

Strategizing an Approach to Transition Finance in the Region

Summary & Recommendations

Transition finance constitutes an important tool for addressing the urgent challenge of climate change as it provides companies with the financial support they need to transition to more sustainable practices and helps investors to allocate capital to activities that will drive the transition to a low-carbon economy.

The Roundtable aimed to explore the current state of transition finance in the Asian Pacific region, showcasing the multiple and diverse efforts, initiatives, instruments, and approaches taken by member economies, international organizations and financial and non-financial firms in the region to mobilize transition finance. This discussion helps to build a common understanding in the region and as a leverage for member economies to promote expanded access to financing for private and public companies to accelerate their transition toward net zero goals. This discussion also serves to establish a common ground for policymakers towards the special investors' need for interoperability and the consequent international capital mobilization towards the achievement of the global climate goals.

Key takeaways:

1. Common views and features of the different transition finance efforts were identified in this Roundtable. When discussing the definition and scope of transition finance, the inclusion of previously excluded high-emitting and hard-to-abate sectors, and the focus on the real economy decarbonization stood out. The approach to accomplishing Net Zero adopted in the Asia Pacific region is realistic, since it is a step-by-step approach that accounts for the difficulty of jumping directly to becoming green, adopting a flexible approach which is dynamic, forward looking, and based on rigorous and credible strategies. The ASEAN Taxonomy, which is an important collaborative effort to provide an overarching guide for these economies, illustrates this.
2. Different stakeholders play key and complementary roles in facilitating the transition to a low-carbon economy through transition finance. Governments play a crucial role in building the enabling environment needed to scale up transition finance. The provision of the grounds for the identification of transitional activities through guidance and taxonomies, together with the deployment of political measures, emerged as two important aspects of governments' role. The private sector plays a critical role in transition finance by investing in sustainable activities, developing sustainable products and services, and advocating for policy change. Regarding the private financial sector, in particular bank lending and capital markets, are important actors in providing transition finance. International organizations play an essential role in supporting the provision of an enabling environment, for instance through the issuance of supplementary guidance of existing transition finance frameworks, and also in facilitating interoperability and cross-border market expansion.
3. Further work needs to be done to expand transition finance. For instance, investing in high emitting corporations for the development of technology to reduce emissions could actually increase the investors' financial emissions under the GFANZ framework. Work is needed to address the negative incentives that this creates.
4. Interoperability is a challenge that needs to be addressed. Data and disclosure, together with international collaboration and coordination, are two avenues that need to be further developed.

5. The role of blended finance to effectively mobilize private capital and support the transition was also repeatedly highlighted. Indonesia's example showed how blended finance can be used as an instrument to manage the phase out of coal-fired plants and further develop renewable energies.
6. To achieve the ambitious Net Zero targets, a just and orderly transition is important. Three elements compose this concept, as the Asian Transition Finance Study Group proposed: sustainability to achieve Net Zero, reliability of the energy supply and affordability of the energy cost. The Asia-Pacific region accounts for more than half of global CO2 emissions from energy, and electricity is the largest contributor with coal as the top source. Considering the dilemma between coal exclusion commitments from financial institutions, the credibility problem financial institutions face to support the transition of coal power, and the existence of young coal power plants in the region that inhibit the achievement of the climate goals, work is being done in the region around the financing of managed phase outs of coal power generation plants.

Opening Remarks

Transition finance was presented as a discussion of extreme importance in the Asia-Pacific region, which accounts for more than half of the world CO2 emission from energy, has a strong reliance on fossil fuels (oil, gas and coal), and its emission volume is forecasted to rise in the coming years. Given that in general economies in the region are not large-scale renewable energy sources, there is a **shared recognition of the difficulty it represents to jump into pure green activities**, specifically green energy, and, in this sense, transition finance was defined as a **gradual approach**, contrary to the EU style binary approach.

Furthermore, in the context of industrial structures that comprise smaller companies that cannot become green overnight, the need for a **flexible transition finance approach** was also noted and illustrated by Japan's case. The economy adopted basic guidelines on climate transition and roadmaps for key industrial sectors, which offer a flexible means of financing that is the best for an industry or a firm. It was argued that this approach better meets the varying requirements of firms in economies at different stages of development in the Asia Pacific region and that economies need to explore whether a similar - if not identical - transition financing approach should be adopted.

Concerning the **scope** of transition finance, it was noted that it should cover not only investments in energy saving and efforts to utilize clean repositories, but also **research and development** for new energy sources, like hydrogen and ammonium as well as innovative carbon capture utilization and storage technologies. Moreover, transition financing should be made available to **firms across the Asia-Pacific region that constitute important parts of supply chains** and face the same common challenge towards becoming green and/or carbon neutral.

Japan's experience towards its repositioning as a financial center and as an Asian Hub of Green Transformation (GX) showcased, on the one hand, that sustainability needs to be at the core of finance and that transition is the keyword to realize the Net Zero targets. On the other hand, it also unveiled the **key role governments play in driving investment in sustainable activities and facilitating the transition to a low-carbon economy by setting clear and ambitious goals and providing a supportive policy and regulatory environment**. The Japanese government declared to invest 150 trillion yen over the next 10 years for GX (Green Transformation) through public-private sector collaboration and produced a comprehensive 10-year roadmap for GX investment with five new policy initiatives, to accomplish its commitment to achieve carbon neutrality in 2050. These initiatives include the issuance of new sovereign bonds for GX Economy Transition, as well as

utilizing new financial instruments for which enhancing corporate disclosure, improving credibility of ESG evaluation, and developing infrastructure for data provision are key enablers.

Furthermore, the **role of emission trading** was included in the roadmap and highlighted by the speakers as an incentive for green transformation investment and as an important driver of decarbonization. Discussions on how local actors can develop a network of interoperable emission trading markets in the region, based on a common set of standards and ensuring future interoperability is key.

Government's guidance also emerged as a key component of the process of building the enabling environment for the development and scaling up of transition finance. Japan developed a Supervisory guidance for financial institutions for managing climate risk as supporting corporates' moves against climate change, and Guidelines for Transition Finance (finance for transitional technologies on the pathway to "green") and roadmaps for hard-to-abate sector, all of which will be further addressed in the sessions.

Not only was it noted the relevant role policy makers and regulators play in transition finance by creating an enabling ecosystem, but also the **key role played by the private financial sector, in particular bank lending and capital markets, in providing transition finance.**

Speakers agreed on the **criticality of strengthening cooperation to promote decarbonization** within the region. In this sense, APEC could play an important enabling role in this process moving forward as the regional platform for promoting regional economic integration, help ensure coordination among economies and the future interoperability of sustainable final systems.

Session 1. Transition Finance: Concepts, Approaches & Frameworks

This first session sought to define Transition Finance and delved into key concepts and approaches undertaken to drive it, including specific initiatives, instruments and tools that have been implemented in the Asia Pacific.

A shared view of transition finance emerged, first, in terms of its departure from the **need to engage all companies and industries towards the decarbonization of the economy and the society.** The sole focus on green finance encounters its limits in driving the low-carbon transition as it excludes important sectors which are high emitters and hard-to-abate. Second, in terms of the positioning of the **real economy transformation at the center of the concept.** It is important that finance emissions are not the purpose but rather driving real economy reductions, and then the result will be the reduction in finance emissions of financial institutions. Despite common grounds, speakers shed light on the diverse transition finance concept approaches and framings that coexist. Third, in term of transition finance as a **dynamic and forward-looking concept,** rather than a static classification of which activities are currently considered green and which are not.

Two main definitions of transition finance emerged from the discussions: a specific definition and a holistic definition. Concerning the specific definition, while green finance applies to low-carbon projects and technologies, transition finance emerges to provide funding for the current high-emitting and hard-to-abate activities or sectors decarbonizing efforts, which were ruled out under green finance. Regarding the holistic definition, the G20, considers transition finance as the financial instruments supporting the whole-of-economy transition in the context of the sustainable development goals (SDGs) towards lower and Net Zero emissions and climate resilience. The

prominence of the SDGs in the definition reflects the do no significant harm policies as a key component of transition finance. For its part, GFANZ conceptualizes transition finance as all the investment, financing, insurance and related products and services that are necessary to support an orderly, real-economy transition to Net Zero, as described by the four key financing strategies which finance or enable: entities and activities that develop and scale climate solutions, entities that are already aligned to a 1.5 degrees C pathways, brown entities committed to transitioning in line with 1.5 degrees C-aligned pathways, and the accelerated managed phaseout of high-emitting physical assets.

The G20 developed a transition finance framework with five pillars, which served as a solid ground to structure the diverse arguments brought by the speakers in the event. First, the identification of transition activities and investments. There are three approaches for identifying transition activities and investment: principles-based approach (providing high level guidance for climate transition), taxonomy-based approach (listing specific activities that support the climate transition, typically classified by sector), or a hybrid approach.

Regardless of the approach adopted, it is important that jurisdictions guide companies in the identification of transitional activities, to make sure that those are transparent, credible, comparable, accountable and time bound to climate objectives. In addition, they should be based on a good understanding of financial markets' needs.

Pillar 1: Identification of Transitional Activities and Investments.

As introduced in the opening session, governments play a key role in providing the grounds for the identification of activities, and Japan is an interesting study case to showcase one of the existing approaches. The economy has adopted a principles-based approach through its issuing of sectoral roadmaps for several hard-to-abate high-emitting sectors, in particular: iron and steel, chemicals, electricity, gas, oil, cement, paper and pulp, shipping, aviation and automobile. This tool shows the technologies that are expected to be necessary to make each hard-to-abate sector carbon neutral by 2050 with a scientific basis, and in alignment with the Paris Agreement and government policies. However, the roadmap recognizes the current lack of technology necessary to decarbonize the sector by 2050 but address the need for innovative technologies to emerge.

In addition, Japan Financial Services Agency, the Ministry of Environment, and the Ministry of Economy, Trade and Industry, formulated and issued the **Basic Guidelines on Climate Transition Finance**, which are aligned with international standards, in particular with the International Capital Market Association (ICMA) Climate Transition Finance Handbook. The guideline defines what would be required for the companies to raise transition finance, as well as it recommends fundraisers to disclose four elements to aid investors' comprehensive judgment: 1) strategy and governance 2) environmental materiality 3) science-based strategies: targets and pathways 4) transparency about implementing that strategy. The strategies should be in line with internationally recognized scenarios, such as the IEA's. NDC and government directions, such as Japan's sectoral roadmaps, can also be referred to. External verification and assurance are also recommended.

The efforts to provide an enabling framework for firms to transition is also supported by institutions like the Asian Transition Finance Study Group, which provides practical guidelines to supplement the submitting parts of the existing transition finance framework. Their initiative departs from the practical challenge financial institutions face when they need to make use of existing conceptual frameworks, such as ICMA's handbook. Although ICMA's handbook requires to determine whether finance is in line with the science-based pathway, it does not detail which pathway they should be

looking at and, in addition, some Asian economies do not have domestic or sector level pathways to refer to. Hence, the study group provides some interim pathways for those economies, which are Paris aligned and that have a high international recognition (for example, IEA's and NGFS' pathways).

Last, in Japan, market demand has also motivated transition finance policies, as the corporate sector has had an active role in urging the government and stakeholders to promote transition finance, particularly in developing domestic and sectoral level pathways, roadmaps, and taxonomies that financial institutions could refer to.

As another principles-based approach example, GFANZ is supporting the realization of financial institutions' commitment through the provision of guidance on Net Zero transition planning. The guidance they have put out provides a transition plan framework for how financial institutions can take action in implementing their net-zero commitment, on delivering real economy emission reductions in line with achieving the global Net Zero goals. The guidance is comprised of five components (foundational pillars, which are supported by four other pillars covering implementation strategy, the engagement strategy, governance and 'metrics and targets'). And the key thing about this transition plan, GFANZ noted, is that it is very much focused on delivering real economy emission reductions in line with achieving the global Net Zero goals.

In terms of the taxonomy approach, two important requisites were highlighted. Firstly, taxonomies need to have **different levels of aggregation**, focusing on the project, the entity, and the industry levels. Secondly, **interoperability**, as dialogue and collaborative work among economies is crucial not only among the diverse regional and economy-level taxonomies and guidelines, but also when compared to global initiatives. The need to think regionally and globally how that governance for interoperability plays out is key to facilitating cross-border market expansion and international organizations play an essential role in facilitating it through the technical assistance that they provide.

Pillar 2: **Reporting.**

Reporting of information on transition plans activities and investments. Disclosure helps investors and other stakeholders assess the credibility of the transition claims and, specifically, whether transitional activities are aligned with the Paris agreement and backed by scientific methodology. The disclosure of up-to-date **transition plans** with verifiable comparable science-based interim and long-term targets, should be followed by the report on the **progress** in the carbon transition pathway. In addition, disclosure climate data, including Scope 1 and 3, and material scope 3 data as it becomes available. There is a recognition that throughout supply chains, data availability can become an impediment particularly in developing economies.

Moreover, it is corporate disclosure that builds the credibility of financial sector pledges. Soon to-be-released standards and emerging efforts will play a key role, such as the IFRS International Sustainability Standards Board (ISSB) based on the pioneering efforts of TCFD, the Task Force for Nature related Financial Disclosures (TNFD), and social aspects through and a Task Force on Inequality Financial Disclosures (TIFD).

Pillar 3: **Transition related instruments.**

Sustainable finance is broadly categorized into two, one is focused on the use of proceeds and one focused on general corporate purposes. Within it, transition finance encompasses two types of typical instruments. Within the first category (use of proceeds), the typical instrument in transition finance is the transition bond or transition loan, which corresponds to transition labeling that has been certified by the agency to be used for activities for the transition to Net Zero economy. Within the second category (general corporate purposes), sustainability-linked bonds or loans, which are defined as a type of Finance where pre-agreed KPIs are set and, depending on that performance, the pricing would vary.

However, there is work being done in the region that goes beyond these two typical instruments to cover any formal finance that contributes to the transition. Transition related financial instruments include debt, equity related instruments, risk mitigation products, asset-backed securities (ABS), blended finance, among others. These instruments should be considered in a context where recipients of transition finance present to financial institutions a detailed, transparent, entity-wide and science-based transition plan towards decarbonization, and adhere to related disclosure requirements.

Pillar 4: Policy measures.

The importance of providing incentives for companies to decarbonize was highlighted. Some of the policy measures mentioned in the session were public debt instruments, carbon pricing, blended finance, export credit agencies as finance providers, feed-in-tariffs and government subsidies to help companies use certified agencies in securing third party opinions for transition finance instruments. Both existing and emerging, innovative instruments may play key roles.

Japan's new sovereign bond for financing GX investment, provides an interesting example. This upfront government investment is used as a catalyzer to mobilize even more private sustainable finance, and it is encompassed under the objective to realise JPY150tn of public and private investment over the next 10 years. The government has also introduced carbon pricing to give incentives for GX investment and secure finance resources to repay GX bonds, which includes, firstly, an emissions trading scheme (ETS) in high-emitting sectors and allowance auctioning for power generation companies and, secondly, a carbon levy on fossil fuel importers.

Pillar 5: Assessment and mitigation of social and economic impacts of transition activities and investments.

Although transition requires immediate actions, it may also generate negative social and economic impacts which need to be assessed and addressed. The need to develop demonstration case studies of economies' just transitions to learn from each other and encourage international cooperation were highlighted.

Financed emissions or scope 3 emissions were pointed out as a practical challenge around transition finance. Although commitments have been set to reduce financed emissions under the GFANZ framework, an inconsistency exists in the realm of transition finance, given that to promote transition finance and for instance lend the money that high emitting firms need to develop technologies that will reduce the GHG in the future, financial institutions may see a temporary increase over their portfolio emissions. So, financing reduction targets might create a negative incentive for financial institutions. The point is how we can convince it is a long-term commitment.

As APEC constitutes about 50% of the global emissions and electricity is the largest contributor - of which coal is the top source across all major Asian economies- and as the energy demand in the region is on the rise and the reliance on fossil fuels continues to be high, the **energy transition** was given a special mention. Existing commitments of financial institutions to exclude coal puts the region further away from the emissions targets and limits decarbonization. This coexists with the credibility problem for financial institutions to support the transition of coal power plants or the managed phase out of corporates, and the risk of greenwashing. From the supply side, the coal power plants in Asia-Pacific are very young so, if they are left to their natural years of life, then the 1.5 degree goal will not be achieved. Therefore, their early retirement in a managed phase out manner but solving the financial viability as a key aspect for the asset owners, is crucial. Due to this complex context whose corollary is the limitation of decarbonization, work is being done around the financing of managed phase out of coal power generation plants in the Asia-Pacific.

GFANZ is developing robust, credible, and practical voluntary guidance for financial institutions to support the role of financing coal-managed phase out in the region, integrating three key dimensions: transition credibility, financial viability and socioeconomic inclusivity.

To achieve decarbonization, a just and orderly transition is imperative. This concept intertwines three elements: sustainability, reliability of the energy supply and affordability for the economy, and a just and orderly transition. To materialize these three components, the Asia Transition Finance Study Group has developed six checking points for financial institutions that will allow an alignment between the high level just and orderly transition and the promotion of transition finance on the ground.

Session 2: Transition finance in action

Showcasing specific economies, this session delved into leading case studies, presenting current instruments, programmes and tools that have been employed in the region to accelerate Transition Finance. Firstly, JERA¹- as one of the largest energy players in Japan - shed light on a company's use of transition finance to support the funding of the huge capital requirement needed for projects towards the acceleration of its decarbonization strategy and meeting the zero emissions goal by 2050. The firm leverages the enabling environment created by the Japanese government since 2021 in collaboration with business and the financial sector, including the guidelines, industry specific roadmaps and selection of model cases to disseminate good practice. The importance and usefulness of this kind of local architecture to promote transition finance in practice was highlighted by the company.

In 2022, the company launched two transactions, a transition bond -which marked the first issuance by the electricity sector in Japan- and a transition-linked loan borrowed from the Development Bank of Japan. Both will be monitored and certified annually by an external institution and disclosed at their company website. JERA developed a framework as preparatory for implementing transition finance, which is consistent -and was certified accordingly- with the four elements of transition finance as stipulated by the ICMA Handbook and the domestic basic guidelines. The framework covers both use of proceeds specified type transaction and unspecified type of transactions.

¹ JERA is the largest electric utility company in Japan, a wholly owned subsidiary of Tokyo Electric Power Company, and Chubu Electric Power, founded in April 2015

Acknowledging the dilemma of energy security to support economic growth and decarbonization, JERA is also contributing to the Asian transition, by promoting decarbonization initiatives in several Asian economies. The company takes an economy-by-economy approach upon the recognition of each one's unique situation, as per the parameters, such as suitability and availability of renewables, power-grid situation, and status of coal fired electricity generation.

The second case study was the energy transition mechanism (ETM) launched by the Asian Development Bank (ADB) as a replicable and scalable market-based model to help accelerate the transition from coal to clean energy power. Within the whole concept of a just and affordable energy transition and its particular importance in Southeast Asia, the initiative is focused on accelerating the managed phase out or repurposing of coal-fired plants, using public and private finance through refinancing, acquisition or sustainability-linked corporate loans, and on scaling up investment in clean energy and energy storage.

Legacy coal-fired power plants constitute the single largest source of greenhouse gas (GHG) emissions from human activity and, without addressing them, the Paris agreement targets will be missed. Given that renewable energy costs are rapidly declining, the cost of operating existing coal plants is expected to be higher than the leveled cost of new renewable energy plants in the next 10-15 years. However, in many developing economies, coal power plants have secured long-term power offtake agreements. To prevent them from becoming stranded assets, the institution assesses that an intervention is needed.

While coal-fired electricity has dropped in Europe and the United States, it remains very high in Asia. Coal-fired power plants are currently dominant in the region's grids and have a technical life that could run until 2050. A large-scale solution is needed to simultaneously rapidly decarbonize and build-up clean energy in Asian developing countries. Accelerating the retirement of these legacy plants will not only abate significant carbon emissions but also unlock significant investments in renewables, storage, hydrogen, electric vehicles, and other clean technologies, and lower overall generation costs in the long run. Furthermore, what is very important across the ASEAN economies is the development of local supply chains and local technical capacity to manage this energy transition.

So ADB's role is to help crowd in public and private sector partners, engage with the government to develop a policy environment that allows for early retirement of these plants and is ripe for renewable scale up, support a just transition for affected communities, ensure climate credentials, and harness carbon offsets. ADB's commitment to safeguards and just transition are critical parts of ETM work. Recognizing that we have to transition in a much more compressed time frame, and this will affect people much more quickly and much more severely, proactively managing the impacts on people and communities with social and environmental safeguards is critical to the project design. The ETM partnership trust fund, funded by grants and highly concessional funding from government and philanthropies, will support through concessional finance and technical assistance. This will lead to the ETM funding vehicle where they intend to house a lot of these projects, once they develop a pipeline of potential ETM projects. They will be housed under the funding vehicle carbon reduction facility (refers to the early retirement coal projects) and clean energy facility (refers to the renewable energy replacement power that's supposed to come out online).

Technical and financial feasibility work is underway focusing on three Southeast Asian economies with a high share of coal power (Indonesia, the Philippines and Viet Nam). The scheme could be replicated in other economies with high coal share and similar market barriers.

Narrowing the scope to Indonesia's case, with more than 60% of its electricity production coming from coal fired plants, prompted Indonesia to align with the ADB's energy transition concept and become a ETM country platform. The economy has separately led and spearheaded the initiative to update the ASEAN taxonomy (2021)², a parallel and complementary push towards making sure that managed phase out is really part of the energy transition story for Southeast Asia.

PT Sarana Multi Infrastruktur (Persero), a government-owned infrastructure development finance company- was appointed as the Platform Manager for supporting Indonesian government ambition to achieve net zero emissions. The institution will implement a blended finance structure both in funding and financing for supporting energy transition projects. PT SMI will play a role as the agency to deploy the element of government support to increase the feasibility of the transition project and it will work closely with multilateral development banks, commercial banks under the umbrella of GFANZ and other philanthropies.

Lastly, the ASEAN Taxonomy Board presented the ASEAN Taxonomy for Sustainable Finance, recognizing that the sustainable financing ecosystem is composed of three reinforcing pillars: the taxonomy, transition finance pathways and disclosures. The taxonomy provides the language, the transition pathway provides the how to and the disclosures provide the public accountability and the measures for investors to be able to allocate capital efficiently. The conjunction between a regional common language, interoperability and national priorities is at the center of the origin of the ASEAN taxonomy. On the one hand, a common language for ASEAN addresses interoperability amongst all the member economies. Standardization was an answer to the need investors had to save transaction costs within the region in terms of due diligence and criteria revision for eligibility. On the other hand, complementing respective domestic sustainability initiatives means that member economies can have their own taxonomy because these address domestic priorities and agendas.

The need for coexistence between a common language and an inclusive approach within the regional taxonomy was also pointed out. Its development acknowledged the diversity of ASEAN member economies' starting points together with the need to facilitate an orderly and effective transition and the need to avoid lock-ins through a multi-tiered solution, different from the binary taxonomy approach chosen by the EU. The ASEAN taxonomy is multi-tier in two ways. The first is that there is a principles-based element to it called the Foundation Framework. The second is that there is an element with an activity-level technical screening criteria called the Plus Standard.

Session 3: Key Elements for a Common Strategy

This session tried to unravel and dissect key components that would be pertinent in accelerating transition finance to meet the Paris Agreement goal. Panelists discussed which tools, components and workstreams should be explored and prioritized to ensure we are moving towards a more sustainable economy.

The first fundamental component for transition finance that was addressed and demands further efforts was **disclosure and transparency**. Reporting plays a key role to ensure the credibility of an entity's transition strategy and to help avoid the risk of greenwashing. Given that disclosure is still lacking in the Asia Pacific region and acknowledging how successful the TCFD Consortium model has been in Japan, it would be fruitful for the region to explore how it can be exported -whether in its

² Link to Updated ASEAN Taxonomy <https://asean.org/book/asean-taxonomy-for-sustainable-finance-version-2/>

current version or a similar one- to other member economies. Whether the promotion of TCFD standards or ISSB standards in the future, interesting lessons can be drawn from this model.

The Japanese Consortium model firstly showcases how working collaboratively across sectors (including financial and non-financial entities) accelerates efforts towards a common goal. Overall, collaborative work as a key component of the transition was highlighted, in an ecosystem approach that bridges all the actors, specially Small and Medium Enterprises (SMEs).

Japan's case shows, secondly, how the prioritization of disclosure at a governmental level can lead to robust progress. Implementing TCFD has been part of Japan's strategy ever since they first introduced their long-term strategy back in 2019, but recently was included as a mission at the very beginning of the GX, and therefore as a policy priority in Japan.

To illustrate progress, some interesting findings were shared. First, last year over 75% of TCFD supporters in Japan saw their stock price volatility decline, which means that disclosure must have helped their corporate value. Second, financial institutions supporting TCFD are using the disclosure information in a decision useful way. Third, close to half of the non-financial institution member respondents expressed their interest in transition finance. It appears that the more work is done on climate-related financial disclosure, the interest level on transition finance grows, indicating once again, that disclosures are key for a successful transition.

Japan's TCFD Consortium has had an active role in offering tools to help corporate leaders and practitioners learn the strategic value of implementing the TCFD framework. What is found in companies whose climate-related disclosures are seen as a decision useful in the eyes of the investors, The involvement and commitment from the top management is not only a key starting point to encourage companies to report more and in an improved way, but also key for its climate-related disclosures to be seen as decision useful in the eyes of the investors.

Disclosure is just one of the elements of building and strengthening the ecosystem needed to support sustainable market development. The policy and regulatory framework and, in particular, guidance, are also an important direction setter for the private sector. Government attention and action provide a powerful means to raise the needed awareness and interest from the private sector. The introduction of the ASEAN Green Bond Standards in 2017 and the paramount increase in the issuances under them constitute a clear example, together with the ASEAN Taxonomy ongoing efforts.

Moreover, the development of sustainable finance capacity of local market professionals constitutes a fundamental point. Professionals from many economies in the region have insufficient understanding of sustainable finance, and language appears a barrier to share and/or export talent. Specifically, through its Asian Bond Markets Initiative, ADB is addressing this with an initial joint work with companies, and a current shift to the role public universities can play in this area, rooted in a public good focus. Local green bond verifiers or SPO providers with a good understanding of the local environment are very important in sustainable market transactions and, therefore, its development should be promoted. As a particular initiative, the institution developed a local green bonds verifier which has local expertise, speaks the local language and that is located at the same time zone.

Another key point raised was that, due to the early stage of market development in the region, technical support -rather than financial support- is the primary issue that most of the issuers require. Currently, most projects do not fit the minimum criteria for a financial institution to consider lending

or investing, so assistance is therefore needed. In this regard, increasing information and knowledge exchange with regional organizations such as ADB will be crucial to help projects qualify.

In relation to this point of helping projects become bankable and investable, blended finance was underlined as a possible solution. Mobilizing finance towards projects to make them more financially attractive and eventually crowd in additional private capital, may be an important tool to support the region with its transition, recognizing that the role of the private financial sector in the transition is paramount.