

Asia Transition Finance

AGGPM Public Private Forum

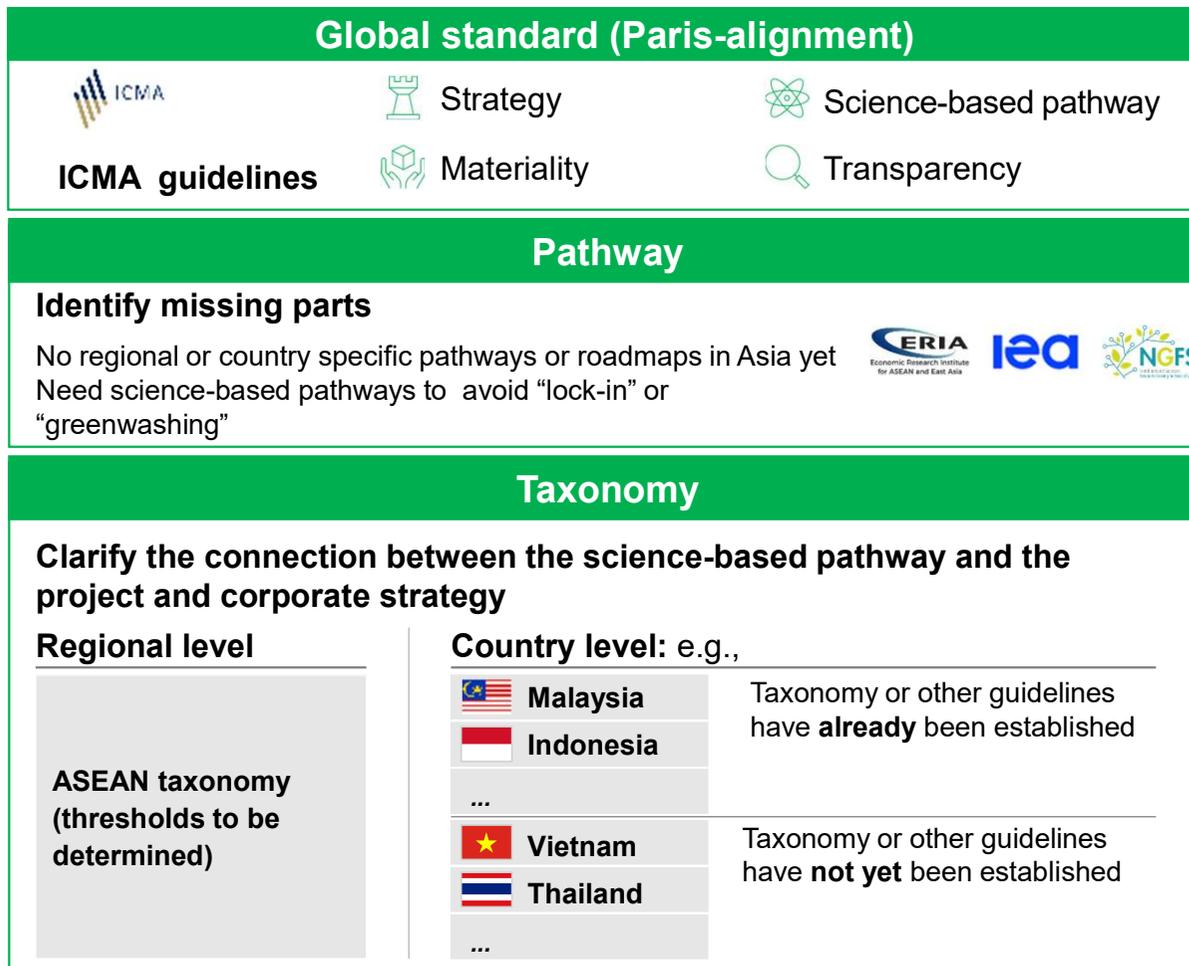
April 25th 2022

The Asia Transition Finance (ATF) Study Group is a private-led initiative – core members include Asian and global commercial banks

Core members

Category		Participants			
Core members	Commercial banks (18)	<ul style="list-style-type: none"> MUFG Bank Mizuho Bank Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank 	<ul style="list-style-type: none"> Bank Danamon Maybank BDO Unibank Security Bank United Overseas Bank Bank of Ayudhya 	<ul style="list-style-type: none"> Kasikornbank VietinBank 	<ul style="list-style-type: none"> Macquarie Barclays Bank Standard Chartered Bank HSBC UBS Citibank
	Observers	Development banks, ECAs, and others (6) Public agencies and finance associations (12)	(Multilateral) <ul style="list-style-type: none"> International Finance Corporation 	(State-affiliated) <ul style="list-style-type: none"> Development Bank of Japan Japan Bank for International Cooperation 	<ul style="list-style-type: none"> Export-Import Bank of Thailand Nippon Export and Investment Insurance
		<ul style="list-style-type: none"> ASEAN Taxonomy Board Sustainable Finance Institute Asia Australian Government 	<ul style="list-style-type: none"> Ministry of Energy and Mineral Resources, Indonesia Ministry of Finance, Indonesia Ministry of Finance, Japan 	<ul style="list-style-type: none"> Financial Services Agency, Japan Ministry of Economy, Trade and Industry, Japan Economic Planning Unit, Malaysia 	<ul style="list-style-type: none"> Department of Energy, Republic of the Philippines Ministry of Energy, Thailand Japanese Bankers Association

The Study Group aims to create practical recommendations to supplement existing frameworks



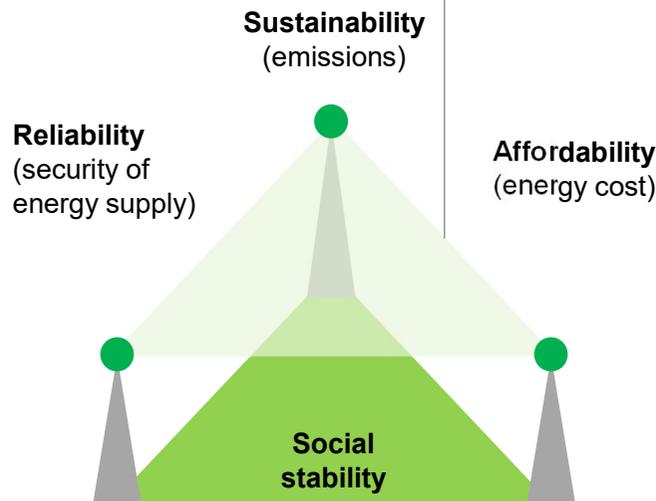
In order to realize Paris aligned transition, transition technologies play a critical role in decarbonization while balancing affordability and reliability, especially in Asia

Major challenges in Asia

- **Diverse starting points** for decarbonization, e.g., high dependency on coal
- **Varying natural resource endowment** for renewable energy
- **Difference in stage of economic growth**, compared to other regions such as Europe

Important elements for a just transition

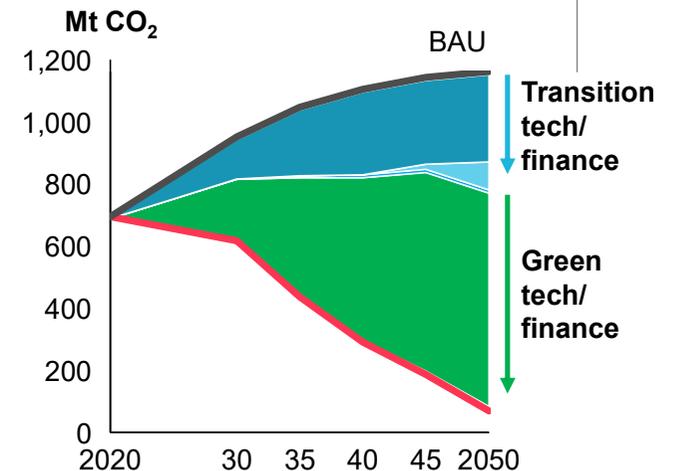
The challenge: achieve net zero while balancing reliability and affordability with maintaining social stability



Solution set: transition technology and finance to complement green technology

- RE
- H₂ and NH₃
- CCUS
- Decrease in fossil carbon intensity

Particularly important in Asia given RE-constraints and sharp demand growth, need to ensure just transition



1. We focus on transition of carbon emission in this Study Group, so assume Green technology here as those with zero carbon emission in operation and enablers of those (e.g., solar related technology)

Key concept of eligibility for transition finance is to assess if project or corporate strategy can be regarded as Paris-aligned

Key concept of eligibility for transition finance

Project or corporation whose strategy can be regarded as **Paris-aligned** is a **transition finance eligible** with the combination of X) and Y)

- **Target level: Net-Zero commitment by country or a long-term Paris-aligned target**
- **Target year: Set by governments for Net-Zero commitment or by globally recognized scenarios**
- **Feasibility of projects: Alignment with publicly recognized sources**

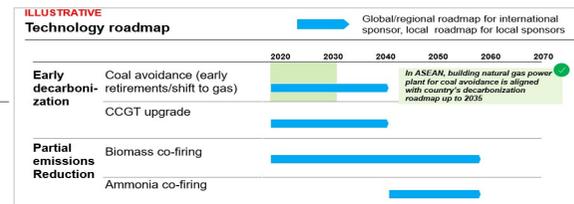
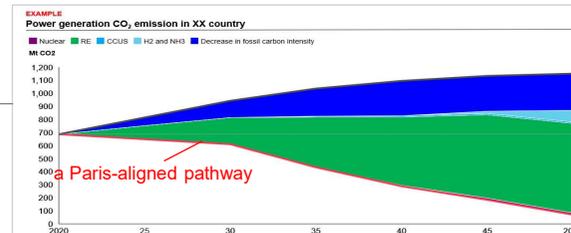
X) Use-of-proceeds level

X1) Project has a **long-term decarbonization plan** aligned with

- **Paris Agreement-compliant country and/or sector pathway**
- **Corporate strategy**

X2) The **technology in a targeted project** can be assumed as eligible with publicly recognized sources, e.g.

- **Paris Agreement-compliant country technology road map**
- **Corporate strategy¹**



Y) Corporate level

Y1) **Company has a long-term decarbonization plan** including KPIs, aligned with a **Paris Agreement-compliant country and/or sector pathway**

*These elements are not required to be considered for all cases and required consideration points will be decided on a case-by-case basis. Further discussion on this topic will be conducted in future study group meeting.

1. Even if both project plan and corporate strategy are aligned with Paris compliant pathway, project plan may possibly not be aligned with corporate strategy

Each financial institution implements transition finance based on a comprehensive assessment using the transition finance guidelines and references



Create transition finance guidelines for Asia

ATF study group



Request to create reference for transition finance assessment

3rd party



Transition finance individual financing decisions

Each financial institution

Decision maker

Details

Create transition finance guidelines including the following

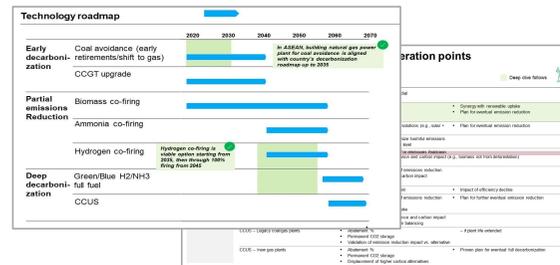
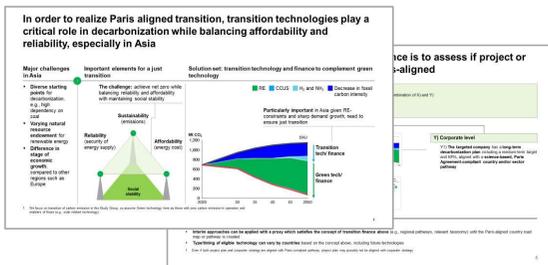
- **Key concept of eligibility for transition finance**
- **Checklist of informational needs for transition finance assessment**

Request to create the following

- **Country-/sector-specific pathway and technology road map**
- **List of potential transition technologies applicable to Asia** (especially for interim approach, assuming countries need time to create pathway/road map)

Decide whether to provide TF based on a comprehensive assessment referring to the following

- Transition finance guidelines
- References for transition finance assessment



We will request support required from governments and other stakeholders

Categories	Description
A Creation of sector/ country-level decarbonization pathways and technology roadmaps for ASEAN with the help from international organization or other countries	<ul style="list-style-type: none">• Global recognition, linked to Paris Agreement aligned decarbonization scenarios with science-based targets• Sufficient granularity (sector, country, or technology level), capturing different starting points• Feasibility, in alignment with a decarbonization story grounded in national economic and development policies, and endorsed by the government
B Consideration of a just and orderly transition in accelerating decarbonization	<ul style="list-style-type: none">• Green technologies alone are simply not sufficient for promoting an orderly transition, especially in developing parts of Asia• It is important to recognize that a mix of green and transition technologies is most likely to optimize overall costs and avoid abrupt dislocations• It is also important to balance the pace of transition with respect to other legitimate concerns, such as impact on employment prospects and standard of living
C Financing or other support to accelerate transition in Asia	<ul style="list-style-type: none">• Support or incentives to create decarbonization strategies• Proof-of-concept transition projects supported by the government or led by government entities• Alignment of developmental finance institutes' strategies• Public financing support such as concessional finance, equity injection, ECA finance, financial incentives and broader risk-sharing (blended finance)• Incentives for local utilities and financial institutions• A database or digital platform for successful decarbonization projects

END