

Financing transition for net zero

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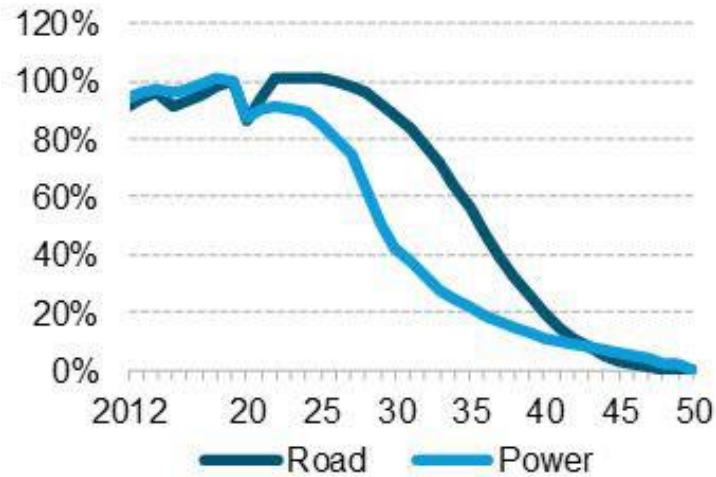
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Transition finance: which sector best for use?

Cost-competitive abatement options are available

Figure 2: Group 1 emissions budgets, index= 2019

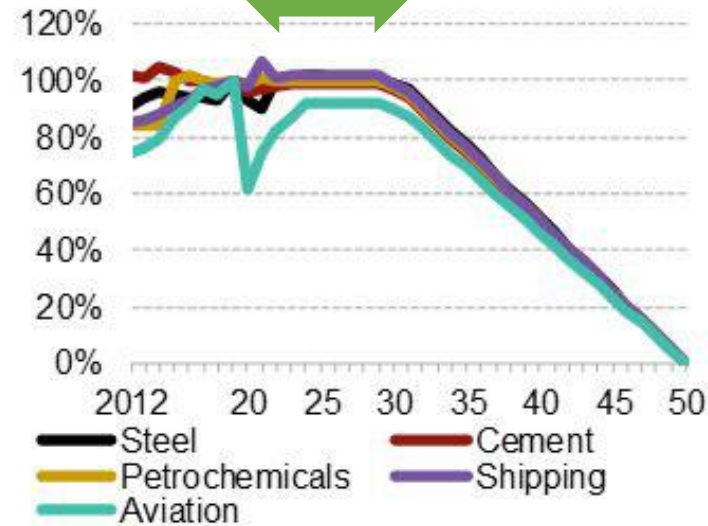


Source: BloombergNEF

Source: [BloombergNEF](#)

Few immediately abatement options

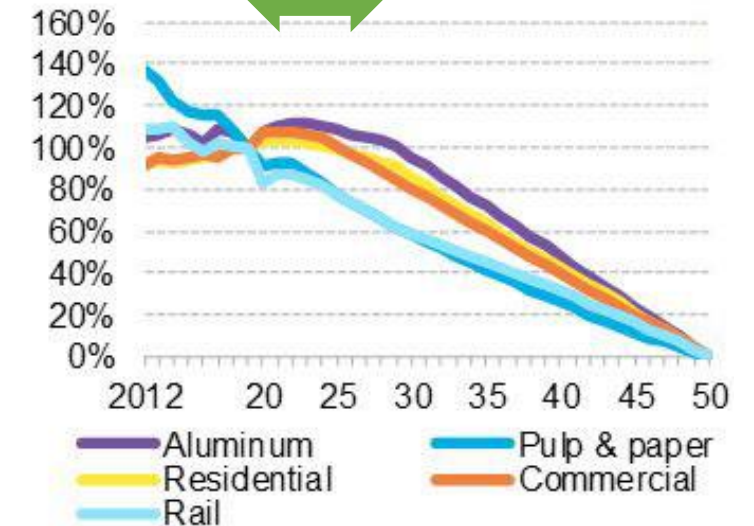
Figure 3: Group 2 emissions budgets, index= 2019



Source: BloombergNEF

Few cost-competitive abatement options

Figure 4: Group 3 emissions budgets, index= 2019



Source: BloombergNEF

For activities aligned with Paris Agreement or provides product/service needed in the interim



Source: [CBI](#)

ICMA's four elements

- Element 1: Issuer'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

Source: [ICMA, Japan's Basic Guideline on Climate Transition Finance](#)

Case studies in Japan: Tokyo Gas

Use of proceeds

New LNG terminal

- Fuel switching from coal and oil
- Providing gas to gas power plant and



Source: [METI](#)

CHP plant

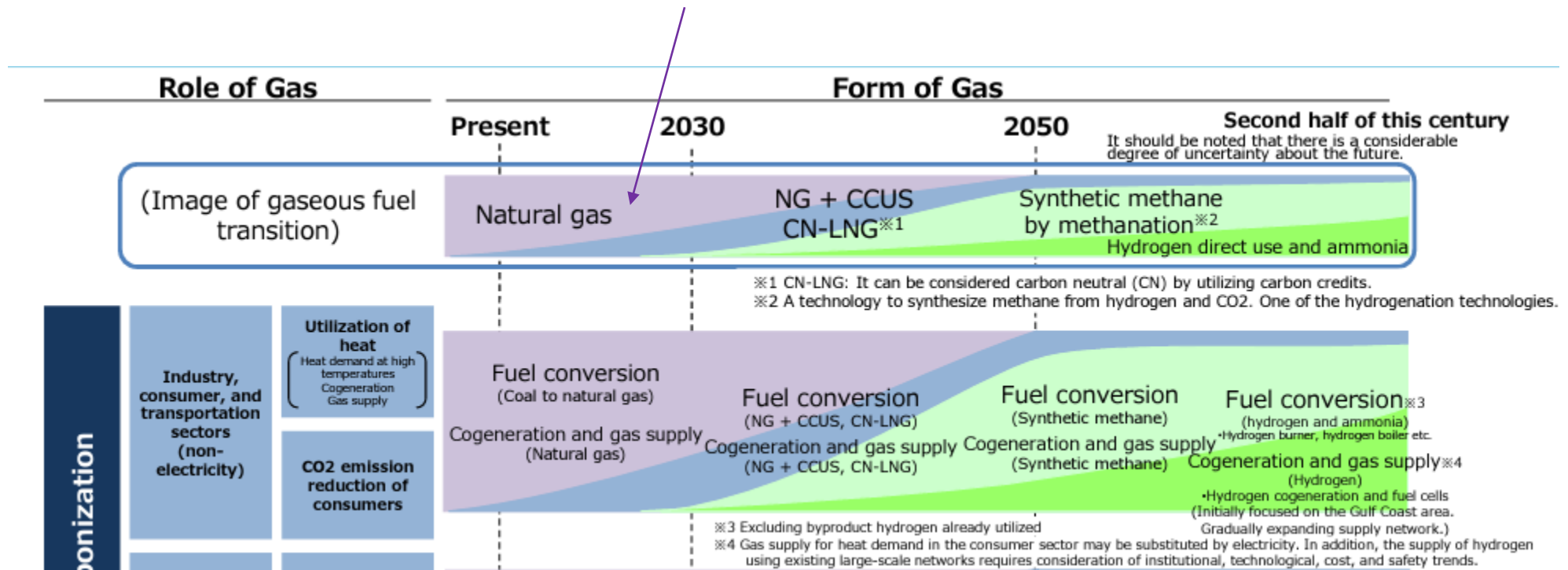
- City gas use in CHP to provide heat and power to industrial customers



Source: [METI](#), [Tokyo Gas](#)

METI's transition technology roadmap for gas industry

- The roadmap shows the use of natural gas is phasing out gradually by 2050 (in purple shade below)



Source: [METI](#)

Issues

- Science-based targets
- Who monitors the progress on transition?
- Greenwashing
- Supply < Demand in Japan.
- ESG mandate for asset managers
- Risk of locking emissions in portfolio from greenwashing
- Ecosystem of sustainable finance without taxonomy and stricter disclosure rules