

# Foreword

To transition the global economy to a 1.5-degree world, more investments in zero-emission solutions are urgently needed, while investments in high-emission assets and infrastructures need to be phased out. Green and sustainable finance has had a tremendous impact on shifting the focus of financial institutions and investors towards clean technologies like renewable energy. However, to achieve the goals of the Paris Agreement, financial markets must also help high-carbon, energy-intensive, and hard-to-abate companies transition to net-zero emission trajectories.

In response to the perceived limitations of sustainable and green finance to support greening entire sectors and industries, the concept of transition finance has rapidly gained traction. Transition finance provides a promising avenue to be inclusive of all sectors, while also bringing companies in emerging markets and developing economies, which may not have previously had access to sustainable and green finance, into the conversation. This has led to the proliferation of diverse transition finance initiatives, both by governments and industry. The OECD Guidance on Transition Finance provides a comprehensive analysis and mapping of existing initiatives and identifies key challenges to scaling up transition finance currently faced by market actors and policymakers.

Importantly, it argues that for transition finance approaches and related financial instruments to be robust, they must be based on credible transition plans. To this end, the Guidance presents ten elements of credible corporate transition plans and highlights areas where more transparency is needed. In doing so, it can support: market actors in conducting transition finance transactions with environmental integrity; corporates in developing their transition plans; and, policymakers in developing robust policy frameworks for transition plans.

Developed by the OECD Secretariat for the *Working Party on Climate Investment and Development* of the *Environmental Policy Committee*, the Guidance builds on the OECD's extensive body of work on the subject of sustainable and green finance, as well as transition finance. It connects the dots between transition finance and sustainable finance, including climate alignment approaches, and points towards existing OECD instruments in the area of Responsible Business Conduct to successfully support corporates in their net-zero transition planning.

The Guidance aims to lay the groundwork for further OECD work on scaling up transition finance. Future OECD research could provide new insights on tailoring just transitions for high-emission sectors, and on how to incorporate climate change adaptation and resilience in corporate transition planning.



**Jo Tyndall**  
Director  
Environment Directorate

# Acknowledgements

This guidance was produced by the OECD Environment Directorate, directed by Jo Tyndall, in the Environment, Transitions and Resilience Division, led by Walid Oueslati, Acting Head of Division. The guidance was authored by Elia Trippel and Valentina Bellesi, under the supervision of Robert Youngman. The authors are grateful to Hugh Miller for providing substantive inputs to the report. In addition, the authors would like to thank Nasser Belkhiter and Dominique Haleva for administrative support, as well as Sama Al Taher Cucci, Beth Del Bourgo and Fernando Quintanilla Cerezal for communications, and Jane Kynaston for graphic design support. The authors are responsible for any errors.

The guidance includes insights from in-depth interviews with representatives from Indorama Ventures, CEMEX, and JSW Steel Ltd. The authors are grateful for their availability, openness, and insights. The authors would also like to thank Joseph Cordonnier and Deger Saygin from the OECD Environment Directorate for their support in developing the case studies.

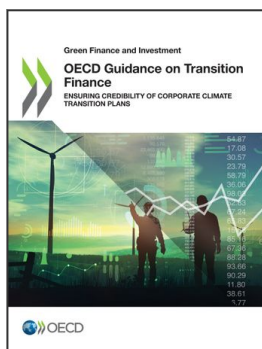
Moreover, the guidance benefitted from data collected through an OECD industry survey on transition finance. The authors are grateful to Valérie Guillaumin (International Capital Markets Association), Jelena Macura (European Chemical Industry Council), Elke Pfeiffer (Principles for Responsible Investment), Margarita Pirovska (Principles for Responsible Investment), and the Japanese government for their support in disseminating the survey. The authors would also like to thank Valérie Guillaumin (International Capital Markets Association), Jelena Macura (European Chemical Industry Council), Elke Pfeiffer (Principles for Responsible Investment), Yukimi Shimura (MUFG Bank), and Maarten Vleeschhouwer, as well as Dirk Röttgers from the OECD Centre for Tax Policy and Administration, Mohammed Saffar, Jolien Noels, and Marijn Korndewal from the OECD Environmental Directorate for their feedback on the survey design.

At various stages of advancement, the guidance benefitted from written comments, feedback, and suggestions by:

- An informal reflection group (IRG) on transition finance, set up and facilitated by the OECD Secretariat. The IRG includes representatives of the following institutions: the Bank of Canada; the Directorate-General for Financial Stability, Financial Services and Capital Markets Union of the European Commission; the Financial Services Authority of Indonesia; the Financial Services Agency of Japan; Her Majesty's Treasury; the Ministry of Economy, Trade and Industry of Japan; the Ministry of Environment of Japan; the Monetary Authority of Singapore; the National Treasury of South Africa; the Permanent Delegation of Korea to the OECD; the State Secretariat for International Financial Matters of Switzerland; the Sustainable Finance Institute Asia; the United States Department of the Treasury; as well as the Co-Chairs of the Sustainable Finance Working Group (United States and China).
- OECD experts: Géraldine Ang, Riccardo Boffo, Joseph Cordonnier, Sophia Gnych, Jane Ellis, Raphaël Jachnik, Sirini Jeudy-Hugo, Will Macpherson, Catriona Marshall, Benjamin Michel, Jolien Noels, Pieter Parmentier, Robert Patalano, Mohammed Saffar, Deger Saygin, Jens Sedemund, Elliot Smith, Cecilia Tam, and Business at OECD (BIAC).

- External stakeholders: Niall Considine and Catherine Howarth (ShareAction), Charlotte Gardes-Landolfini (International Monetary Fund), Valérie Guillaumin, Nicholas Pfaff and Simone Utermarck (International Capital Markets Association), Rachel Hemingway and Sean Kidney (Climate Bonds Initiative), Jod Hsu (NN Investment Partners), Liza Jansen and Donald Kanak (Prudential plc), Sabrina Muller (Grantham Research Institute on Climate Change and the Environment, Elke Pfeiffer, Margarita Pirovska and Jan Vandermosten (Principles for Responsible Investment), Michael Sheren (Metaverse Green Exchange), Gireesh Shrimali (U.K. Transition Plan Taskforce), Fiona Elizabeth Stewart (World Bank).

The development of this guidance was made possible through the generous support of the government of Japan and the government of Switzerland.



**From:**  
**OECD Guidance on Transition Finance**  
Ensuring Credibility of Corporate Climate Transition Plans

**Access the complete publication at:**  
<https://doi.org/10.1787/7c68a1ee-en>

**Please cite this chapter as:**

OECD (2022), "Foreword", in *OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/14d72929-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.