

What are the Transition Finance Guidelines and why do we need them?

What is transition finance?



The financial flows, products and services that enable a net zero economy consistent with the Paris Agreement. It encompasses both investing in low-carbon technologies, as well as the investment needed for companies to shift to more sustainable business models.

Why does transition finance matter?

Achieving a low-carbon economy requires substantial investment. Whilst finance is flowing in mature green sector activities, more capital is required for existing sectors to move from grey to green. Yet, investors are continuing to face uncertainty over what constitutes a credibly transitioning company. These Guidelines offer a tool to support capital providers in identifying the credibility of these transition investment opportunities.



What are the Transition Finance Guidelines?

The Transition Finance Council has begun developing 'Transition Finance Guidelines' to support capital providers identify credible transition finance opportunities.*

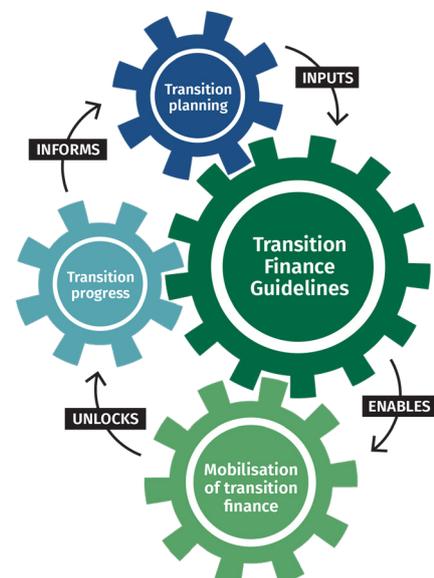
The Guidelines focus on general purpose financing and investment in transitioning corporates or real asset operators (or 'entities'). The objectives of the Guidelines are to:

- **Create consistent minimum expectations for transition finance** - these may be applied to entities across different sectors and jurisdictions, including those without formal transition plans.
- **Allow a practical assessment of credible transition** - using Factors to assess the capacity of the entity to deliver expected decarbonisation and financial outcomes in the near- and medium-term.
- **Complement existing frameworks** - be interoperable with existing global and domestic frameworks applicable in different parts of the market for transition finance.



What are the aims of the Guidelines?

The Guidelines aim to establish a continuous and reinforcing cycle between transition planning and the mobilisation of transition finance. A company's transition planning acts as a foundational input for application of the Guidelines, which then facilitates the mobilisation of finance to support credible transition activities. This enables transition progress, which in turn generates insights that strengthen future transition planning and action.



*For the Council's other outputs, such as *Sector Transition Plans: The Finance Playbook*, see [here](#).



How should these Guidelines be used, and by whom?

The Transition Finance Guidelines are intended to be interoperable across the financial market, providing a common language for credit institutions, funds, insurers and their real economy counterparts. With periodic updating to reflect market development, they should inform capital allocation decisions, support stewardship and provide an input for institutions building their own transition finance frameworks. For corporates undertaking transition planning, the Guidelines articulate those factors banks and investors consider and encourage a more standardised approach by capital providers.

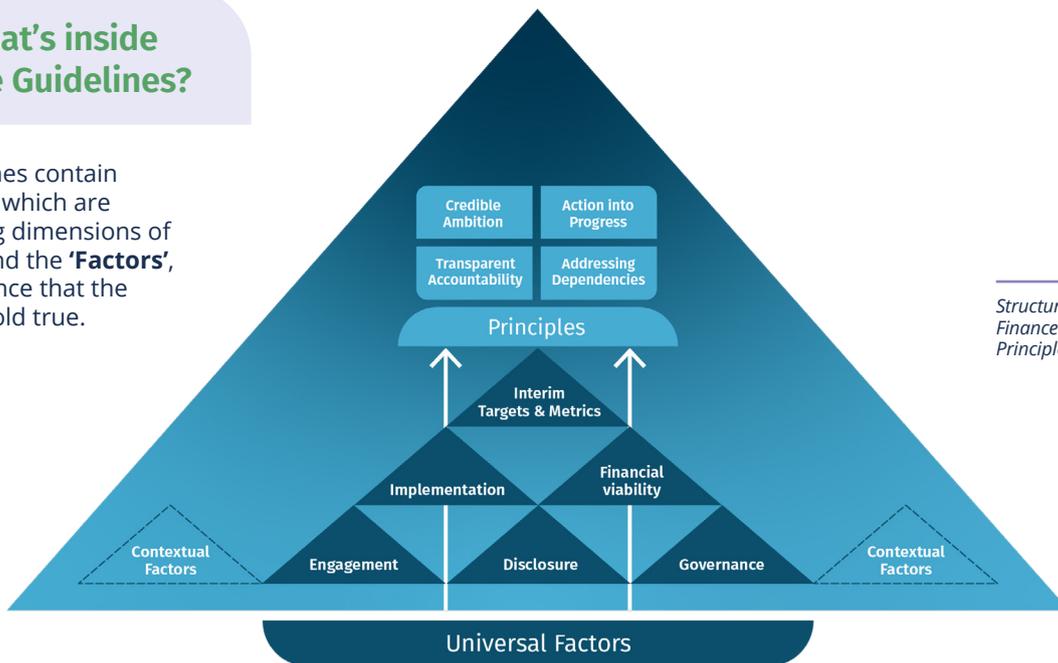
Over time, there is potential for the Guidelines to enhance market integrity, align regulatory and market practices, scale opportunities and foster public-private collaboration.

These applications are relevant for a wide set of actors, including asset owners and managers, credit providers, real economy corporates, regulators, public financial institutions, multilateral development banks, and governments.



What's inside the Guidelines?

The Guidelines contain 'Principles', which are cross-cutting dimensions of credibility and the 'Factors', which evidence that the Principles hold true.



Structure of the Transition Finance Guidelines – Principles and Factors

The Principles and Factors aim to create a framework that is:

- **Voluntary:** a voluntary framework, requiring periodic review, and designed in a way which considers the potential for future regulatory endorsement.
- **Proportionate:** the Universal Factors in their final form will apply in all instances. Relevance of Contextual Factors depend on the materiality of the issue to the entity. These could include, but are not limited to, just transition and nature issues.
- **Practical:** a usable tool for assessing ambition, near-term planning, progress and financial viable. Alongside the Guidelines the Council is also developing practical Implementation Guidance, including case studies from different contexts and across different asset classes.



We need your feedback

For the Guidelines to continue evolving and be globally interoperable, the Transition Finance Council is seeking international input.

Our global consultation is open from the 3rd November 2025 until the 14th January 2026.

Visit our [website](#) or reach us at transitionfinancecouncil@cityoflondon.gov.uk to help shape a market-led solution to scaling transition finance.

