

Transition Finance

A way to steadily achieve carbon neutrality

14th June, 2021

**Environmental Economy Office,
Industrial Science and Technology Policy
and Environment Bureau**

Transition finance is an important tool to reach carbon neutrality by 2050

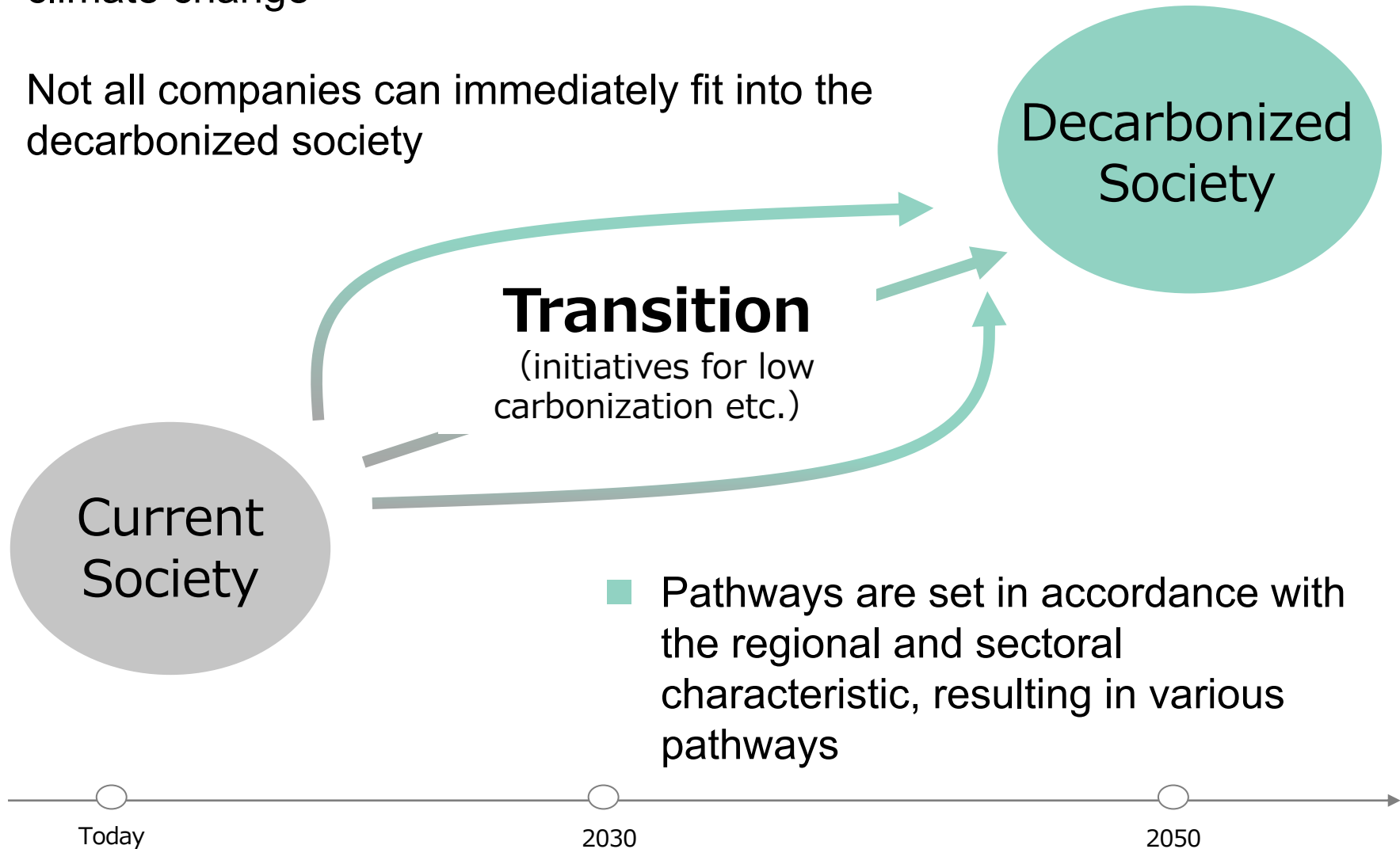


**The Basic Guidelines
on Climate Transition
Finance**
FSA, MOE, METI
(7th May, 2021)

- International consistency (Four elements)
- Guide to practice transition finance
- Possible diversity by regions and industries

The Importance of Transition Finance

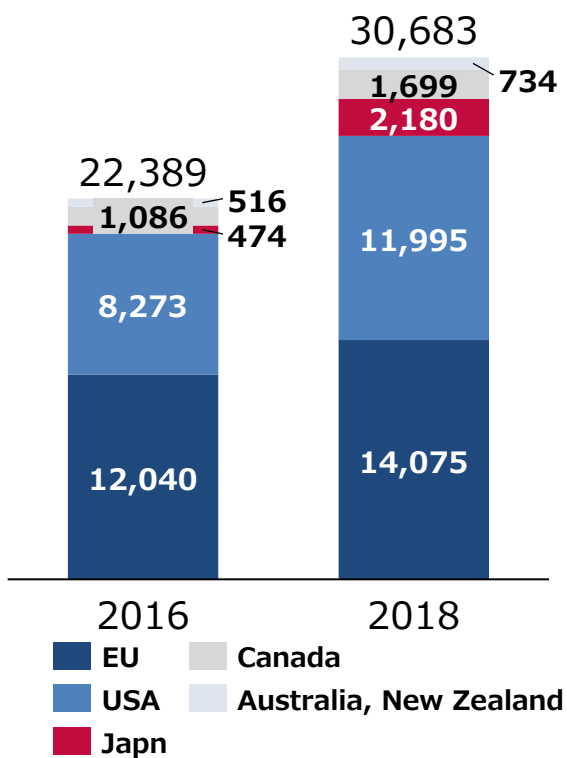
- Transition can contribute to the mitigation of climate change
- Not all companies can immediately fit into the decarbonized society



Sustainable finance has been growing, but not enough investments in industries

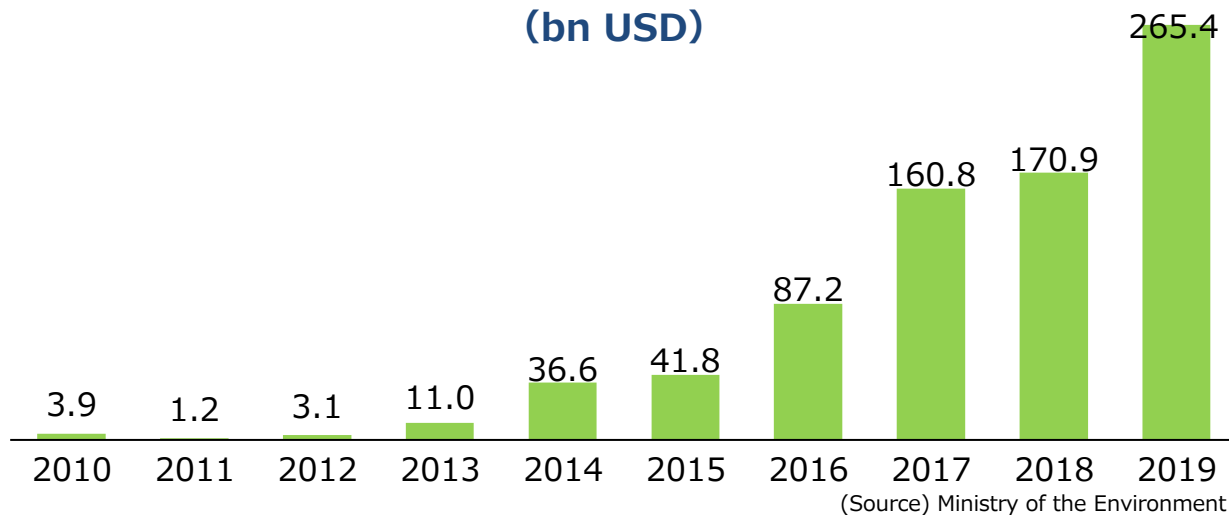
- Increase of sustainable finance: 30.7 trillion USD in 2018
- Only 0.5% from industry sector in total green bond issuance

Trends of Sustainability Investment (bn USD)

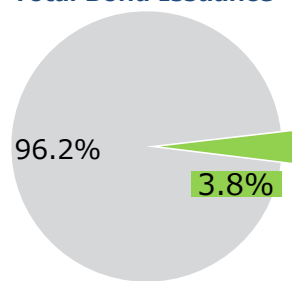


(Source) Global Sustainable Investment Alliance 2018

Global Green Bond Issuance 2010-2019 (bn USD)

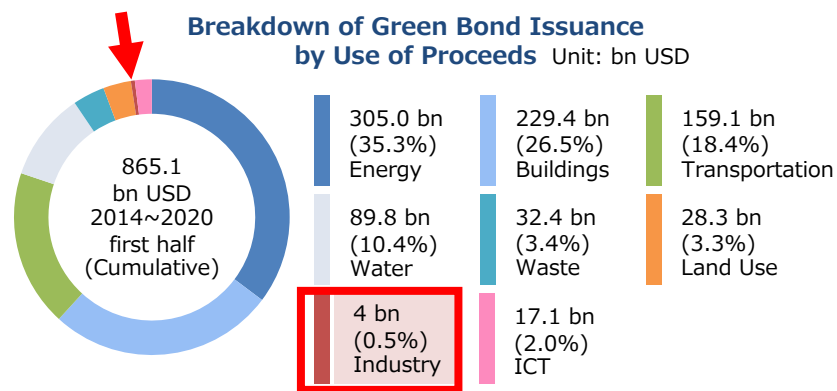


Share of Green Bonds among Total Bond Issuance



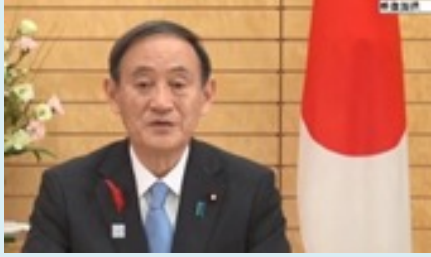
(Source) S&P Global (Total Bond Issuance) Ministry of the Environment (GB Issuance)

Breakdown of Green Bond Issuance by Use of Proceeds Unit: bn USD



(Source) Climate Bond Initiative Database

Initiatives on transition finance



October 2020

Japan's pledge to reach carbon neutrality by 2050

December 2020

Green Growth Strategy

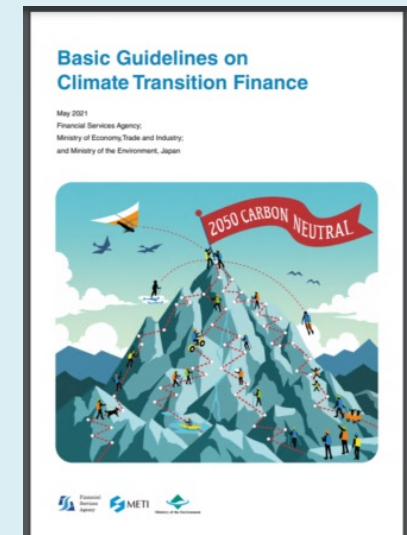
- Industrial policies to create a “**positive cycle of economic growth and environmental protection**”
- Position **transition finance** as an important financial tool

January 2021

Taskforce on Preparation of Environment for Transition Finance established by FSA, METI and MOE

May 2021

Basic Guidelines on Climate Transition Finance was published



Basic Guidelines on Climate Transition Finance

What is the Basic Guidelines

- Consistency with the ICMA Climate Transition Finance Handbook
- A general guide for fundraisers and financial institutions in labeling transition bonds and loans
- The Basic Guidelines does not specify transitional assets nor trajectories of each industry..

Content

- Comprehensive judgement based on strategies
- In addition to scenarios widely recognized in the international community, **NDC and roadmaps formulated by public organizations can be referred to.**

Element

1

Fundraiser's Climate Transition Strategy and Governance



Element

2

Business Model Environmental Materiality



Element

3

Climate Transition Strategy to be Science-based Including Targets and Pathways



Element

4

Implementation Transparency



Taskforce on Preparation of the Environment for Transition Finance, Basic Principles and Roadmaps

