, environmental shocks, social unrest and the consequent political and economic volatility will reshape markets faster and more profoundly than most businesses expect. Disruptive technologies, radical innovations and major industry transitions will accelerate in response. The next generation of corporate giants is likely to be built on clean technology, artificial intelligence (AI)-optimised resource efficiency, sustainable food production and circular business models – not on extraction, waste and emissions.

3

Swift action is needed to create and protect value, and secure the future of markets.

Cascading crises as a result of collective inaction will force costly and abrupt state interventions, weaken government capacity and fuel volatility. Dominant states and private monopolies will shape the transition on their terms, deepening instability, while nations retreat from trade and co-operation. Business action to accelerate transition is not just a route to create and protect value – it may be the only way to sustain a functional, open global economy.



4

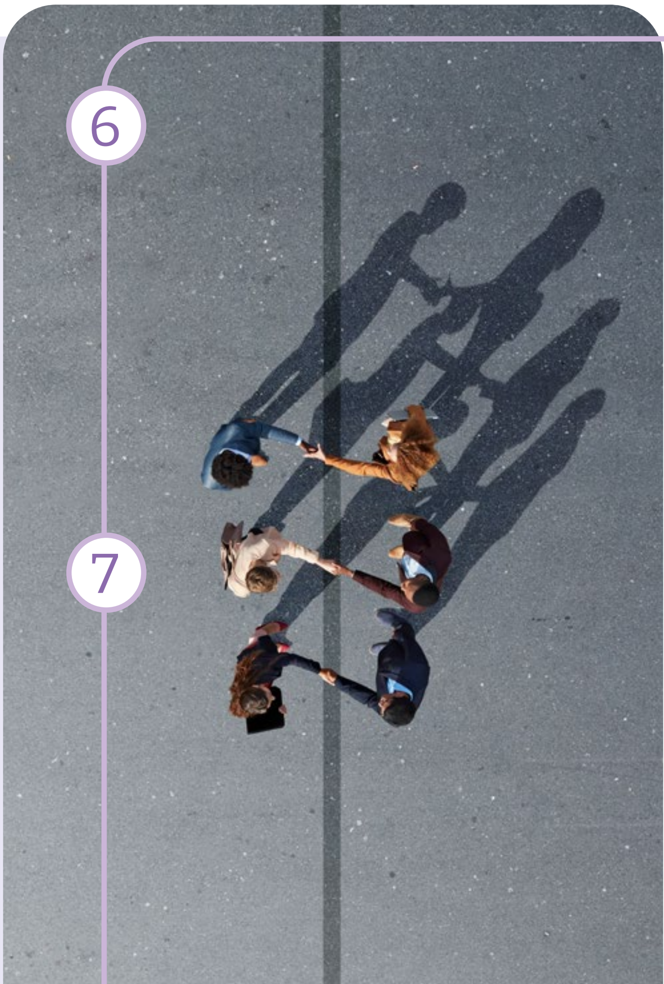
The challenge is one of pace – in markets that don't yet incentivise innovation and investment.

Without deliberate action to accelerate the transition, the alternative is unmanaged decline – marked by escalating crises, abrupt state interventions, and growing threats to economic stability and open markets.

5

Hope is not a strategy. Build the markets you need – do not wait for them to emerge.

Businesses cannot secure their futures, and the markets on which they depend, by optimising within a broken system or passively waiting for favourable market conditions to emerge; it is in businesses' own interest to proactively work to drive market change. Innovate, disrupt, shape demand, accelerate market transformation and position.yourself ahead of the curve before others do. The biggest risk is not acting too soon – it is being too late.



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Work to change the rules of the game to create a level playing field for action.

Where market barriers limit action, work to change the rules of the game to create a level playing field. The required advocacy by businesses must focus on those jurisdictions open to change and be strategic, sustained and at the highest level of influence.

7

Identify allies and work together to 'move the middle'.

Market-wide change will require concerted and strategic action by multiple players to build a critical mass of support to create incentives for action and remove the competitive disadvantage borne to date by early movers – while preparing to compete aggressively in free and fair markets.

8

Know the tactics of those opposing action and be willing to match them.

It is essential to be clear-sighted on who is opposing change and how they are working to delay progress. Use every lever of business power – from compelling narratives to build political and social support, to proving that transition is not only possible but underway and unstoppable – to counter their resistance.

9

Moments of political and economic turmoil create opportunities for change.

In a time of political and economic instability and regime change, the opportunity to reshape markets is greater than ever. Periods of disruption rewrite the rules of the game, creating openings for those who act decisively. In a context of widespread fear and declining trust, there is strong latent support for those who will drive action to build markets that profit by sustainably meeting society's needs. **This is why businesses should step up now and take leadership – in their own interests.**

Executive summary

A global industrial and economic transition is underway – restructuring how economies produce and consume resources and create value. This shift is being driven by hard, non-negotiable forces: the laws of nature and the limits of planetary boundaries. The direction of travel is clear.

The challenge is one of pace. Without deliberate action to accelerate the transition, the alternative is unmanaged decline – marked by escalating crises, abrupt state interventions, and growing threats to economic stability and open markets.

Strategic private sector action can change this trajectory. Businesses and investors have a critical role to play – not only in managing risk but also in reshaping markets and the rules that govern them. Those who act now to accelerate transition will gain a powerful early-mover advantage, set future standards, and influence the direction of policy and capital flows.

The financial stakes are significant. Businesses face existential risk from two directions: from systemic instability if the transition fails to scale, and from competitive displacement if it accelerates faster than they can respond. But the upside is equally significant. Entire sectors are being rebuilt, and the market for sustainable solutions is projected to reach trillions in value – rewarding those who move early to lead in clean technology, resource efficiency and resilient, low carbon business models.

In ***Survival of the Fittest: From ESG to Competitive Sustainability*** **we made the case for why it is in the private sector's own interests to accelerate market-wide transition**, and to innovate and prepare to compete on a level playing field that rewards superior sustainability performance.

This follow-up report, *Competing in the Age of Disruption*, sets out a pathway to achieve this ambition. It outlines six key priorities:

Shift mindset – from compliance and incrementalism to value, competition and transformation.

Escape the ESG trap – by ending tokenistic, reputational and defensive actions and redirecting effort towards market-wide impact.

Prepare for transformation and competition – by embedding strategic foresight, leadership alignment and board-level ownership of transition.

Innovate to create and protect value – by scaling disruptive technologies, shaping demand and triggering tipping points.

Change the rules of the game – through strategic policy advocacy that dismantles barriers and builds fair, future-fit markets.

Build momentum for change – by mobilising industry coalitions, aligning lobbying with long-term value and winning the public debate.

In today's context of political and economic instability and regime change, the opportunity to reshape markets is greater than ever. It is in moments of disruption that the rules of the game are rewritten, creating openings for those who act decisively. **This is precisely why business should step up now – in its own interests.**

By 2035, sustainable industries are likely to be the dominant forces in global markets. In multiple sectors, from energy to finance to food production, those who lead the transition stand to gain the greatest advantage, while others risk falling behind. This is not speculative, it reflects the direction innovation, investment and competitive pressure already shaping the global economy.

At this historic moment of geopolitical regime change and economic transformation, the **question for businesses is whether they will step up to shape the future – or be shaped by it.**

Transition is inevitable – the issue is one of pace

1. The imperative to accelerate transition

Key takeaways

- A global industrial and economic transition is underway – restructuring how economies produce and consume resources – driven by the hard and fast laws of nature, planetary boundaries and social instability.
- The challenge is one of pace – without deliberate action to accelerate this transition, the alternative is unmanaged decline, and economic instability and threats to free markets.
- Effective and strategic private sector action could accelerate the transition, mitigating systemic risks and seizing significant early mover advantage – this means businesses and investors working proactively to transform markets and the rules that shape them.
- Significant financial value is at stake: as well as huge opportunities, businesses face existential risks from two directions – systemic instability if the transition fails to rapidly scale, and competitive displacement if it accelerates faster than they are able to respond.

A global industrial and economic transition is underway, not just a climate-driven clean energy shift[1] but a fundamental restructuring of how economies produce and consume resources.

This transition is not optional or ideological – it is a question of economic necessity, driven by the hard and fast laws of nature, planetary boundaries and growing social instability and enabled by rapid technological change. But while change is happening, it remains dangerously outpaced by escalating risks.

Systemic risks – climate instability, resource scarcity, ecosystem collapse, growing inequality and associated social and political shifts – are already disrupting markets, supply chains and investor confidence. The scale of value at risk is unprecedented, from stranded assets and collapsing business models to global supply chain shocks, a climate induced credit crunch and macroeconomic instability.[2]

The global economy could face a 50% loss in GDP between 2070 and 2090, unless immediate policy action on risks posed by the climate crisis is taken. Institute of Actuaries, 2025[3]

...climate change will increase the frequency of banking crises. The public costs of rescuing insolvent banks will cause an additional burden of about 5-to-15% of GDP per year.
Lamperti et al., 2019[4]

Climate disruption to global supply chains could lead to $25 trillion net losses by mid-century.
Nature, 2024[5]

We are fast approaching temperature levels—1.5°C, 2°C, 3°C—where insurers will no longer be able to offer coverage for many of these risks. The math breaks down: the premiums required exceed what people or companies can pay. This is already happening. Entire regions are becoming uninsurable. Günther Thallinger, Allianz[6]

Without deliberate action to accelerate economic transition, the alternative is unmanaged decline, perhaps even economic and social collapse. Cascading crises are likely to trigger conflict, social unrest and state interventions that will be increasingly costly, abrupt and blunt. Politics as we see in countries around the world, including the United States, will become more volatile and unpredictable still. State capacity will increasingly degrade. Private monopolies[7] are likely to increasingly dictate the terms of economic transition, reducing competition and deepening instability. Nation states will become increasingly protectionist, as is already happening today. Ultimately, stable, effective, accountable government and its capacity to deliver security and economic stability will be at risk.

While this scenario is a real risk, it is not inevitable. The transition is already unfolding – the question is only of pace and cost. Effective and strategic business action could accelerate it, mitigating systemic risks and seizing significant early mover advantage. As in past industrial revolutions,[8] a brutal market shakeout is coming. There will be winners and losers. The next generation of corporate giants is likely to be built on clean technology, AI-optimised resource efficiency, sustainable food production and circular business models – not on extraction, waste and emissions. Those who position themselves early, as many major investors and entrepreneurs are,[9] will secure long-term economic leadership, while those who hesitate risk being displaced.

BYD's 5-minute charge: is time running out for electric-vehicle rivals? Chinese carmaker's second shock announcement of the year could put others out of business, say analysts.

Financial Times, March 2025[10]

In this new battleground businesses face existential risks from two directions – systemic instability if the transition fails to rapidly scale, and competitive displacement if it accelerates faster than they are able to respond.

Every sector will be affected differently. Energy incumbents face stranded assets; financial institutions will see risk models rewritten; and mass defaults; consumer goods companies must rethink supply chains; food and agriculture must shift to low-methane, water-efficient production of healthy food; and industrial manufacturers must pivot to circular production and renewable energy sources. The ability to adapt will determine which businesses thrive and which are left behind.

However, while there are some areas in which taking action can unlock short-term value,[11] and some sectors in which the economics have already tipped (eg some renewables)[12] - being a first mover today is often unprofitable and not supported by the market. While demand for cleaner, more efficient, resource-productive solutions is growing, subsidies continue to prop up damaging incumbent sectors, and market structures continue to externalise environmental and social costs, prioritise short-term returns over resilient value creation and undervalue transition investment. Without intervention to create free and fair markets that recognise real-world risks and impacts, capital will keep flowing to outdated models, delaying the transition and ensuring the eventual shift will be far more abrupt and costly.

As a consequence, most businesses remain locked in incremental actions that fail to account for the scale of disruption ahead. Even businesses top ranked for sustainability performance are operating within market structures that constrain them, and many so-called sustainability leaders continue to profit from business models that are not viable in the long term.

Yet given the inevitability of transition, markets will be disrupted, states will eventually act and market rules will change, whether businesses engage or not. The real question is whether businesses will take control of their own future, or have it dictated to them by crisis or competitors.

As Otto von Bismarck, the 'Iron Chancellor', put it: "If there is to be revolution, we would rather make it, than suffer it."[13]

We argued in *Survival of the Fittest*[14] that it is in the private sector's own interest to accelerate market-wide transition, and to innovate and prepare to compete on a level playing field that rewards superior sustainability performance.

This means businesses working proactively to transform market incentives, advocating effective policy action that removes the tension between sustainability and profitability, between long-term value creation and short-term profit maximisation. No single business can transform the system alone, but those who co-ordinate to push for market-wide reform, and prepare to compete in more sustainable markets, will gain first-mover advantages and protect long-term value. However, market reform is not just about securing competitive advantage – it may be the only way to preserve an open, functional global economic system.

The choice now for business is stark:

- continue making incremental adjustments within a system that is already failing, risking escalating crises, economy-wide shocks and competitive displacement by new entrants; or
- take the lead – reshape market conditions, ensure sustainability is incentivised, and drive innovation and growth to secure long-term advantage.

2. Why progress is stalling: opposition, inertia and fragmentation

Key takeaways

- Despite the compelling business, investor and economic case for accelerating transition, support for change has not only stalled but is also in retreat within many Western economies – increasing the risk of these regions being outcompeted by economies that are doubling down on transition.
- Slowdown is being driven by active opposition to stall progress; inertia and complacency, uncertainty and short-term concerns; lack of citizen trust and engagement; complexity and competing priorities; and fragmented and flawed approaches, hindered by competing agendas, internal rivalry and a fixation on technicalities over progress.

Despite the compelling business, investor and economic case for accelerating transition, and the major investments that China is making in order to dominate the green industries of the future,[15] support for change has not only stalled but is also in retreat within many Western economies.[16]

Active opposition. Resistance to change is growing and currently getting stronger by the day, driven by a powerful coalition – closely aligned to the current US administration – actively working to stall progress. This includes those profiting from unsustainable industries like fossil fuels, ideological opponents rejecting climate action, libertarians resisting government intervention, and those seeking military and economic dominance amid global instability. They have framed climate change as either a 'hoax' or an unsolvable crisis, portraying efforts to address systemic risks as naive or as economic and security threats. This narrative and targeted and aggressive actions have shifted priorities towards national strength and short-term security, rolled back state action[17] to tackle climate, environmental and social risks, and created significant hurdles to private sector action.[18]

Inertia and complacency. Beyond this coalition, resistance also stems from businesses and politicians focused on the immediate costs of transition while ignoring the far greater costs of inaction. Many companies resist disrupting their current profitable models, held back by inertia, complacency, uncertainty and short-term concerns. Many are waiting for change, rather than driving it, while those that do act often make only incremental adjustments instead of preparing for necessary, deeper shifts. Even in sectors where change is inevitable, many incumbents mistakenly assume transition will be slow or optional. They believe they will be able to 'catch up' when the market shifts. This is a high-risk strategy given the evidence of past disruptions.

Lack of citizen trust and engagement. In spite of widespread worry about climate, nature and inequality,[19] many citizens fail to support action. This is not simply down to affordability and access (although these remain barriers for many[20]); there is also a level of active resistance from some who fear threats to their rights, freedoms and livelihoods. Others distrust elites – Edelman reported a huge breakdown in trust in its 2025 Barometer[21] – or feel alienated by climate activist rhetoric. Because of the absence of informed and honest public debate, many believe the status quo can be maintained or that a 'great' past can be restored, further reinforcing hesitation. All this is making large-scale action harder to achieve.

Complexity and competing priorities. The challenge is not only one of resistance but also complexity. Reforming economic fundamentals is disruptive – it creates winners and losers, affects jobs and supply chains, and forces near-term adjustments. Political and business leaders must navigate this against a backdrop of economic volatility, war and rising populism

– while climate instability is already reshaping global trade and resource security, with access to clean technologies and the minerals they are built from becoming a new arena of competition.[22]

Fragmentation and flawed approaches. For those working to drive change, the challenge is not a lack of ideas but a fractured movement,[23] hindered by competing agendas, lack of accountability resulting in greenwashing, internal rivalry and a fixation on technicalities[24] over progress. Worse, some organisations ostensibly working to drive progress have business models that thrive on complexity and incrementalism,[25] slowing decisive action. This incoherence weakens momentum, leaving space for opponents to stall progress and control the narrative.

'Big ESG' has offered the chimera of progress, become a comfort blanket to cling to for unloved sustainability professionals and spawned a lucrative network of alliances, think tanks, research, standards setting and consultants who can make a comfortable living off of it. We cannot call on companies to transform radically without calling on the ESG 'service sector' to disrupt itself as profoundly. Mike Barry

A focus on targets and threats gives people no sense of being part of a collective endeavour, of standing for something in common. All the stuff of political engagement and debate – why the target should be a target, why the threat is a threat – is lost without a narrative of the values at stake. This is a future for experts and insiders, schooled in the practices of forecasting and calculation, with little role for the wider public. However frightening the apocalyptic outlook of the far right, its promise is the promise of a shared experience, of an assault on things we are said to hold dear. [...] In any context where people have become dissatisfied with the status quo, the promise to throw things up in the air is likely to do better than a politics of exact targets and metrics. Jonathan White, LSE[26]

3. Market-driven change is possible but requires concerted action

Key takeaways

- Markets have been reshaped, industries have transitioned, and change has often happened faster than expected when the right incentives, technologies and public support align.
- The challenge now is to set the rules and desired outcomes to deliver the result required – rapid global industrial transformation to address systemic environmental and social risks.
- Market reform will not happen unless businesses and investors are assertive, strategic and persistent in pushing for it.

Significant capital is needed for businesses to transform their business models, from capital expenditure in clean and efficient factories and real estate, to R&D in new future-facing products and reconfiguration of supply chains and resource management. Globally, this will require trillions of dollars of investment. However, as asset manager Robeco puts it, "With the right incentives instituted by government, the market shows virtually unlimited ingenuity in creating innovations and scalable solutions."[27]

History proves this point. Systemic challenges and social ills/evils, such as poverty, slavery,[28] poor public health[29] and bad air quality[30], have been tackled through a combination of policy, investment and innovation. Markets have been reshaped, industries have transitioned, and change has often happened faster than expected when the right incentives, technologies and public support align.

The challenge now is to set the rules and desired outcomes to deliver the result required – rapid global industrial transformation to address systemic environmental and social risks. Work by the University of Cambridge Institute for Sustainability Leadership (CISL) on new metrics and frameworks for competitiveness[31] is opening up new ways to define success – ensuring that sustainability, resilience and long-term value creation are at the core of economic and corporate performance.

Yet at precisely the time we need decisive and effective state action, many Western economies are pursuing – or being pushed to pursue – deregulation,[32] the political Overton Window[33] is shifting away from an active role for the state, and there is a move away from evidence-based decision-making.[34] Market reform will not happen unless businesses and investors are assertive, strategic and persistent in pushing for it. Successful market transitions require effective public–private partnership,[35] and at this moment of political turmoil and regime change, now is the perfect time for businesses to step up to reshape the rules of the game to incentivise a sustainable future.

How business can drive market change

The case for market reform is clear, but what does this mean for business strategy?

Over the last decade, countless guidance documents, frameworks and roadmaps have been produced to support business strategies for sustainability – those by CISL included. However, most of these focus on what businesses can do within existing market constraints, rather than how they can change those constraints to enable and accelerate systemic transformation.

This paper does not reject company-level action, but it challenges the belief that piecemeal voluntary commitments, incremental improvements, or even the combined efforts of leading businesses to improve their own performance and that of their supply chains will future-proof them. **Businesses cannot secure their future by optimising within a broken system. They need to change the system.**

They must shift from working around flawed market incentives to actively reshaping them – driving market change that incentivises leadership and punishes inaction.

1. Shift mindset: from compliance and incrementalism to value, competition and transformation

Key takeaways

- Many businesses still frame sustainability as 'doing the right thing' or 'meeting stakeholder expectations', but this is not how they approach other areas of value creation. Industrial revolutions are not about responsibility or compliance – they are about competition.
- Compliance, adaptation and incrementalism will not cut it and businesses that wait for perfect conditions will lose ground to those shaping the market itself. Hope is not a strategy.
- The only viable strategy is twofold: reshape market incentives via policy advocacy, while building internal readiness to compete in future markets that reward superior sustainability performance.

As we argued in *Survival of the Fittest*, corporate sustainability thinking remains stuck in a legacy of 'responsibility' rather than competitive strategy and business resilience. Many businesses still frame sustainability as 'doing the right thing' or 'meeting stakeholder expectations', but this is not how they approach other areas of value creation. Industrial revolutions are not about responsibility or compliance – they are about competition.

A new landscape of competition

Without decisive near-term action to reshape markets, over the next decade, many businesses will fail. From property markets in the USA[36] to agricultural interests in India,[37] the impacts are already starting to hit. But even ambitious policy and market reform will not protect all corporate incumbents – it will actively displace business models that are fundamentally incompatible with a low carbon, resource-efficient economy.

The reality of competition is ruthless: for electric vehicle (EV) companies, renewable battery and energy efficiency firms to scale, fossil fuel interests will decline; for circular business models to thrive, those that profit from disposable products will contract. Some sectors, such as agriculture, are directly dependent on climate stability and their survival is tied to the success of energy transition – which in turn will damage or eliminate other companies or industries.[38]

This means businesses that seek change are not just competing with industry peers or new entrants who may cannibalise them, or even just disruptors redefining entire industries. They are fighting powerful incumbents and politically connected lobbying interests actively working to stall transition. And those resisting change today are not preserving stability; they are guaranteeing instability as a result of growing systemic risks, and delaying an economic shift already underway.

This is not a niche fight. Energy transition, access to resources and land, efficiency, resilience, security and public health will increasingly shape the competitive landscape for the decades ahead. This is not just 'fossil fuels vs renewables' – it is a reordering of entire markets across every sector of the economy.

From passive adaptation to market-shaping strategy

Winning in this landscape demands more than good intentions. Compliance, adaptation and incrementalism will not cut it. Businesses that wait for perfect conditions will lose ground to those shaping the market itself. Hope is not a strategy. The companies that thrive will be those that fight for the future, driving investment, innovation and policy change to accelerate the transition on their terms. This is not just a challenge; it is an opportunity. The only question is who will lead – and who will be left behind.

Most incumbent businesses optimise for the present rather than proactively preparing for the future. They hedge their bets, improve existing models and endlessly measure instead of creating real impact. They often assume that if there is a major market shift they will have time to pivot. But history shows this can be a fatal miscalculation as markets have a habit of surprising shifts. The dotcom bubble, 2008 financial crisis, the rise of AI and the transformation now underway in energy and automobiles all show how change can arrive faster than expected and often wipe out those who fail to anticipate it.[39]

By contrast, leaders who anticipate the potential for market shifts can actively shape them, securing long-term value. Tesla created demand for EVs, forcing competitors to catch up – and is now at risk itself from Chinese competitors offering superior technologies.[40] Microsoft pivoted early to cloud computing, while NVIDIA's early AI investment secured early dominance. The same pattern applies to sustainability. The transition will not happen predictably – it will be delayed, pushed back and resisted, then accelerate suddenly, catching many businesses unprepared. Early movers do not always succeed, but when rapid change comes, those who delay are virtually guaranteed to fail.

> *...companies are right to play offense and need to continue to be bold; if they don't move quickly, a more sustainability-minded competitor could capture the value instead. Products that were marketed as sustainable averaged 28 percent cumulative growth over a recent five-year period, versus 20 percent for products that weren't. These dynamics will likely endure. Demand for green steel, for example, currently far outstrips supply—and is forecast to continue to do so for at least a decade. New opportunities will likely emerge across industries, as they always have before, and companies can capture more value by adopting a forward-looking approach now.* McKinsey, December 2024[41]

The reality is that most management teams and boards will need to 'ride two horses': delivering short-term performance while actively investing in accelerating market transition to enable long-term value creation and protection. Even a strategy to be a fast follower requires investment in active readiness and horizon scanning, a greater and more proactive focus on the future than many currently have. The biggest risk is complacency, waiting for a clear, low-risk pathway to emerge that will make transition easy and commercially viable. But no such bridge will appear. Instead of waiting, companies must build it themselves – now.

Well-established companies should ask themselves a simple question, says McGrath: Who in the company is in the business of looking after its future? In most of the companies I work with, it's in between the head of innovation, with no power, and the C-suite, where it isn't taken really seriously. And I think that's a problem. Rita McGrath, quoted in Financial Times, February 2025[42]

The only viable strategy is twofold: reshape market incentives via policy advocacy, while building internal readiness to compete in future markets that reward superior sustainability performance.

2. Escape the ESG trap

Key takeaways

- To focus on driving market-wide change, there is a need to stop what is not working: defensive, tokenistic, or reputation-driven approaches, many of which are distractions that fail to drive real change.
- Instead, businesses should redirect energy, management time and investment towards getting the business itself ready for disruptive market shifts while reshaping the policy and market frameworks that determine success.
- Businesses should back only those commitments, initiatives and coalitions with a clear path to reshaping economic and regulatory conditions.

In order to focus on driving market-wide change, there is a need to stop what is not working: defensive, tokenistic, reputation or compliance-driven approaches, many of which are distractions that fail to drive real change. Indeed, United Nations Secretary-General António Guterres has lambasted “the empty pledges that put us on track to an unliveable world”.[43] This includes reviewing and reconsidering approaches such as:

- Over-reliance on incremental actions and voluntary target setting that do not influence market-wide incentives or regulation[44]
- Token ‘hero projects’ that give the appearance of change
- Defensive environmental, social and governance (ESG) and compliance-led strategies that do not drive long-term competitiveness and value creation.

Instead, businesses should redirect energy, management time and investment towards getting the business itself ready for disruptive market shifts while reshaping the policy and market frameworks that determine success. They should do this not only as ‘responsibility’, but as a strategy to protect and create value.

Reporting: do only what is necessary and strategic

Transparency should drive action, not simply create bureaucracy. Excessive, low-impact disclosures waste time and fuel the ESG compliance industry.[45]

- Mandatory reporting should be leveraged strategically – not just as a compliance exercise but to inform business decisions and strengthen resilience.
- Where mandatory reporting requirements are counterproductive, businesses should work with regulators to simplify frameworks and align incentives that drive transition and not allow this important need for simplification to be used as cover for wider deregulation that will stall progress.[46]
- Voluntary disclosures should be limited to those that create or protect value – influencing investment and competitiveness, or building trust with those stakeholders whose support is essential for market reform.

Voluntary commitments and initiatives: focus on what drives market change

Businesses and financial institutions should critically assess their voluntary targets and their engagement in associations and initiatives that primarily serve as talking shops. In some cases – such as the wave of net zero pledges that have been rolled back – these effectively obstruct progress by giving the false appearance of change.[47]

After decades of consideration, we can now see that voluntary action only works when it proves feasibility, unlocks new markets, levels the playing field, sets industry norms that later become regulatory standards, or creates pressure for policy action.

Many voluntary commitments have signalled intent but largely failed to drive systemic market change. The plastics sector illustrates this failure: despite bold commitments by many companies, voluntary action has not transformed the industry. Why? When there are no binding economic incentives, taking action puts leaders at a competitive disadvantage relative to those who do not act. And those with an interest in blocking or delaying progress lobby hard to ensure little changes.[48] Without some combination of global agreements, national regulation and enabling infrastructure, even ambitious efforts remain fragmented and ineffective. Voluntary leadership works if others follow. Evidence shows they often do not, with the consequence that leaders end up pulling back.

Businesses should therefore back only those commitments, initiatives and coalitions with a clear path to reshaping economic and regulatory conditions, making transition inevitable and advantageous to those leaders. Of course, it can be hard to recognise up front whether or not an initiative will be successful, and more research is needed to bring rigour and inform the effectiveness of such endeavours, but key dimensions to consider include:

- Is it clear what problem the initiative is solving, and does it have a credible strategy to address the real barriers to change?
- Does it have access to the most significant decision-makers – or those who influence their decisions?
- Is it timebound, or does it have clear review periods rather than being open-ended?

Expecting businesses to unilaterally sustain voluntary commitments that undermine their competitiveness is not just unrealistic, it is irresponsible if it delays the policy and market reforms needed to level the playing field. The only viable strategy is to reshape incentives within markets, ensuring that businesses positioned for transition succeed, while those resisting change face the consequences of inaction. And doing that with a competitive mindset of value protection and creation.

3. Prepare for transformation and competition

Key takeaways

- Market transition demands new capabilities: stronger policy influence, strategic analysis of new sources of insight, future-focused risk and opportunity modelling, and leadership focused on long-term value creation.
- The scale of disruption ahead requires full board and executive ownership, with alignment across governance, risk, strategy, commercial, procurement, and investor relations – tackling cultural barriers of apathy, fatalism and complacency.
- Businesses should deploy emerging tools to apply the same rigour to sustainability investments as they do to other strategic decisions, recognising not only the costs, but also the upside potential and the risks of inaction, identifying where competitive markets already exist and where policy intervention is needed to incentivise action.

Market transformation is inevitable, but business success is not. Many companies will fail because they are unprepared for shifts in industries, investment flows and supply chains. Those that succeed will treat transition as a core strategy to drive competitiveness. This demands new capabilities: stronger policy influence, sophisticated risk modelling, investment in innovation and new technologies, internal alignment, and leadership focused on long-term value creation.

Courageous leadership, not business as usual

Business leaders have successfully navigated past transformations – most recently, digital and AI transformations – by acting decisively. The same pace, agility and willingness to self-disrupt are now essential.

This means that leadership must start at the top, driven through business lines with KPIs and incentives, not delegated to sustainability teams. The scale of disruption ahead requires full board and executive ownership, integrating sustainability across governance, risk, strategy, commercial, procurement, and investor relations. Without this alignment, efforts will remain fragmented and ineffective.

Action is needed to overturn decades of perception – endemic across many businesses – that tackling climate, nature and social disruption risks is 'soft' or 'ethical' rather than strategic and value-enhancing. Complacency and fatalism must also be challenged. Transition is difficult but not impossible.

The key question that leadership teams should be asking is 'what would need to be true for us to prioritise driving transition?' Then deploying every tool at their disposal – innovation, investment, market and political influence – to tackle barriers and create enabling conditions, preparing to outcompete those who resist change.

Beyond compliance: use data to drive competitive strategy

The businesses that thrive in this transition will not be those waiting for certainty, but those that recognise opportunity in uncertainty and act first with the best intelligence. Conventional business analysis – built on backward-looking financial data, static risk models and narrow industry benchmarks – fails in a market shaped by rapid shifts in policy, technology and consumer demand. Winning requires a broader, more dynamic approach: recognising systemic risks and the inevitability of transition, anticipating emerging opportunities and acting before competitors do.

The actuarial profession is making it clear that new risk tools and techniques are fundamental to climate transition[49]. Says Mike Clark: "Risk is an ex ante concept, and there is simply no risk in the past. All that data is simply outcomes. The climate-influenced future will be very different from the past. We may reasonably expect tipping points in financial markets as risk is repriced."

"Simply resampling past risk distributions will almost certainly be a very misleading guide to future risks. The only thing we are sure about is the wide band of uncertainty. The failure to consider the uncertainties and potential unintended consequences could even put a business model at risk of insolvency. There is a need for a much greater focus on approaches that understand the system rather than simply applying more processing power to our current risk techniques." Nick Spencer

Insight can be gained from unconventional sources – university and non-governmental organisation (NGO) research,[50] and investor insights[51] – to identify critical dependencies and uncover risks and opportunities that conventional analysis misses. Technology can be deployed for sense-making and to avoid data overload, and to filter the signals from the noise.

UBP is convinced that collaboration between stakeholders is the biggest chance to overcome the challenges investing in biodiversity restoration poses. [...] It is our belief that the triangulation of expertise made possible through this fund is a unique and innovative approach and has the potential to catalyse positive change at scale, while generating significant financial returns.
Nicolas Faller, Co-CEO Asset Management at UBP.[52]

However, acting on directionally correct data is far more important than delaying decisions in pursuit of perfection. The ability to take intelligent, calculated risks is one reason disruptors routinely outpace incumbents – yet many corporate cultures remain stuck in risk avoidance and incremental change, following the numbers rather than taking informed risks and striving to shape and create markets.

Quantifying sustainability investments and identifying market failures

For businesses, knowing where to compete and where to collaborate – with peers, value chains and policymakers – will be critical. Policymakers face the same challenge: identifying where markets function well and where intervention is needed to accelerate sustainability.

A major barrier is the failure to quantify sustainability investments with the same financial rigour as other business decisions. Too often, innovations to accelerate transition and drive energy and resource efficiency are framed as costs rather than strategic investments, delaying or limiting approvals and capital and resource allocations. Investment cases frequently underestimate both potential upside – eg through cost savings, avoided regulatory risks, supply chain resilience, market positioning and new growth opportunities – and the financial risks of inaction. And they frequently overestimate the cost of action.

Most analysts overestimate energy demand and underestimate technological advances. [...] Another factor that exaggerates the cost of decarbonisation is the failure to consider the counterfactual in which decarbonisation does not take place. The Economist, 2024 [53]

Many companies that reduce their carbon emissions benefit from lower spending on fossil energy, a lower risk profile of long-life assets, and stronger market positioning. Most industries could abate 10% to 60% of their carbon emissions at no to little cost by means such as efficiency, renewable power, and low-temperature heat electrification. With meaningful carbon pricing, almost all industries could economically abate over 50% of their emissions.

In addition, climate leaders can unlock significant growth and competitive advantage by tapping into the expanding market for green technologies. The latter is likely to reach $14 trillion by 2030 from an already sizeable $5 trillion in 2024. Sectors and value chains include alternative energy (49%), sustainable transport (16%), and sustainable consumer products (13%), all growing at annual rates of 10% to 20%, significantly above GDP.[54] BCG, 2024

Boards can serve as a check against myopia, ensuring a big-picture perspective is maintained[55] *demanding refined, relevant, reliable and resilient information – including quantification not only of the cost of action but also the cost of inaction, and the potential commercial value to be captured through investment in transition.* Alex Tamlyn, Partner and Chair, Boardroom Counsel, DLA Piper

There are increasing sources of support for financial analysis. For example, a McKinsey approach looks at the effects of playing defence and offence on earnings before interest, taxes, depreciation and amortisation (EBITDA), net of any investments required. On *defence*, they consider the amounts that can be preserved by (1) mitigating market decline and (2) mitigating legal, regulatory and reputational costs; and, on *offence*, they consider those that can be increased by (3) expanding revenue by launching sustainability businesses, (4) capturing growth and price premiums (including from new sustainability products), (5) greening operations and their supply chains, and (6) benefitting from higher employee productivity and morale.[56]

An initiative led by ERM and the World Business Council for Sustainable Development (WBCSD)[57] is working to establish standardised financial metrics to help businesses determine when sustainability efforts can be profitably pursued through competition, and when market failures require policy collaboration to realign incentives.

There is also growing momentum to shift accounting norms[58] to recognise investments to tackle systemic sustainability risks as assets rather than costs, as well as work to price in systemic risks.[59] The outcome and timing of such shifts cannot be predicted, but scenario planning, shadow carbon pricing and parallel accounting can help businesses stress-test strategies against a range of possible shifts.

To prepare for truer pricing of carbon, companies ought to set an internal carbon price with proceeds used to fund investments to lower emissions. Carbon prices are already in place in more than 20% of U.S. and EU companies. Danone, for example, started with an internal carbon price of €35 and Klarna recently doubled its price for Scope 1 and Scope 2 emissions to $200 per metric. Also, given that 90% of public equity value is comprised of intangible assets (such as a company's brand and intellectual property), several companies adjust cash flows or the corporate hurdle rate to advantage sustainability investments. Though imprecise, so doing attempts to account for the increasingly important value of intangible assets. Ken Pucker, HBR 2024[60]

Build the capabilities to influence regulation

Many businesses have been effective in blocking regulation, as explored below in the section on policy engagement. But few have the expertise to shape market rules in their favour. Companies should invest in policy and political expertise, legal capability and strategic advocacy to navigate regulatory processes and craft effective proposals.

This means building internal capacity to engage with policymakers and trade associations, and investing in strategic communication capabilities to shape narratives and build public support.

The companies that prepare now, aligning leadership, strategic planning and capabilities, will be strongly placed to lead the coming economic shifts.

4. Innovate to create and protect value

Key takeaways

- Future competitiveness will be defined by early investment in transformative technologies and business models that disrupt rather than defend the status quo.
- Market transformation will often require co-ordinated, pre-competitive action across businesses and their value chains, working alongside startups, investors and regulators to reimagine systems for the future and accelerate shared innovation and transformation pathways to achieve them.
- Market transformation does not require universal buy-in – it happens when key actors shift, triggering broader systemic change because markets follow success. Focus on industries and technologies on the brink of transition, and clusters of innovation where breakthrough combinations of existing technologies create new market paradigms.

Disrupting existing models and systems before competitors do is both a defence and an opportunity to gain first-mover advantage. DSM transformed itself from a coal miner to a science-based health and nutrition company; Ørsted pivoted from a majority fossil powered energy producer to being almost fully renewable within just ten years. Yet most incumbents optimise incrementally rather than reinvent until change is forced upon them,[61] at which point it becomes an expensive process of trying to catch up (as we see today in the auto sector) or failing altogether.

Future competitiveness will depend on scaling emerging business models and deploying transformative technologies, whether green hydrogen or alternative proteins, AI-driven energy optimisation or advanced battery storage, or any of countless others. Companies investing early in these areas are already defining new industry benchmarks and creating new markets which they may go on to dominate. This may require more open innovation approaches with value chains, peers[62] and innovators[63], using the tools of corporate venturing, strategic partnerships, acquisitions or skunk works to start to experiment in new business models and markets.[64]

But most importantly it requires courageous business judgement by corporate boards and executives – judgements that recognise what is at stake if the company gets it wrong, and the risks of inaction.

Drive collective innovation

Some sectors – food, energy, mobility, manufacturing and the built environment – cannot transition alone. Shared infrastructure, regulations and supply chains make fragmented or unilateral action ineffective for the level of transformation needed. A single company cannot create a circular economy for packaging; a small housing developer cannot unilaterally create a district heat network; and those in the aviation sector[65] need international alignment on fuels and infrastructure. Co-ordinated, pre-competitive action across businesses and their value chains, startups, investors and regulators is essential to reimagine systems for the future and accelerate shared innovation and transformation pathways to achieve them.

While co-opetition[66] and pre-competitive collaboration are often necessary to shape and create lead markets, businesses should also ensure they are ready to compete aggressively as these markets mature. Early movers will set industry standards, help shape regulatory frameworks and secure competitive advantage. Companies can also collaborate in market-making, for example through demand-led innovation[67] such as advance-procurement commitments (eg in low carbon cement[68]) that pull through innovations and provide demand certainty for new technologies before they reach scale. Initiatives such as The Climate Group's RE100 and EV100 generated demand signals from corporate procurement in renewable energy and electric vehicle markets; the Industrial Transition Accelerator[3] focuses on high-emitting sectors; and Innovate UK has formed the Concrete Commitment Cohort (CCC),[70] an alliance of major concrete users that will work together to support the new programme – and an advanced market commitment[71] – to decarbonise concrete. Regulatory sandboxes or so-called 'policy hacks'[72] can provide space for companies to trial new approaches without fear of breaching today's regulations and can inform policy direction for sustainability.

Where solutions do not yet exist, there is a need to work with researchers, entrepreneurs and supply chain partners to develop scalable innovations. Sustainability-led innovation should align with market realities, meeting expectations on cost, quality and performance. Many fail by ignoring these fundamentals.

Build market demand

Creating supply-side solutions alone is not enough. Market transformation also requires demand shifts, ensuring sustainable choices are the default, not the niche.

Businesses that successfully reshape demand do not just compete within existing markets –they redefine them. Tesla did not sell EVs on green credentials; it made them aspirational by focusing on performance, technology and design, forcing the entire auto industry to follow. Vinted made resale seamless and desirable, normalising second-hand fashion at scale. Netflix and Spotify changed media consumption habits, shifting demand from physical products to digital convenience.

While choice architecture,[73] incentives and friction reduction are not guarantees of business success – supportive government actions will typically also be required – they are powerful tools for shifting consumer behaviour and shaping demand at scale.[74] Companies that effectively apply these principles can accelerate market tipping points, rather than waiting for consumers to shift on their own.

Trigger tipping points

Market transformation does not require universal buy-in – it happens when key actors shift, triggering broader systemic change because markets follow success.[75] The EV revolution is a case in point, as is the exponential growth in solar and batteries. Early policy support, disruptive entrants and cost declines resulting from mass deployment combined to create critical momentum, forcing incumbents to follow or just taking their market away from them.[76] Businesses working to drive change should identify and activate the highest-leverage tipping points where investment and action can trigger disproportionate, self-reinforcing effects.

This means targeting:

- **Technologies and markets on the brink of transition**, where rapid cost declines, policy shifts, changing consumer expectations or the pressures of an unsustainable status quo can push markets past a threshold.
- **Geographies most exposed to physical and transition risks or with favourable political and social conditions**, where transition can happen faster, set a precedent for others and further drive the competitive sustainability dynamic between geographies.
- **Clusters of innovation** where breakthrough combinations of existing technologies create new market paradigms. The mobile revolution was not a single innovation – it was touchscreens, ARM chips, 4G and Apple's app ecosystem converging to redefine user expectations. The same is true for EVs, where battery and other technologies' cost reductions, software-driven efficiency and infrastructure investment are collectively tipping the auto industry into a new state.

In the power sector, the first such tipping point has already been passed – solar and wind power are cheaper forms of electricity generation than burning coal or gas, in most of the world – and the rate of progress is dramatic. And the faster the transition, the earlier countries can reap the benefits of cheaper energy – economically, socially and environmentally. Femke Njisse, University of Exeter [77]

But not all tipping points lead to progress. While economies debate the cost of transition, dangerous tipping points – climate breakdown, biodiversity collapse, social unrest – are already accelerating. If the right market shifts are not triggered fast enough, the wrong ones will take hold. There is a need to work deliberately and at scale to engineer positive tipping points before destabilising ones dominate. This requires not just accelerating transition but also recognising the warning signals of economic and environmental breakdown – embedding negative tipping points into risk assessments and strategic foresight to ensure economic preparedness rather than reactive crisis management.

5. Change the rules of the game

Key takeaways

- Businesses cannot secure their future by optimising within a broken system. They need to change the system. This means working to advocate the dismantling of market and policy barriers that constrain the competitiveness of cleaner, greener, fairer solutions to societies' needs, and instead create incentives for change.
- There is growing evidence of the policy interventions that are most effective in driving change through markets. Campaigns should focus on what is most material (which policies will have the biggest market impact), the potential for scale (where interventions can create tipping points) and feasibility (where momentum or political opportunity exists).
- Success requires strategic, politically literate engagement: framing policy action as a driver of competitiveness and resilience, building confidence that change is possible, signalling readiness to invest, confronting opposition head-on and deploying every tool of influence – commercial, political and cultural – to accelerate policy change in businesses' own interests.

While there is much that businesses can do to innovate, prepare for and build momentum for change, they cannot secure their future by optimising within a broken system – one in which it is more profitable to damage the social and environmental foundations on which economies depend rather than to protect them. They need to change the system. This means working to advocate the dismantling of market and policy barriers that constrain sustainability action and instead create incentives for change. It also means working with governments and non-financial regulators to create an operating environment that incentivises innovation, attracts investment and expands markets for climate-neutral, resource-efficient, nature-positive business models.

Businesses are ready to significantly increase investment levels if governments step-up with long-term sector-specific policies and stronger international coordination.

Businesses identify the need for long-term sector-specific industrial policies with a focus on simplified permitting, mandated demand, revenue guarantees for early-stage technologies, direct government intervention to build-out infrastructure and continued innovation funding.

Over three-quarters of business leaders say deeper and more effective coordination among major economies is essential, particularly on harmonized definitions and standards, demand commitments, fit-for-purpose international trade rules and cross-border infrastructure. 67% of business leaders say implementing these policies would have a significant impact on investment levels, with 15% of executives indicating their businesses would invest an additional 50% or more.

WBCSD Business Barometer 2024[78]

There are already many examples where businesses have played a role in reshaping markets. Packaging companies have lobbied for regulations penalising unsustainable competitors, while IKEA and Signify successfully advocated EU policies phasing out incandescent bulbs, accelerating light-emitting diode (LED) adoption.[79]

Move the focus from an unsustainable status quo to a choice of futures

In capitalist economies, the state plays a crucial role in setting the rules within which businesses, investors and consumers operate. But too often – and especially in Western countries – this role is reduced to minimising harm rather than shaping progress. While guardrails to curb market excesses are necessary, they are not enough to drive systemic change.

Instead, a more dynamic public–private approach is needed – one that actively identifies and corrects market failures to modernise economic systems in the face of growing systemic risks. Rather than merely managing short-term risk, policy should unlock enterprise and innovation to drive long-term prosperity and resilience.

On climate, nature and inequality, policy debate is dominated by the cost of action and assumes we have the option to maintain the status quo, rather than recognising that change is inevitable. Businesses should support and challenge policymakers to shift the focus to the choices ahead – what kind of economy we are building, not whether change will happen.

This also means paying greater attention to the cost of inaction and to the benefits of action. Governments hesitate due to legitimate concerns about the economic disruption of transition – revenue loss from fossil fuel taxation, increasing consumer costs, job displacement in legacy industries and expensive infrastructure deployment (though the UK's Climate Change Committee recently calculated the cost of reaching Net Zero to be 73% lower than previously thought[80]). Yet what is not front and centre is the knowledge that failing to act exposes entire economies to stranded assets, supply chain vulnerabilities, job losses and declining competitiveness.[81]

The EV market illustrates what is at stake. While Japanese, US and European automakers resisted change, China's 'EV-first' industrial strategy[82] has enabled it to increasingly dominate the sector, threatening slower-moving competitors and reshaping global automotive leadership.[83] This is not an isolated case. Whether in steel, cement, or agriculture, economies clinging to outdated models and linear thinking risk being overtaken by those that move faster or more strategically.

The private sector can play an important role to ensure politicians, policymakers and the public understand the economic rationale for market reform, while actively supporting the development of pragmatic, credible solutions to mitigate its challenges through:

- **Reframing public debate** – emphasising the economic and consumer benefits of smart action, while making the risks and threats of inaction clear, using evidence-informed messaging to counter short-term political narratives.[84]
- **Engaging in transition planning** – aligning industry and economic expertise with policy to ensure that transition policies are commercially viable and regionally grounded.[85]
- **De-risking transition** – supporting mechanisms that help displaced workers and affected regions adapt to new economic realities.[86]
- **Defending the foundations of open markets** – ensuring decisions are based on facts, evidence and the rule of law. Businesses rely on transparency, accountability and stable institutions to operate and compete. As those opposing progress step up attacks on the independence of media, academia and the judiciary, the private sector must actively support the integrity of these institutions. Without them, markets become unpredictable and unfair, and then power – not superior performance – dictates outcomes.

Frame policy action as a driver of competitiveness and resilience

Governments will only enact ambitious sustainability policies if they align with economic and political priorities. In most regions today, this means jobs, security, industrial strength and long-term competitiveness. Some economies are already adapting – China treats the energy transition as an industrial race – but too many governments still see ambitious climate and environmental action as a trade-off with economic security, rather than the essential foundation of future competitiveness and resilience. Business can have an outsized influence on such debates.

The value of longer term economic thinking and strategic approaches to the economy and industry are increasingly being adopted by those advocating action. However, **to fully realise this requires a rethink of how competitiveness is defined** and measured – not just at the firm level but across industries and entire economies. CISL's Competitive Sustainability Index[87] has already demonstrated how strategic investment in cleaner, more efficient industries enhances Europe's economic strength. Businesses and investors should use these insights – and support the development of other such tools – to influence political opinion and inform effective strategies for long-term competitiveness and resilience.

> *New times call for new intellectual frameworks and policy paradigms. As polycrises ripple through the world in general and Europe in particular, many concepts that have hitherto guided thinking and public debate seem oddly fatigued and out of touch with the realities of today. […] As much of Europe's traditional economic model is reaching its palpable limits – both in terms of its resource-intensity in times of scarcity and some of the premises on which it measures success and growth – calls have grown louder for a novel frame of reference that will identify Europe's competitive advantage in a world that is facing a 'turning point in the history of energy'. Competitive sustainability promises to answer the current policy void, providing a key barometer for how Europe can remain relevant, successful and prosperous in the years and decades to come."* Ann Mettler, Breakthrough Energy[88]

This means reframing climate- and nature-related policies not as a cost burden but as an essential strategy to avoid economic decline and create resilient, competitive markets.

Tailor influence strategies to political realities

Governments shape markets to align with political and economic priorities. Many governments have already done so for renewables and energy efficiency through regulation, investment and incentives. The same approach must now extend across other sectors and other sustainability issues. But in many regions, this will not happen without sustained business advocacy and a mutually reinforcing 'ambition loop'.[89]

This requires proactive business engagement, but routes to influence vary across political and economic systems. In countries where businesses and the public have leverage over policy, they can accelerate reshaping market incentives. Indeed, regulators often rely on business input to tackle complex challenges, benefitting from industry expertise, capacity and political cover to make ambitious policy shifts possible.

Some governments, such as those doubling down on fossil fuel expansion, are committed to a direction of travel and to market interventions that will slow rather than accelerate transition. But the logic of the sustainability pressures and of economic opportunity and risk cannot be suspended. In these regions, rather than directly targeting national policy action, businesses can focus on subnational policymaking, deploying fiscal pressure and targeted market interventions to drive progress.

Indeed, some of the biggest market shifts, such as the expansion of renewables, have been driven by state- and city-level mandates,[90] subsidies and procurement strategies before national policies caught up. Businesses should strategically identify and engage with the most effective levers of change.

Focus on politics not just policy

Consistent, effective policy that is capable of shifting markets cannot be delivered 'under the radar'. Indeed, many businesses and investors will take their steer from not just the specific legal and financial opportunities offered by the implementation of policy but also from the positioning and narrative that governments use to introduce that policy. This is entirely reasonable: a government that introduces a policy quietly and without vocal support might then abandon that policy when they hit opposition; and government policy that is introduced as a side effort rather than a central political project may not be thought through to the degree necessary.

Market change will happen fastest and best with coherent government leadership that makes the case for change and actively seeks to manage its process and impacts.

Governments need political space to act in this way, and the private sector can help provide that space by being willing to go on record in support of change, providing consistent support for outcomes and building a wide consensus – recognising that the best, most long-lasting reforms are the ones that are broadly backed, which will require politicians to reconcile multiple interests.

Move the needle

Strategic alliances are key – businesses should identify which groups accelerate change and which reinforce the status quo. CISL's Corporate Leaders Groups[91] and financial sector coalitions[92] have long united pro-transition allies. But not everyone will support reform – policy strategies must anticipate opposition and build coalitions capable of outmanoeuvring it.

Successful influence will come from a laser focus on achieving outcomes and ruthless prioritisation and reprioritisation on what will have an impact on those outcomes, moving forward where there is political space. Businesses cannot and should not fight every regulatory battle. Advocacy efforts should focus on the most viable policy interventions that drive the most transformative market shifts, deploying political capital for maximum impact rather than on marginal improvements.

While no single policy is a silver bullet, well-designed interventions – such as mandates, subsidy reforms, pricing mechanisms and infrastructure investment – as part of coherent strategies can tilt entire markets towards sustainability. The goal is to ensure joined-up policymaking across industry, innovation, defence, regional development, foreign affairs and other key areas so that policy levers reinforce rather than contradict each other.

Businesses should assess where to focus based on **materiality** (which policies will have the biggest market impact), **scale** (where interventions can create tipping points) and **feasibility** (where momentum or political opportunity exists).

Examples of the policy interventions that are needed include:

- **Targets** for carbon emissions cuts, nature preservation or rollout of new technologies like renewable energy have helped define economy-wide ambitions and provide a benchmark for judging other policy actions. Clear, credible, consistent long-term signals provide strategic direction and build confidence for investment and raising finance. The UK and EU both introduced legally binding targets that have led to cascades of policymaking and associated investment to deliver those targets. Europe's renewable energy targets in particular have driven energy policy across the bloc. However, targets often dominate discussion at the expense of policies that implement changes required to meet them. To avoid polarised debates (eg meeting emissions reductions targets vs reducing energy costs) and to enable joined-up public–private action, future targets should be focused on accelerating transition pathways that deliver long-term competitiveness, growth, resilience and security.

- **Comprehensive frameworks, policy packages and institutions**[93] are essential to align ambition with delivery. For example, the UK's Climate Change Act combined with the policy packages designed to deliver its carbon budgets, the European Green Deal and the US Inflation Reduction Act all combined multiple policy tools – regulations, incentives and institutional support. Successful policies must be mutually reinforcing as well as 'predictably flexible'. For example, feed-in tariffs can be changed by pre-announced criteria to govern future change (such as changing technologies and cost structures). Institutions and legal frameworks will be pivotal in managing risk, providing strategic direction and facilitating investment. Examples include development banks, courts and litigation, infrastructure commissions and planning structures.

- **Taxes and pricing** provide a valuable, non-discriminatory signal to drive markets and shift behaviour as well as providing scope for governments to raise revenues. The EU's Emissions Trading System has been a driver of emissions reductions within Europe, although largely through prompting fuel switching from coal to gas rather than driving deeper energy transitions. Carbon pricing has long been advocated as a 'silver bullet' solution, but the global carbon price is dynamically inefficient. Early targeted intervention aimed at currently expensive sectors can 'kick start' the clean innovation machine, removing the need for additional policy effort as superior new technologies undercut the old. Rather than applying a uniform carbon price to pick off the cheapest abatement options first and only then ramping up,[94] varying carbon pricing and a targeted policy effort can be applied to support key sectors to drive innovation up front. Indeed, studies[95] have found that the policies that led to the most successful transitions to low carbon technologies in China, India, Brazil and Europe were those that supported the creation of new markets rather than those pricing polluting activities. At the same time, subsidies (or negative carbon prices) that maintain the economic viability of damaging activities like fossil fuel extraction and use of intensive agriculture should be reformed.[96]

- **Industrial strategy, innovation and commercialisation support** is needed for new, innovative solutions to scale. The UK's Contracts for Difference regime has helped offshore wind reach cost-competitiveness far earlier than expected, while China's state-backed clean technology strategy has driven global leadership in renewables and battery production. Industrial policy must balance early-stage support with timely phase-outs to ensure continued innovation without long-term inefficiencies.

- **Subsidies for research, demonstration and deployment** help overcome early market barriers. Measures can take the form of direct subsidies or tax breaks, support for demonstration/deployment and/or publicly funded research. For example, public investment in early-stage solar photovoltaics (PV) helped make solar viable, then feed-in tariffs drove mass deployment. Together this resulted in dramatic cost declines that tipped the market.
- **Standards and regulations, mandates and bans** provide certainty for investors and innovators. Public sector advance market commitments also help drive innovation in uncertain future technologies. The UK introduced a ban on new internal combustion engine sales in its car market from 2030 based on consultation with major vehicle manufacturers and with the aim of securing a greater national share of the emerging EV car industry. Failure to communicate this as an investment in future UK competitiveness, combined with the absence of charging infrastructure and consumer incentives, against a backdrop of a shifting global economic landscape means this policy has already been watered down once and may well be further.
- **Infrastructure investment** is crucial to overcome co-ordination failures and unlock systemic transitions. Co-ordination of investment in multiple networks and systems to support integration of new technologies in electricity grids, public transport, broadband and recycling requires government action. Planning frameworks must integrate transport, energy and land use, while investment in human capital – reskilling, education and entrepreneurship support – is equally critical. Collaboration between businesses, government and universities will be key to fostering innovation and ensuring a workforce prepared for transition. Retooling and reskilling involves offering education and training to support transition, for example for engineers and installers who want to shift from gas boilers to heat pumps.
- **Financial market reforms** are needed to correct capital misallocation and risk mispricing. Emerging technologies often struggle to attract investment due to perceived risks, lack of understanding and short-term financial models. Mechanisms such as blended finance, risk-sharing guarantees and long-term contracts can improve bankability. Development banks and multilateral institutions play a key role in enhancing investor confidence and lowering financing costs, particularly in emerging markets and underfunded regions.
- **Behavioural change** can accelerate transition by shifting consumer and business norms. Information campaigns, default settings and nudging strategies have proven effective in diet, transport and energy use. The UK's Behavioural Insights Team[97] has explored low-cost interventions – such as reordering menu options, adjusting parking layouts and shifting pension fund defaults – to encourage sustainable choices without imposing new costs.

Eliot Whittington - Chief Systems Change Officer at CISL and Director of CISL's EU and UK Corporate Leaders Groups
Dimitri Zhengelis - Special Advisor to the Wealth Economy project

Build confidence and signal readiness to invest and lead

The private sector must do more than call for ambitious policy – it must signal a readiness to step up. Governments need confidence that the private sector will invest, innovate and drive rapid implementation once the right conditions are in place. Businesses should make it clear that they are prepared to co-invest in emerging technologies,[98] build resilient supply chains and scale new solutions, ensuring sustainability is embedded in national economic strategy. This is how the ambition loop works in practice: private sector leadership enables bold policy action, which in turn drives action through markets.

Lack of confidence in the viability of transition (which is a real barrier to progress[99]) can be tackled through:

- **Showcasing real-world success stories** – highlighting cost savings, efficiency gains, job creation and resilience from existing sustainable business models.[100]
- **Making a compelling pitch for what is possible** – illustrating how public–private collaboration and targeted investments[101] can unlock further competitive advantage.

> *At Fortescue, the mining behemoth, Andrew Forrest has said his company will ditch fossil fuels in its land-based operations entirely by 2030. To make it happen, in 2022 the company launched a $6.2 billion capital investment plan to decarbonize its primary mining operations in Australia's Pilbara region. That money has funded everything from efficiency to renewable energy generation.*
>
> *Forrest said Fortescue, which partnered with a Swiss manufacturer called Liebherr to develop the trucks, had already placed an order for 360 [electric mining] vehicles. The deal, valued at nearly $3 billion, sent shock waves across the industry. "It's metamorphic for Fortescue, and it's a turning point for the world mining industry," Forrest tells me. "Shareholders are going to say this company's going green and saving us money." The cost savings switching from diesel fuel to electric mobility is expected to total in the hundreds of millions of dollars annually.*
>
> *Fossil-fuel industry executives are "culprits," doing all they can to resist a transition to a cleaner economy. In other heavy industries, bosses have been "lazy" and shortsighted, focused on quarterly returns while the world burns. It's time for businesses to stop talking about long-term targets, he tells me, and completely ditch fossil fuels in the coming years rather than in the coming decades. "If you think you can't go green," he says of his industry colleagues. "It's time for you to get off the stage and learn from someone with more talent, more conviction, or initiative than you who can lead your company."* Justin Worland profile of Andrew Forrest in *Time* magazine, 2025

Match the opposition – those actively working to block progress

Transition will not be uncontested. A well-coordinated opposition is actively working to stall progress, protect vested interests and entrench unsustainable market structures. Those working to drive transition must recognise this reality and be prepared to fight back with equal discipline and strategic intent. Resistance to date has been fragmented and deeply inadequate.

Understand the opposition's playbook

The forces resisting transition are not just defending the status quo – they are actively influencing and controlling the economic and political landscape to serve their interests.[102] Their tactics include:

- **Long-term, multi-level influence campaigns** – shaping public opinion, building alliances, cultivating political influence to shape regulatory decisions and financial flows.
- **Dismantling climate science and risk communication** – undermining evidence of climate threats to make it easier to justify inaction, including through suppression of research, defunding scientific institutions and restricting public access to climate data.
- **Strategic use of disinformation** – exaggerating the costs of transition while downplaying the risks of inaction.
- **Capturing and exploiting policy processes** – influencing trade, competition rules and market structures, securing regulatory loopholes to slow or distort transition.
- **Litigation and legal threats** – tying up progressive policies in courts to delay implementation.

Smarter tactics for driving transition

Too many businesses advocating transition remain fragmented and reactive, while their opponents act with precision and long-term strategy. To succeed, businesses that want to see change should:

- **Show, not (just) tell** – prove that opposition arguments that cleaner, greener, fairer solutions are impossible are flawed. Make successful solutions and pilots visible, as Fortescue did by bringing the dual-fuelled Green Pioneer into London's Docklands immediately prior to the International Maritime Organization's decision on maritime fuels, disproving opposition arguments that dangerous 'transition' fuels are the only viable solution.[103]
- **Engage the real power brokers** – build networks of influence beyond environment ministries, targeting treasury, trade, industry, investment and security policymakers, along with those who shape their thinking.
- **Support work to expose the opposition** – push for public transparency of lobbying activities[104] and support organisations that expose those working to slow progress.[105]
- **Raise the bar on responsible lobbying** – align with and champion[106] global standards[107] for accountability and transparency in business and trade associations lobbying.
- **Shape regulation, not just react to it** – engage early in policymaking, influencing political ambition and approaches to policymaking.
- **Ensure policy sticks** – push for strong regulatory enforcement[108] and provide sustained business backing and proof points of policy effectiveness to prevent rollbacks.[109]
- **Deploy every lever of influence** – back commitments with financial power, strategic communications and market influence to counter delay tactics.
- **Publicly support science and expertise** – signal support for institutions of science and expertise in the face of major opposition tactics to undermine and defund evidence of the case for – and possibility of – change; be willing to publicly challenge misinformation that they have the credibility to comment on.

In addition, work to fix the fragmented landscape of sustainable business alliances that leads to diluted impact and competing priorities. Greater alignment is needed around well-resourced, high-impact coalitions with clear regional or sectoral focus on the most impactful tipping points for systemic change. Businesses – and the strategic philanthropists funding many of these initiatives – should consolidate efforts, sharpen advocacy strategies and create a stronger counterweight to those delaying transition.[110]

Licence to lobby – putting the 'responsible' in policy engagement

Proactive and persuasive policy engagement is essential for driving transition.[111] Businesses have started to report on their lobbying as a 'positive impact'.[112] Yet while many businesses set ambitious climate targets, their lobbying activities often tell a different story, and scrutiny is rising. Investors representing US$68 trillion, major coalitions like Climate Action 100+, and governance bodies from the Organisation for Economic Co-operation and Development (OECD) to the G20 are demanding greater transparency and board oversight of corporate lobbying.[113] Climate lobbying is now a frequent focus of annual general meeting (AGM) resolutions, with growing calls for boards[114] to ensure policy engagement supports, rather than undermines, long-term strategy.

Misalignment carries real risks – greenwashing accusations, shareholder action, regulatory scrutiny and reputational damage – as well as failure to secure an enabling policy environment for transition.

It is now a strategic imperative for companies to align their lobbying activities – and those of the industry bodies who represent them – with support for policy action that will drive sustainable value creation. Governance, transparency, accountability and the empowerment of executives are all essential to retain the licence to lobby.[115]

6. Build momentum for change

Key takeaways

- For over a decade, a small group of progressive multinationals and high-profile CEOs has led on private sector sustainability, assuming that their leadership would trigger a market-wide tipping point. It is now evident that this strategy has no realistic prospect of delivering the scale of change needed.
- Instead, the focus must shift to mobilising a broader base – 'moving the middle' – to build the critical mass of support required for systemic market transformation. Companies should use their collective power to activate their trade bodies and reform or abandon obstructive industry groups, ensuring all political engagement aligns with long-term value creation and system transformation.
- Winning the public debate is essential – this means going beyond corporate marketing and public relations (PR) to shape compelling, relatable narratives that frame sustainability as a driver of prosperity, security and national success, and creating opportunities for citizens to engage in shaping their futures.

In working for change, business needs to work with others, building momentum and making the case to wider audiences.

Move the middle: build a broader base of support

For over a decade, a small group of progressive multinationals and high-profile CEOs has led on private sector sustainability, assuming that their leadership would trigger a market-wide tipping point. This has not materialised, and it is now evident that this strategy has no realistic prospect of delivering the scale of change needed. Instead, the focus should shift from relying on individual champions to mobilising a broader base – 'moving the middle' – to build the critical mass of support required for systemic market transformation.

A key part of this strategy should involve co-opetition with peers and value chains, and leveraging trade associations and industry groups to accelerate, rather than obstruct, change. While some industry bodies have aligned with sustainability goals, most remain passive or in fact outright resistant. And the reality is that most lobbying influence on policy comes not from companies but these trade associations. Many firms advocate transition while their trade groups lobby against it. This contradiction must end. Companies should align associations with transition or withdraw, while investors should hold them accountable to ensure real impact, not empty engagement.

Where to focus energy? A 2024 report by Volans[116] and WBCSD categorises trade associations into four groups:

- **Accelerators** – actively advocating sustainability-aligned policies
- **Sleeping Giants** – large, influential groups that could drive change but remain passive
- **Conflicted Catalysts** – claim to support transition but lobby to weaken policy in practice
- **Blockers** – actively working against progress.

The priority should be to strengthen coalitions with Accelerators to maximise impact, mobilise Sleeping Giants to take an active role, and pressure Conflicted Catalysts to align their lobbying with transition goals. Emerging guidance on how to work with and force change in trade associations can help companies get this right.[117]

Recommended strategies to achieve this include:

- **Reform from within** – mobilise collective pressure from multiple member firms to shift policy positions. Companies should actively engage in governance processes, push for leadership changes where needed, and ensure sustainability is seen through an economic lens and is a core priority, not an afterthought.
- **Build evidence of effective tactics** – document and share case studies of effective corporate engagement with trade associations. Few examples exist of firms successfully shifting an association's stance on specific policy issues, and even where they do, the lessons learned are rarely captured in a way that helps others. Creating a robust evidence base would build confidence, enhance future engagement efforts and help companies refine their strategies.
- **Demand transparency** – push for mandatory public disclosure of trade association lobbying and corporate input into policymaking. Some jurisdictions already require this to a limited extent, but a broader, standardised approach is needed. Greater transparency would improve scrutiny of corporate political influence, reduce misalignment between company statements and lobbying activity, and help restore trust in the policymaking process.
- **Exit where necessary** – if associations continue to obstruct progress, companies should withdraw and publicly explain their rationale. High-profile exits reinforce the expectation that industry groups must support, not hinder, the transition, and demonstrate real leadership rather than passive affiliation.

Shape and win the public debate

Public sentiment plays a major role in political action, yet those driving transition have failed to land a positive and relatable vision for a more sustainable future, or match the narrative and media discipline of opposition forces that have weaponised economic anxieties, portraying climate and nature policies as elite-driven, anti-growth and job-destroying. While the vast majority of people around the world agree that the transition to a green economy is needed, a compelling picture of how this will benefit their everyday lives remains absent to date[118].

Relying on technical arguments, corporate PR, and abstract targets like 'net zero' are ineffective. Behavioural economics shows that facts alone do not drive change – narratives, emotions and perceived personal stakes do. To shift opinion, sustainability must be framed as opportunity, security and prosperity – not an abstract technical obligation:

- **Communicate a compelling vision** – leverage creative, media, marketing and behavioural insights to make sustainability aspirational, drive engagement and embed transition as the cultural norm.
- **Lead the conversation** – drive the mainstream and social media narrative, positioning sustainability as aspirational, job-creating and essential for national security, fairness and competitiveness.
- **Engage and empower stakeholders** – not just through messaging but by facilitating real participation in transition planning. People are more likely to embrace change when they feel part of it.
- **Counter disinformation with clear, simple messages** – expose opponents of transition as the real agents of economic risk and inequality.
- **Take a bolder stance** – recognise that shifting public sentiment requires challenging entrenched assumptions, not just accommodating them. Be transparent about challenges and the choices ahead. As seen in wartime economies and pandemic responses, honesty fosters trust.

This is not about corporate PR, it is about mobilising public demand for transition as a national economic and security priority. The goal is clear: make ambitious climate action politically irresistible – a vote-winning strategy for governments, not a liability.

“*We need to leave the age of fossil fuel behind, swiftly and decisively. But what drives our machines won't change until we change what drives our ideas. […] In order to do what the climate crisis demands of us, we have to find stories of a livable future, stories of popular power, stories that motivate people to do what it takes to make the world we need.*” Rebecca Solnit, the Guardian[119]

Conclusions

To secure long-term value business leaders need to:

- understand what is coming on sustainability and analyse it through a value lens
- recognise it is a market issue, framed by competitive threat and opportunity
- get their business ready for it by investing, innovating and advocating – enabling them to compete and win on superior sustainability performance.

Our key arguments for doing so are as follows:

- **The economic impacts of climate change and nature degradation – especially in food, agriculture, transport and energy sectors – are accelerating.** This is not a distant threat but a direct financial and strategic challenge today that is already reshaping markets, disrupting supply chains and intensifying competition for scarce resources. **Market volatility and inflationary pressures are already being amplified by delayed transition, increasing financial instability.**

- It remains possible to mitigate these risks but only if rapid action is taken to phase out harmful activities and scale solutions before cascading crises dictate the terms of transition. **Businesses that wait for a clear pathway will find themselves reacting to crises and competitive threats rather than shaping the future.**

- **The end of business as usual is inevitable – and already underway.** A global industrial and economic transition is underway, not just a climate-driven clean energy shift but a fundamental restructuring of how economies produce and consume resources. This transition will create winners and losers, just as past waves of innovation displaced once-dominant industries. Companies that fail to adapt will not just suffer reputational damage or lower ESG rankings – they will lose market relevance. **This shift is not going to be gradual. The delay to date means it is now inevitable that markets will tip suddenly, leaving laggards with stranded assets and declining valuations.**

- **The pace of change remains too slow.** Despite mounting systemic risks, many businesses – notably fossil fuel companies but many others as well – are actively delaying progress, defending subsidies, and entrenching market structures that protect their short-term financial returns. Left unchecked, their influence will not only stall transition but also destabilise entire economies. **Business leaders should recognise that delaying action does not preserve stability – it accelerates systemic shocks and increases economic uncertainty.**

- For any business that seeks to thrive beyond the immediate short term, serious **policy action is now a commercial necessity**. It is the only way to mitigate systemic risks, de-risk investment and remove the competitive disadvantage inherent in early action. This requires shifts in market and fiscal rules, subsidies and accounting norms to design out the tension between profitability and sustainability, so the most competitive businesses are also the most sustainable. The current lack of robust policy creates direct – and, in some cases, existential – threats to entire industries.

- **This transformative policy change will not happen without strong private sector support.** Businesses should move beyond statements of intent and engage in sustained, sophisticated advocacy with the same intensity as those blocking progress. This means prioritising CEO and board-level engagement, mobilising industry associations and committing real lobbying resources. This does not always equate to being activist campaigners, though this may also be necessary. Businesses have multiple ways to deploy the tools of influence – marketing, brand, media, and supply chain pressure – to shift policy and market sentiment. **Those opposing transition are already well co-ordinated and well funded. Businesses must be prepared to meet this resistance with equal strategic discipline.**

- **Co-opetition and collaboration are not ends in themselves – they are tools for creating the conditions in which competition drives sustainable transformation.** Many sectors require a level of reinvention that no single business can achieve alone. The real competitive edge lies in working with peers and allies to set new market rules and enabling conditions, then competing fiercely within them.
- **This will require tough decisions.** Businesses should reallocate funding, management attention and strategic focus, cutting back on ineffective ESG efforts to prioritise approaches that deliver real impact. New competencies should be developed, and new funding coalitions forged across public, private and philanthropic sectors. Action to secure a sustainable future for business should be led by business people.
- **Businesses that approach sustainability issues only as matters of compliance or reputation will fail** – they will be outpaced by those embedding it as a value driver. There is now both value at risk and value on offer, and businesses should assess sustainability through that lens. The shift required is not from bad to slightly better, but from incremental improvements to full-scale transformation. **Businesses that lead will not just comply with new market conditions, they will define them.**

A vision for the future: playing to win

In times of great change and challenge, bold leadership wins. Those who fail to adapt will be outpaced by those driving transformation. The greatest commercial risk today is not moving too fast – it is moving too slowly.

But this is not just about avoiding loss – it is about winning the future. **The businesses that act decisively today will define the industries, economies and societies of tomorrow.** A world where cleaner, fairer and more efficient businesses outcompete exploitative and polluting ones is within reach, if markets are designed to incentivise it. This is not a utopian vision; it is entirely possible and the only viable path to avoid cascading crises and economic breakdown. And it is a future worth fighting for.

This is the race of a generation. To win, businesses must bring their best commercial thinking to sustainability. They must also be ready for opposition. This transition will be contested, and leadership means pushing through resistance, not waiting for consensus.

By 2035, sustainable industries will not be the exception – they will be the dominant forces driving global markets. In every sector, from energy to finance to food production, those who led the transition will be thriving, while laggards will be marginalised or extinct. Governments that align policy with business innovation will be more competitive, while those that resisted will struggle with economic stagnation. This is not speculative, it is the reality of market evolution.

At this historic moment of geopolitical regime change and economic transformation, the question for businesses is whether they will step up to shape the future – or be shaped by it.

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