ICMA's response to the UK TFMR Call for Evidence submitted on 13 May 2024

Chapter 2 - Scope of Transition Finance

1) Do you consider there to be a lack of clarity around the scope of transition finance? Why / Why not?

Agree

Please expand on your response here:

In the absence of a unified definition, there we do consider there to currently be a lack of clarity and confusion in the market over the terminology and
scope of transition finance. ICMA's February 2024 staff paper "Transition Finance in the debt capital market" identifies at least three different overlapping
definitions in general use for transition finance:

• Economy-wide transition refers to transformation of the entire economy with the objective of meeting the goals of the Paris Agreement but also wider
sustainable objectives (e.g. biodiversity or circular economy) embedded in taxonomies, or with reference to the UN SDGs.

• Climate transition covers the goals of the Paris Agreement and the target of achieving Net Zero but typically with a narrower sectoral or industry focus
especially on the energy and high-emissions sectors.

• Hard-to-abate transition emphasises the specific challenges of reducing the emissions of the fossil fuel and hard-to-abate sectors or promoting more
sustainable alternatives to their output.

While various bodies and initiatives provide their own definition on transition finance tailored to their own specific purpose, they all have in common the
goal to achieve net zero by 2050 (a summary of definitions by Japan, G20 Sustainable Finance Working Group, OECD, European Commission, the Glasgow
Financial Alliance for Net Zero (GFANZ) and the Climate Bonds Initiative
(CBI) is given in Appendix D of ICMA's paper). There is, however, less consensus on accepted trajectories and pathways to get there and whether, for
example, any technological solutions or market mechanisms are considered in emissions removal.

ICMA's Climate Transition Finance Handbook (CTFH) defines climate transition as "focused principally on the credibility of an issuer's Greenhouse Gas
(GHG) emissions reduction strategy, commitments, and practices. Significant capital reallocation and additional financing is needed to meet the global
objectives enshrined within the Paris Agreement on Climate Change to keep the average global temperature rise this century well below 2°C above
pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C ("science-based" targets)". It then also relates finance to
this by stating that "capital markets have a critical role to play in enabling climate transition by ensuring the efficient flow of financing from investors to
issuers wishing to address issues inherent to climate change". The guidance provides disclosure recommendations around four key elements which are
recommended to credibly position the issuance of use of proceeds or sustainability-linked instruments to finance the transition, particularly of
"hard-to-abate" sectors and clarifies that, for example, "use of carbon credits for offsetting purposes towards achievement of GHG emission reduction
strategies should be kept to a minimum and used to abate residual emissions only".

2) Have you faced challenges in accessing or deploying transition finance because of a lack of clarity around its scope?

Agree

Please expand on your answer here:

European corporate issuers tell us that they have very significant access to finance and capital markets and therefore no issue at all raising finance as
such which then can be used to, for example, finance transition.

That said, they do not think there is a clear consensus on whether transition finance should focus on what creates an impact today or whether the
long-term impact is more important.

Moreover, they perceive a lack of investor support for transition financing as while, for example, funds can easily invest in green, investors are not sure
where to put transition themed bonds. This is also reflected in one issuer in the UK going from issuing transition themed bonds to green bonds.

Furthermore, when it comes to putting together or updating a bond framework, a lack of clarity on scope often leads to internal discussions around what
is considered green enough and what is considered transition enough to be relevant particularly for investors.

Please upload any supporting evidence:

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3) Do you agree with the approach that transition finance includes all sectors of the economy to the extent that it is part of a credible net zero transition? Why / Why not? If not, please specify which should be excluded and why.

Agree

Please expand on your answer here:

Transition finance includes all sectors of the economy to the extent that they are part of a credible net zero transition. That said, we think that the priority
for the market should be to address transition in fossil fuel (fundamentally coal, oil and natural gas) and hard to abate sectors. Companies in these
sectors will require vast amounts of finance in order to be able to transition certain assets to ones with lower emissions, make up for the cost of retiring
the most polluting assets such as coal plants earlier than planned while also addressing "just transition" considerations.

These companies should be able to access transition finance for example in the form of loans and loan instruments and/or through conventional and

sustainable (labelled) bonds. To do this in a credible way, it is important that companies have a transition strategy and an actionable entity-level transition
plan which will help investors and banks to better understand why transition finance is needed and how it will be deployed. We therefore strongly agree
with the focus on ensuring credibility and integrity of transition finance including through transition plans and other standards and frameworks.
If finance is raised through the issuance of sustainable bonds, the issuer should also align their bond framework with a market standard such as the ICMA
Principles as well as follow guidance such as the recommendations provided in ICMA's CTFH.
Please supply any supporting evidence:
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4) Do you agree that the primary focus of transition finance should be on a credible net zero transition in hard to abate and high emitting areas of the economy? Why / Why not?
Agree
Please expand on your answer:
As already mentioned in our response to Q3, we agree. Hard-to-abate sectors are those sectors where abatement of emissions is more difficult because
of a lack of technology and/or high CapEx requirements. These include heavy industry such as cement, steel, and chemicals, and heavy-duty transport
such as trucking, shipping, and aviation but also other sectors such as agriculture. These sectors make up 20-30% of global emissions and it will therefore
be vital to get them to decarbonise in order to reach the goals of the Paris Agreement, i.e. reduce emissions by 45% by 2030 and reach net zero by 2050.
Unlike fossil fuels, hard-to-abate sectors cannot be gradually phased out and replaced by alternatives (e.g. renewable energy) but will continue to be
important in a net-zero world and therefore have to be aided in transitioning.
It will also be important that this happens in a credible way by, for example, raising finance through sustainable bonds aligned with the ICMA Principles.
Transition is a theme under the Principles which can be financed through a green or sustainability (mix of green and social) bond. Moreover, issuers have
the option to issue a sustainability-linked bond (SLB) to underline their transition strategy by linking it to measurable, attainable, relevant and time-bound
key performance indicators calibrated to sustainability performance targets. To add further credibility, issuers raising transition finance are also advised
to follow the disclosure recommendations in ICMA's CTFH and include this information in a dedicated, public entity-level transition plan. Especially green,
sustainability and sustainability-linked (GSS) bond issuance from issuers in the hard to abate sectors would be strengthened through alignment with the
CTFH.

5) Do you agree with the approach that transition finance includes all types of economic activity that is compatible with a credible net zero transition? Why?/Why not? If not, please specify which should be excluded and why.
Agree
Please expand on your answer:
We agree that transition finance can include all types of economic activities that are compatible with a credible net zero transition. The ICMA Principles
which see transition as a theme, provide thematic guidance in form of the CTFH that should be used in conjunction with instrument guidance such as the
Green Bond Principles (GBP) or Sustainability-linked Bond Principles (SLBP). The CTFH contains a list of disclosure recommendations, and points out that
it is best practice to include the recommended information in a dedicated, public transition plan, which should align to official and market guidance.
Please supply any supporting evidence:
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6) Do you agree with the approach to not demarcate between 'transition finance' economic activities and 'green finance' economic activities? Why?/Why not?
Agree
Please expand on your answer:
Please see our response to Q1, Q3 and Q5.
Please supply any supporting evidence:
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7) Do you agree that transition finance includes all types of financial products and services that support a credible net zero transition? Why?/ Why not? If not, please specify which should be excluded and why.
Agree
Please expand on your answer:
While ICMA's primary focus is the sustainable bonds market, the evaluation of transition finance should not be limited to the labelled bonds or
instrument markets only. ICMA's February 2024 report highlights the adoption and implementation of credible entity-level transition plans (e.g. in line
with ISSB, ESRS, UK TPT recommendation) as a major opportunity for unlocking transition finance, regardless of the labels, financial instruments, and
financing types being applied. As such, a credible entity-level transition plan would act as the backbone of any kind of transition finance extended to the
entity, whether in labelled or unlabelled form. See also our response under Q10.

This is reflected by European corporate issuers saying that investors are mainly looking at whether their transition strategy is legitimate and realistic and
whether it will allow the company to decarbonise. Issuers typically also have a transition plan in place.
Please supply any supporting evidence:
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8) Please describe any concerns you have with the application of transition finance through certain types of financial products or services?
Please describe:
European corporate issuers told us that in their experience, putting a transition label on an activity can make market participants associate it with light
green which can be seen as less attractive than other (dark) green or sustainable offerings.
Please supply any supporting evidence:
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9) Do you agree with the approach that non-emissions-based and non-climate-based considerations are included in the scope of transition finance? Why?/ Why not?
Agree
Please expand on your answer:
We believe the primary focus of transition finance should be the decarbonisation and/or phase-out of hard-to-abate and fossil fuel sectors, as relevant.
Nonetheless, the CTFH recommends the disclosure of evidence of a broader sustainability strategy to mitigate relevant environmental and social externalities, including "just transition" considerations where appropriate, and contributions to the UN SDGs. It further states that, in addition to green
expenditures that contribute to a proposed climate transition strategy, a transition may have positive or negative impacts for workers, communities, and
surrounding environments. Therefore, where relevant, issuers should outline how they have incorporated consideration of a "just transition" into their
climate transition strategy and may also detail any social expenditures that are considered relevant. This is particularly true regarding the phasing out of
some activities and the subsequent decommissioning of related facilities and assets. Support or assistance to the workforce, economic ecosystem, and
surrounding natural environment tied to those activities is strongly encouraged (e.g., through retraining of workers, mobility allowance, or pre-retirement
schemes etc.).
The GBP also require the disclosure of complementary information on processes by which issuers identify and manage perceived environmental and
social risks related to relevant green projects and encourage having a process in place to identify mitigants to known material risks of negative social
and/or environmental impacts from the relevant project. The GBP also recommend that issuers have an overarching sustainability strategy through which
their green bonds are positioned.
Please supply any supporting evidence:
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Chapter 3 - Ensuring the Credibility and Integrity of Transition Finance

10) Do you agree there is a significant role for good quality transition plans aligned with the TPT Disclosure Framework in the provision of transition finance? Why/ Why not? If yes, please describe this role?
Agree
Please expand on your answer:
Transition plans can play a significant role in:
• Providing strategic context to evaluate the consistency of climate transition themed sustainable bonds with issuer level transition and sustainability
commitments. This would also help reduce greenwashing risks, as we explained in our publication "Market integrity and greenwashing risks in sustainable finance (October 2023)".
• Helping issuers avoid controversy related to potential carbon lock-in risk in their individual projects as transition plans promote transparency and supply
context on an organisation's overall decarbonisation efforts.
• Enhancing target setting and KPI selection for SLBs with standardised sustainability reporting metrics, disclosures, and materiality guidance while potentially providing context for the evaluation of failed Sustainability Performance Targets and circumstances beyond an entity's control.
While highlighting the need for further international consistency of transition plan frameworks, our February 2024 report states that the UK TPT recommendation stands out as the most focused, structured, and detailed framework for transition plans. Nonetheless, given the ambition of the UK TPT
recommendation is to be a "gold standard", what "full alignment" with it means and whether this is possible in each, and every circumstance may require
further consideration, especially in local contexts.
Furthermore, we highlight that existing frameworks do not impose an obligation for issuers to adopt transition plans, science-based targets, or even any
targets at all. They are simply intended to require disclosure of transition plans where they exist. Considering the timely availability of credible transition
plans will therefore be a key consideration for policymakers.
We highlight, however, the need for broader policies to support transition and underline that the success and development of transition finance is both a
factor and contingent on the wider economic transition necessary to align with the Paris Agreement objectives.
To further incentivise the adoption and implementation of transition plans, we recommended policymakers consider imposing a uniform disclosure on all
fund products, i.e. even those without any sustainability claim, on the extent to which each fund has exposure to entities implementing credible

entity-level transition plans where climate risks are material. This may prove an easy-to-understand metric especially for retail investors and create a
pressure on investees to adopt and implement credible transition plans. As such, it could reorient capital flows towards credibly transitioning investees.
Finally, we hear from banks that a lot of the issuers in hard to decarbonise sectors that they speak to could change their business models but do not have
the right incentives which need to come from policymakers. An example would be carbon pricing.
Please upload any supporting evidence:
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11) Which core transition principles, such as transition plan disclosures, science-based targets, and capital allocation plans, and other key metrics and tools for assessing the credibility and integrity of transition finance do you consider essential for its success? Please describe these in detail.
Transition plan disclosures, Science-based targets, Capital allocation plans
Please expand on your answer and set these out in detail:
The CTFH provides disclosure recommendations across four key elements:
1. An issuer's strategy and governance and the use of transition plans. The green, sustainability or sustainability-linked financing should be directed toward enabling an issuer's GHG emissions reduction strategy in alignment with the goals of the Paris Agreement.
2. The climate transition strategy should be relevant to the environmentally material parts of an issuer's business model, taking into account potential
future scenarios which may impact current determinations concerning materiality.
3. An issuer's climate transition strategy should reference science-based targets and transition pathways.
4. Market communication regarding the offer of a green, sustainability or sustainability-linked financing instrument intended to fund an issuer's climate
transition strategy should also be transparent, to the extent practicable, on the underlying investment program including capital and operational expenditures (CapEx and OpEx).
The CTFH contains a list of more detailed disclosure recommendations for all four key elements. The third key element can be considered the most important one to make a transition credible. It emphasises that an issuer's climate transition strategy should reference science-based targets and transition pathways and strongly recommends short, medium and long-term GHG emission reduction targets aligned with the Paris Agreement for all
material scopes and most relevant sub-categories (Scopes 1, 2 and 3) as well as the use of high-quality and high-integrity carbon credits for abatement of
residual emissions only. "Implementation transparency" is another crucial element of the CTFH as it provides investors with confidence on how the entity
will achieve its strategic objectives and targets. Given its focus on the use of sustainable bonds for climate transition, the CTFH puts enhanced emphasis
on the financial plans and metrics, and in particular, on the planned CapEx and OpEx.
Additionally, in our February 2024 paper, ICMA presented an "integrated transition plan" structure. Accordingly, without being exhaustive, leaning on the
4 key elements of the CTFH, the Appendix A provides 15 key actions and disclosures organised in a 4-pillar structure:
(1) Transition strategy, materiality, and governance
(2) Science-based targets & metrics
(3) Implementation transparency
(4) Verification & reporting
This can especially be useful for entities who aim to make a big step towards alignment with the CTFH, ISSB's IFRS S2, ESRS E1 and the UK TPT recommendations in one go, especially for multinationals operating in several jurisdictions, as well as policymakers aiming to ensure further international
consistency in transition plan frameworks.
Please supply any supporting evidence:
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12) Which standards, frameworks, guidance or tools are you using to guide your approach to transition finance and why? If your approach varies between jurisdictions, please explain why.
Please summarise your approach:
While credible entity-level transition plans are at the core of transition finance, there are several other tools and guidance which are market based or
from official sectors to ensure further credibility. Usually, these are not mutually exclusive but can be used in combination. Written more from an issuer
and sustainable bonds perspective, our February 2024 report summarises these tools as:
• Taxonomies (ASEAN, China, EU, Singapore, etc.)
• Decarbonisation roadmaps and pathways (Japan's sector guidance, IEA scenarios, TPI roadmaps)
• Certification schemes (e.g. SBTi, CBI)
• Other official sector guidance (EU, ACMF, OECD).
In the labelled bond market, transition finance can be raised by issuing labelled green, sustainability or sustainability-linked bonds aligned to the ICMA
Principles (GBP, SLBP) which have become the de-facto global voluntary standards that underpin the sustainable bond market. The Principles are globally
applicable as they are not prescriptive and allow for regional nuances in terms of project eligibility etc. ICMA's thematic guidance, the CTFH, acknowledges
that GHG emission reduction pathways must be tailored to the sector and operating geographies of an issuer, and that issuers generally have different
starting points and are at different transition stages and on different pathways. It therefore does not aim to provide definitions or taxonomies of transition projects but rather recognises the variety of efforts in this area globally by both market and official sector initiatives to achieve the Paris Agreement goals.

In addition, the official sector and market guidance on taxonomies which increasingly incorporate transition, and on pathways and roadmaps can spur
the further expansion of transition finance in the sustainable bond market especially by addressing the uncertainty and concerns of the fossil fuel and
hard to abate sectors on the acceptable technologies and trajectories and greenwashing fears. Official sector taxonomies and pathways and roadmaps
usually also reflect differences and priorities between jurisdictions and regions.
We hear, however, from issuers in hard-to-abate sectors such as shipping that there is not a clear way forward to decarbonise the industry and that the
EU Taxonomy is not that helpful to them as it does not cover all activities (yet) and the rather standard criteria often do not fit completely with the major
transitional activities under a company's strategy.
European Commission - Recommendations on Transition Finance, European Commission - Transition Finance Report, GFANZ - Scaling Transition Finance
and Real-economy Decarbonisation, G20 - High-level principles on transition finance, ICMA - Climate Transition Finance Handbook, Japanese Government
- Basic Guidelines on Climate Transition Finance, OECD - Transition Finance: Investigating the state of play
Please expand on your answer:
CBI - Climate Bonds Standard V4.0, CBI - Financing the Corporate Climate Transition with Bonds, EBRD - Green Transition Bond Framework, ICMA - Green
Bond Principles, ICMA - Sustainability-Linked Bond Principles, LMA - Green Loan Principles, LMA - Sustainability-Linked Loan Principles
Please expand on your answer:
European Commission - European Sustainability Reporting Standards, European Commission - Corporate Sustainability Reporting Directive, Transition
Plan Taskforce - Disclosure Framework
Please expand on your answer:
European Commission - EU Taxonomy for Sustainable Activities, Singapore - Singapore-Asia Taxonomy, ASEAN - ASEAN Taxonomy for Sustainable Finance
– Version 2, China - Green Bond Endorsed Project Catalogue 2021 edition
Please expand on your answer:
GFANZ - Financial Institution Net-zero Transition Plans, SBTi - Corporate Net-Zero Standard, TPI - Transition Pathway Initiative Online Tool, TPI - TPI's methodology report
Please expand on your answer:
ACT - Assessing Low Carbon Transition Assessment Methodologies, CBI - Climate Bonds Taxonomy Sector Criteria, GFANZ - Guidance on Use of Sectoral
Pathways for Financial Institutions, TPT - Sector Deep Dives
Please expand on your answer:
Please supply any supporting evidence:
No file uploaded

13) Do you consider current guidance for transition finance to have credibility and demonstrate integrity from an economic, environmental and a broader sustainability perspective? Why / Why not?

Agree
Please expand on your answer:
The third key element of ICMA's CTFH states that an issuer's climate transition strategy should reference science-based targets and transition pathways.
There is scientific guidance around the required rate of GHG emission reductions (the "GHG emissions reduction trajectory") to align the global economy
with the goals of the Paris Agreement. The CTFH does not however prescribe the use of a specific scenario or methodology, but rather their disclosure.
In this respect, and in recognition of multiplicity of sources, the Principles released the "Methodologies Registry" to help issuers, investors, or financial
intermediaries identify the relevant resources to guide their transition in June 2022. This is a non-exhaustive, yet comprehensive list of available tools,
methods, scenarios, and initiatives dedicated purely to the validation of specific emission reduction trajectories/pathways, especially in the context of the
third key element of the CTFH which requires transition strategies to be science-based.
As noted under Q12, several other tools can be used to demonstrate credibility and integrity. We note that the SBTi certification has emerged as one of
the most widely referenced ones in the SLB market context. Also, our February 2024 report indicates that the IEA scenarios and methodologies have been
particularly influential and authoritative around the globe. They are used as input for official sector policies for pathways and roadmaps, and directly
referenced by several issuers in sustainable bond frameworks to position their transition strategies. The IEA's scenarios also constitute the basis of
sectoral guidance, benchmarking, or certification schemes for companies, such as those provided by the TPI and the SBTi.
Please upload any supporting evidence:
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14) Do you consider there to be a role for regional or national pathways to be incorporated in transition finance standards, frameworks or guidance? Why or why not? Please describe any international examples.

Agree
Please expand on your answer:
We agree that there is a role for regional or national pathways in relevant transition finance frameworks and standards and consider the absence of
sectoral pathways and roadmaps catering to the diversity of different geographies a potential key impediment to the uptake of transition finance. The

CTFH acknowledges that GHG emission reduction pathways must be tailored to the sector and operating geographies of an issuer, and that issuers generally have different starting points and are at different transition stages and on different pathways. It therefore does not aim to provide definitions or
taxonomies of transition projects but rather recognises the variety of efforts in this area globally by both market and official sector initiatives to achieve
the Paris Agreement goals.
It is important, however, to note that while the CTFH does not prescribe any specific pathway, methodology or roadmap, it requires that the used external
benchmark be science-based, and aligned to the objectives of the Paris Agreement
Furthermore, disclosures on how an issuer's decarbonisation targets have been informed by, among other things, the Paris Agreement, including jurisdictional commitments, as well as by sectoral decarbonisation pathways and roadmaps is a key disclosure under entity-level transition plan frameworks.
Finally, we note that several key jurisdictions are developing decarbonisation pathways and roadmaps that can help transition finance navigate the challenge of supporting transition in the hard to abate industries. In Japan notably, sectoral decarbonisation roadmaps have been developed with a special focus on hard-to-abate sectors. The provision of further clarity by the official sector has guided the use of labelled instruments for transition purposes, most recently by the Japanese government itself. Other jurisdictions (e.g. China, EU, UK, and several Asian countries) have also been developing
sector-based guidance that can constitute a useful reference point for transition finance. See p. 15-16 of our February 2024 report on transition finance.
Please supply any supporting evidence:
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15) Do you consider there to be a role for taxonomies in the provision of transition finance? Why / Why not? If yes, please describe this role and consider any interaction with the role of transition plans?
Agree
Please expand on your answer:
Taxonomies represent key guidance for issuers of sustainable bonds. Especially in the context of transition finance, taxonomies can often help issuers
credibly identify green and transition activities and projects while serving as a tool for investors to benchmark sustainability claims of relevant use-of-proceeds. The Green Bond Principles (GBP) therefore encourage information, if relevant, on the degree of alignment of projects with official or
market-based taxonomies. The SLBP and ICMA's Illustrative SLB KPI Registry also recognise the use of taxonomies for KPI purposes. In its 2023 June update, the CTFH provided an Annex 2 which cites several official sector and market-based taxonomies that can be used in support of climate transition-themed financial instruments. In the context of entity-level transition plans, taxonomies can be used for and support the disclosure of decarbonisation investments and CapEx that contribute to the issuer's decarbonisation efforts.
In ICMA's February 2024 report (see its Appendix C especially), we underline how increasingly official sector and market-based taxonomy initiatives increasingly reflect the complexity of transition. In summary, characteristics and innovations relating to transition and avoidance of carbon lock-in in these taxonomies include: (a) recognition of interim performance improvements (e.g. shift from harmful/red levels to amber before reaching green performance levels; (b) direct incorporation of sunset dates for interim/amber performance levels (to upgrade to green) and/or forward-looking pathways
into technical criteria; (c) rejection of "amber" categories where green alternatives feasibly exists; (d) regular reviews and tightening of thresholds and
criteria as a matter of taxonomy governance; (e) distinction of eligibility conditions between greenfield and brownfield investments; (f) requiring entity-level transition plans backing up an activity-level transition; (g) outright exclusions of some activities and projects (e.g. solid fossil fuels); (h) other
targeted technical criteria specifications (e.g. limitations to increase in production capacity or asset lifetime in case of a fossil-fuel switch; and, (i) CapEx-related focus in implementation measures.
Please upload any supporting evidence:
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16) What are the specific challenges in ensuring both the credibility and integrity of transition finance, whilst addressing the contextual needs
of local decarbonisation pathways? What can the UK market for financial and professional services do to address these challenges?
Please describe:
Please refer to our responses under Q11, Q12, and Q13.
Please supply any supporting evidence:
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17) Do you think there is a need for different approaches to transition finance across different jurisdictions, considering they may have different transition pathways?
Agree
Please expand on your answer:
See our responses under Q14 and Q15.

18) What principles, considerations and common approaches are needed to ensure both flexibility and environmental credibility and integrity across diverse jurisdictions and sectors with varying transition pathways, ensuring global coherence and effectiveness?
Please describe:
The CTFH aims at being region-agnostic / globally used, so the recommendations under its 4 key elements can be seen as common approaches to be met.
Please supply any supporting evidence:
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19) Are there any unintended consequences of scaling up transition finance in the UK or internationally that you are concerned about? If so,
what can be done to avoid or mitigate them?
Not Answered
Please expand on your answer:

Please supply any supporting evidence:
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Chapter 4 - Barriers to the Applications of Transition Finance

20) Do you consider there to be major barriers that currently limit your ability to access or deploy capital or financial services to support a credible net zero transition? Why / why not? If so, what are these?
Agree
Please expand on your answer and describe major barriers you face:
Investors see several hurdles in the context of portfolios' carbon disclosure and common targets that may hamper investments into green bonds or sustainability-linked bonds supporting an issuer's transition, such as (1) the lack of common reporting and methodology guidance for the treatment of
sustainable bonds; (2) the lack of disclosure on GHG emissions induced by projects financed by green bonds (as these issuers focus on avoided emissions
in their reporting); (3) a dominant focus in terms of portfolios' carbon targets in reducing portfolios' emissions based solely on an issuer's level metrics (as
opposed to bond level) and backward looking ones (not recognising the potential for emission reductions from issuers, and the role played by sustainable
bonds to shed light on those).
Moreover, while the ambition and materiality in the initial stages of the SLB market may have been insufficient for certain SLBs (as researched by ICMA),
some generalisations in certain media reports may lead to question the integrity of the structure overall while not taking into account the best practices
shown by some issuers nor the potential for market practices to improve over time, notably based on the latest guidance and accompanying document
produced by ICMA. It is important that any developments regarding transition finance recognise the opportunity that this instrument presents, notably to
improve the accountability of issuers' transition and encourage them to deliver on their commitments.
Please supply any supporting evidence:
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21) What barriers or disincentives do you face in providing or accessing investments, products and services for transition finance?
Please describe:
European corporate issuers tell us that the absence of market and/or official incentives can be an impediment to the development of transition finance
especially in light of the reputational and/or greenwashing concerns that can arise around transition projects and strategies.
Please supply any supporting evidence:
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22) What examples are there of where finance is being deployed effectively to support a credible net zero transition, and what lessons or precedents can be learnt from this which could be expanded further?
Please describe:
ICMA's February report provides insights and data on the extent to which sustainable bonds globally have been contributing to transition. In this regard,
sustainable bonds contribute at scale to "climate transition", as defined under Q1, with an estimated 90% of proceeds (UoP) being for the decarbonisation
of energy, buildings, and transport, and 69% of SLB KPIs being based on GHG reductions and/or RE increase.
Nonetheless, sustainable bond volumes from fossil fuel and hard-to-abate sector issuers have historically been small (estimated at 3.6% of green, sustainability and sustainability-linked bond issuance as of February 2024). Our view is that this is partly due to a lack of consensus on acceptable technologies, trajectories, and greenwashing fears, which can be addressed using official sector tools such as taxonomies and sector decarbonisation
roadmaps and pathways.
Please supply any supporting evidence:
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23) Do you consider risk to be a major barrier to accessing or deploying capital or financial services to support a credible transition? If so, please provide examples and highlight any supportive de-risking tools.
Not Answered
Please expand on your answer:
Please supply any supporting evidence:
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24) Do you consider the availability or cost of insurance products to be an issue for access or deployment of transition finance? If so, please provide examples and highlight any good examples of efforts to address this.
Not Answered
Please expand on your answer:
Please supply any supporting evidence:
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25) Do you consider there to be gaps in the provision of advisory or transactional services (e.g. legal, consulting, data provision, or analytical support services) that you need to support your approach to transition finance? If so, what are these and what recommendations would you have to develop these?
Not Answered

Please expand on your answer:
Please supply any supporting evidence:
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26) Do you consider the availability or cost of developing viable capital projects to be an issue for the access or deployment of transition
finance? If so, please provide examples and highlight any good examples of efforts to address this.
Not Answered
Please expand on your answer:
Please supply any supporting evidence:
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27) Do SMEs face particular barriers to the access and deployment of transition finance? If so, please provide examples and highlight any
good examples of efforts to address these.
Not Answered
Please expand on your answer:
Please supply any supporting evidence:
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Chapter 5 - The opportunity for investments, products and services to advance transition finance globally

28) What good examples are there of effective investments, products, mechanisms (e.g. results-based payments) and services for deploying transition finance to date? Are there opportunities to scale up or replicate these further?
Please expand on your answer:
Please upload any supporting evidence:
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29) Are there any needs or use cases that are not being met by the current instruments? Are new or additional financing strategies, market
tools, practices or products needed?
Please expand on your answer:
Please supply any supporting evidence:
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30) Do certain 'labelled' transition finance instruments need to adopt additional requirements? Why and how could this be done in a way that is commercially viable?
Not Answered
Please expand on your answer:
We reiterate our view that transition is something that needs to start at entity level. Transition is a theme under the Principles and funding can be raised
through issuing green, sustainability or sustainability-linked bonds. Issuers are then recommended to also follow the disclosure recommendations in the
CTFH.
The CTFH also recognises that in certain jurisdictions, an additional climate transition bond label may exist. Other standard providers such as the Climate
Bonds Initiative (CBI) may also recognise a distinct transition bond label. As long as an issuer is implementing a credible entity-level transition plan, the
name of the specific label used may be a supporting transparency point rather than being foundational. To reiterate our views under Q6, Q10, Q11, unlabelled bond and debt instruments from issuers with credible transition plans may qualify as transition finance.
Please supply any supporting evidence:
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Chapter 6 - Building the UK as a global hub for transition finance

31) How should government, and other public bodies such as public finance institutions and local authorities, collaborate with industry, the finance sector and investors to create a supportive ecosystem for transition finance? Please consider factors such as i) the balance of public and private capital risk responsibility and ii) where expertise is located.
Please describe:
Please upload any supporting evidence:
No file uploaded
32) Are there any international examples of best practice in providing the right ecosystem for transition finance that can be drawn on?
Please describe:
Please upload any supporting evidence:
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33) How can the UK better leverage its existing financial and professional services expertise to support the growth of transition finance capacity and related activity and revenue?
Please describe:
Please upload any supporting evidence:
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34) Do you think the UK government could make better use of blended finance approaches to de-risk and scale up transition finance? Why / Why not? If yes, please explain.
Not Answered
Please expand on your answer:
Please upload any supporting evidence:
No file uploaded

35) Do you think the UK's public finance institutions could play a greater role to de-risk and scale up transition finance. If yes, please provide
examples?
Not Answered
Please expand on your answer:
Please upload any supporting evidence:
No file uploaded

36) Do you think there is a role for the UK to facilitate the development of global thought leadership on transition finance, and if so, what strategies could it employ to influence and facilitate this development?
Not Answered