

UNFCCC COP 27 Official Onside Event by KAPSARC and IEEJ  
Bridging the Investment Gap for Sustainable Energy Transitions

# The Role of Private Financial Institutions Toward to Net Zero Society

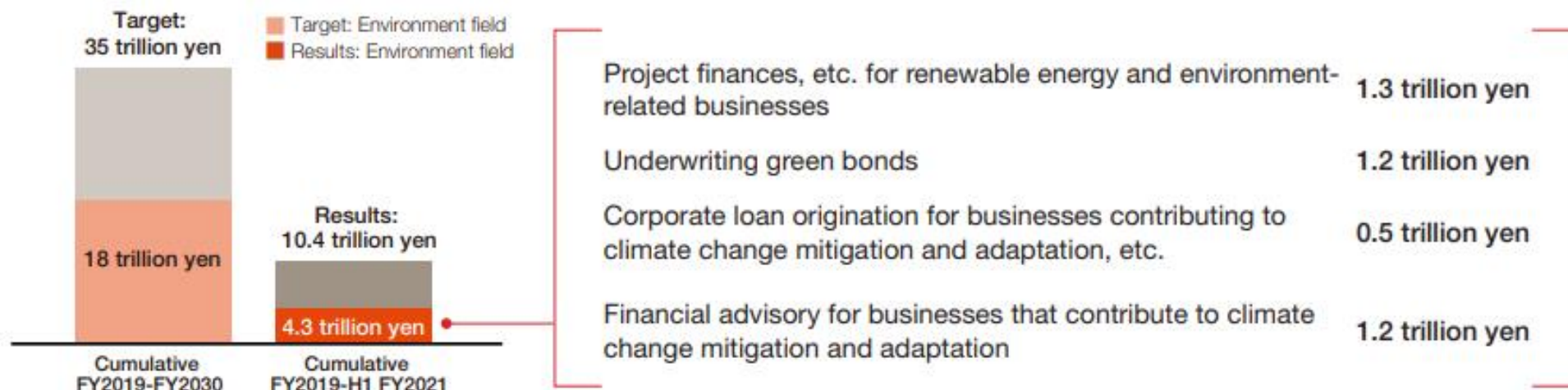
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# Sustainable Finance by MUFG

## ■ Target and Results of Sustainable Finance



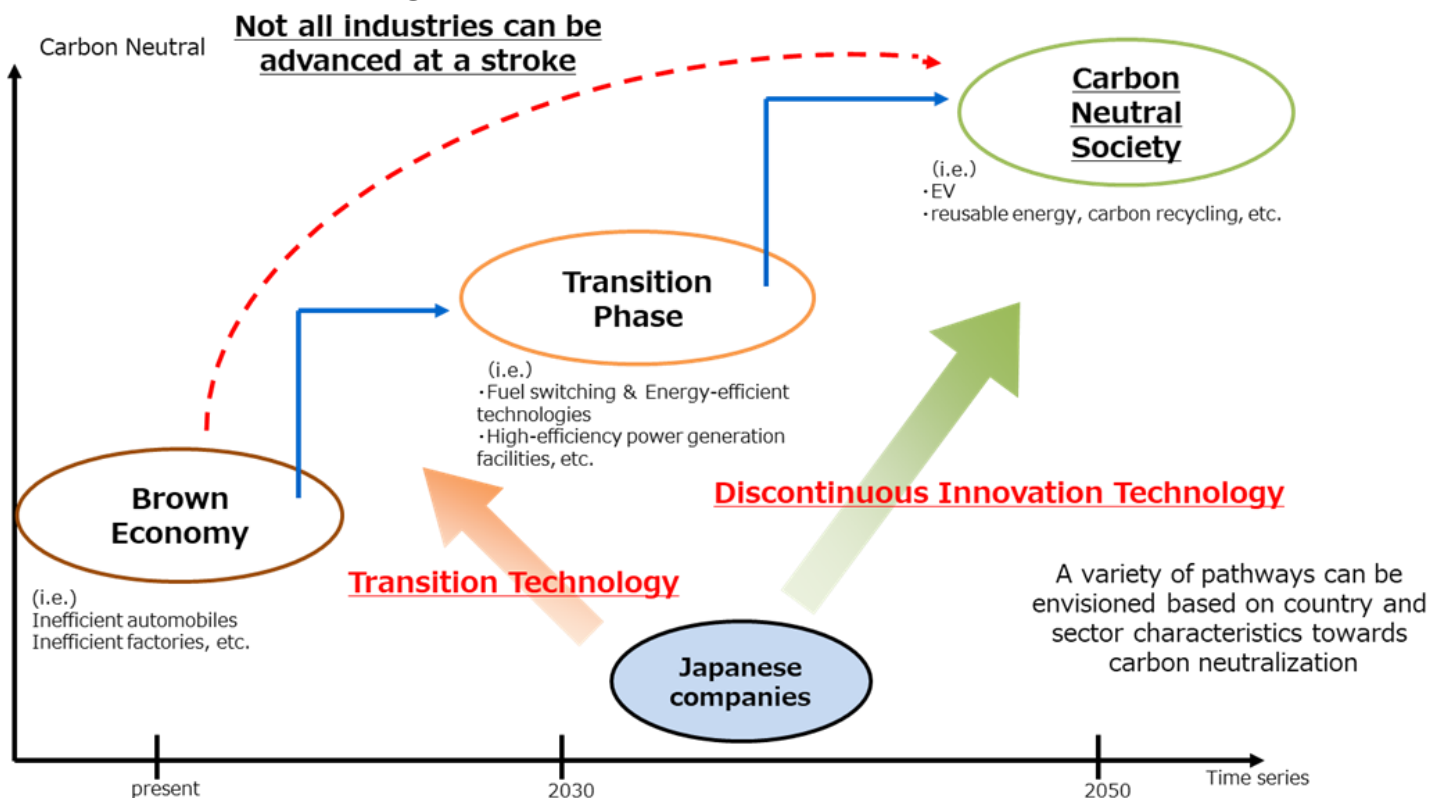
## ■ MUFG Transition Whitepaper

|            |   |
|------------|---|
| What       | <ul style="list-style-type: none"> <li>✓ In-depth analysis of Japan's climate strategy</li> <li>✓ Transition efforts of 6 high-emitting sectors</li> </ul>  |
| Who        | <ul style="list-style-type: none"> <li>✓ Power, steel, cement, chemicals, paper, and glass</li> </ul>   |
| Highlights | <ul style="list-style-type: none"> <li>✓ No single pathway to achieve Net Zero</li> <li>✓ Optionality in technologies cater to individual countries' needs and specific circumstances</li> <li>✓ Importance of interdependency among sectors</li> </ul> |



# Transition Finance in Japan

It is important to finance the transition toward steady decarbonization, including energy conservation and fuel switching, mainly in GHG-intensive industries, in addition to efforts for projects that are already at a decarbonized level (green), such as renewable energy. Not all countries, regions, and industries can decarbonize at once in terms of both technology and cost, and it is necessary to maximize emission reductions by adopting transitional technologies.

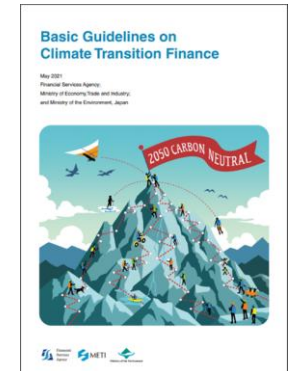


**Transition finance**  
= a financing approach that aims to support companies that are trying to steadily reduce GHG emissions in accordance with a long-term strategy to achieve a decarbonized society.

# Transition Finance Initiatives in Japan

## ■ Basic Guidelines on Climate Transition Finance

The guidelines are geared toward operating companies, securities firms, banks, evaluation agencies, investors, etc., to enable such companies to label (name) their low and decarbonization investments as "transition bonds/loans" and raise funds for them.

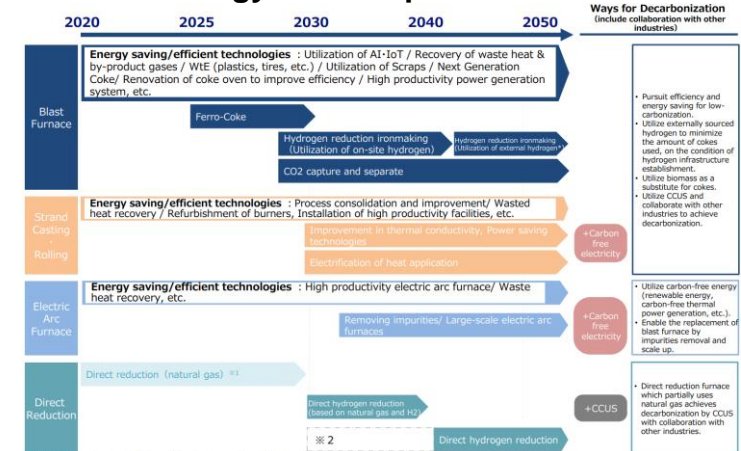


## ■ Roadmap for Promoting Transition Finance

Roadmap provides a concrete direction for transition toward achieving carbon neutrality in 2050 for GHG-intensive industries. It is expected to assist financial institutions in determining whether a company's strategies and initiatives toward decarbonization qualify for transition finance when the company raises funds.

10 roadmaps for 9 hard-to-abate sectors: iron & steel, chemicals, electricity, gas, oil, cement, paper & pulp, shipping and aviation.

### Technology Roadmap for Iron and Steel



## ■ Transition Finance Model Projects

12 projects were selected as model cases as a result of rigorous screening by a third-party committee.

# Transition Finance Initiatives in Japan

## ■ Transition Finance Model Projects

12 projects were selected as model cases as a result of rigorous screening by a third-party committee.

| Company Name                | Industry         | Bond/Loan   | Date                         | Issue amount                     |
|-----------------------------|------------------|-------------|------------------------------|----------------------------------|
| Nippon Yusen                | Shipping         | Bond        | July 2021                    | 20 billion yen                   |
| Mitsui O.S.K.               | Shipping         | Loan        | September 2021               | N/A                              |
| Kawasaki Kisen              | Shipping         | Linked Loan | September 2021               | About 110 billion yen            |
| JFE Holdings                | Iron and steel   | Bond        | June 2022                    | 30 billion yen                   |
| Japan Airlines              | Aviation         | Bond        | March 2022                   | 10 billion yen                   |
| Sumitomo Chemical           | Chemicals        | Loan        | March 2022<br>September 2022 | 8 billion yen<br>950 million yen |
| Tokyo Gas                   | Gas              | Bond        | March 2022                   | 20 billion yen                   |
| JERA                        | Power generation | Bond        | May 2022                     | 20 billion yen                   |
| IHI                         | Heavy industry   | Bond        | June 2022                    | 20 billion yen                   |
| Osaka Gas                   | Gas              | Bond        | June 2022                    | 10 billion yen                   |
| Mitsubishi Heavy Industries | Heavy Industry   | Bond        | September 2022               | 10 billion yen                   |
| Idemitsu Kosan              | Petroleum        | Bond        | July 2022                    | 20 billion yen                   |

# Asia Transition Finance Study Group

- June 2021, the Special Meeting of ASEAN Ministers on Energy and the Minister of Economy, Trade and Industry of Japan was held. **“Asia Energy Transition Initiative (AETI)”** was proposed as a Japan’s comprehensive support measure for energy transitions in Asia.
- October 2021, **“Asia Transition Finance Study Group”** was established under AETI as a **private sector initiative with a focus to promote transition finance in Asian countries.**
- September 2022, Asia Transition Finance Activity Report and Guidelines were published:
  - Activity report: Provides a summary of ATFSG members, activities, and recommendations such as requests for support from governments and other stakeholders to promote transition finance.
  - Guidelines: Provides practical guidance, such as organizing the processes and points when financial institutions consider transition finance and uses case studies to illustrate the guidelines’ concept.
- Economic Research Institute for ASEAN and East Asia (ERIA) has developed “Technology List and Perspectives for Transition Finance in Asia” covering 10 technologies in power and upstream sector.

# Government support needed to secure the just and orderly transition

- G7 Finance Ministers and Central Bank Governors' Statement (2022): “**An effective, orderly and just transition of our economies towards a net zero world is at the core of sustainable global long-term economic growth.**”
- Government Support for Transition Finance/Pilot Cases in Asia:
  - ✓ Support or incentives for corporations to create decarbonization strategies
  - ✓ Proof-of-concept transition projects
  - ✓ Public financing support such as concessional finance, equity injection, ECA finance, financial incentives and broader risk-sharing (blended finance)
  - ✓ Incentives for corporations and financial institutions
  - ✓ Database or digital platform for successful decarbonization projects
- **Blended finance** = strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries (OECD Ex.) Green Climate Fund, BlackRock's Climate Finance Partnership
- **Network of Central Banks and Supervisors for Greening the Financial System (NGFS)** announced the launch of **Blended Finance Initiative** at the COP27 Finance Day.
  - ⇒ Raise awareness on blended finance among our members, with a focus on overcoming potential regulatory and implementation obstacles

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