

Seven key bottlenecks and countermeasures to scale transition finance, based on insights from interviews with financial institutions across Asia

| | Bottlenecks | Insights on the Countermeasures |
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| Bottleneck 1 | Insufficient policy support for the essential transition projects | More policy support is crucial to make several key projects related to energy transition and early-stage technologies economically viable. |
| Bottleneck 2 | Lack of strong climate policies and regulatory clarity in Transition Finance | Regulators should provide sector specific pathways or guidance, standardized and simplified frameworks to promote transition finance. |
| Bottleneck 3 | Underdeveloped carbon pricing mechanisms | Establishing policy certainty and legal frameworks for credit issuance and trading could address economic viability of transition finance. Collaboration with more matured carbon markets can help ASEAN nations enhance the integrity of the carbon credit market. |
| Bottleneck 4 | Complexity and liquidity challenges in blended finance | Sufficient inter-agency coordination among government, DFIs, and private investors, enhancing institutional capacity are needed. Developing innovative instruments tailored to the needs of small-scaled finance, mobilizing capital to the decarbonization value chain, and utilization of sustainability-linked finance can improve access to funding and accelerate emissions reductions. |
| Bottleneck 5 | Few investment opportunities due to insufficient funding scale | |
| Bottleneck 6 | Data gaps, lack of capacity to implement transition finance, limited access to local verifiers | Digital tools, collaborative engagement platforms, fostering local verification and advisory ecosystem can reduce transaction costs. |
| Bottleneck 7 | Limited sectoral/regional coverage for reference pathways | Transition pathways should have wider sectoral coverage and granular regional coverage, being aligned with government programs. |