

Transition Finance Guidelines: consultation questions

Why are we consulting?

Development of transition finance guidelines capable of global application for entity-level investment is a challenging exercise. For this reason, the Council has scheduled two consultations. The current, one month consultation is testing the core structure, ambition and useability of the Guidelines at a high level to identify areas that require further work. We will use your inputs to refine the Guidelines which will be subject to a longer consultation launched around the time of COP 30, with opportunities for international input and engagement.

How to respond

Please take note of the following guidance for submissions:

- Please submit your response via the online form, found [here](#)
- Please submit your response before 12pm on the 19th September
- There are not questions on every section of the Guidelines
- It is not necessary to answer every question, only answer the ones relevant to your work and experience.
- Please do not exceed 400 words per question.

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable UK data protection laws. Some of the analysis of the consultation responses will be carried out using an Artificial Intelligence (AI) tool. The AI tool processes data securely and does not copy or share data. The data will only be accessed and used by those authorised to do so. The personal data will only be made available to those with a legitimate business need to see it as part of the consultation process.

We may produce a high-level summary of themes from responses to this consultation and publish this as part of the next consultation on the Transition Finance Council website.

We note the current UK Government consultation on transition plan requirements. The proposed Transition Finance Guidelines, while voluntary, could be complementary to transition plan disclosures. We are engaging with the Government and the Financial Conduct Authority in recognition of this complementarity and may share themes from responses to this consultation with them.

Questions on Section 1.5: Use cases

This section sets out the market benefits and potential use cases of the Guidelines for different market participants. Please refer to pages 9-11 of the Guidelines.

1. Do you agree with the potential users and use cases of the Guidelines? Are there any you disagree with or any additional users/use cases we have missed?
2. If applicable, please explain how you anticipate using the Guidelines? (*This can be any type of use case*)

Questions on Section 3.1: Global interoperability

This section is about the compatibility of the Guidelines with other global standards and frameworks. Please refer to pages 13-16 of the Guidelines.

1. Which standards or frameworks are most important for the Guidelines to align with to ensure interoperability?
2. Do you have concern that the Guidelines conflict or are inconsistent with other frameworks and taxonomies you use? If so, what conflicts or inconsistencies are you most concerned about?

Questions on Section 3.2 Proportional application for different contexts and 3.3 Addressing alignment to 1.5°C

This section and the Credible Ambition Principle addresses how an entity is required to use pathways, or other methodologies compatible with the goal of the Paris agreement to anchor its Credible Ambition. It also acknowledges the challenges of applying these Guidelines in different contexts such as in emerging markets or for small businesses. Please refer to pages 16-20 and the Credible Ambition Principle on page 23.

1. Do the Guidelines appropriately balance the requirements for ambition with proportionality for entities in different contexts? Is it sufficiently clear? Are there changes you consider necessary to the Credible Pathway definition?
2. Are there any additional challenges specific to transition finance for entities in emerging markets/developing economies (EMDEs) that haven't already been outlined in this section?
3. How would you propose the Guidelines could better address challenges for entities in EMDEs? Can you provide examples of tools you have used or case studies in an EMDE context that helped address those challenges? (e.g. other frameworks, estimation methodologies, engagement methods etc).

4. Do you think these Guidelines are useful and appropriate for medium-sized entities who are near the start of their transition journey and have potential to be applicable for transition finance? What improvements could we make to improve application for medium-sized entities?

Questions on Section 4.1: Introducing Principles and Factors

This section explains the concept of the Principles and Factors and how they should be applied. Please refer to pages 21-22 of the Guidelines.

1. Do you broadly agree with the **structure** of the Principles and Factors (*i.e. the construct and relationship between them, rather than the Principles and Factors themselves*)?

Please explain your answer above and suggest how the structure could be made simpler to follow and more practical to implement.

2. Are the terms 'Principles', 'Factors', 'Universal Factors' and 'Contextual Factors' fit for purpose?

If not, are there other more intuitive terms for any of the above that could be used instead? Please provide reasoning for your suggestions.

Questions on Section 4.2: Principles

This section details the Principles – Credible Ambition, Action into Progress, Transparent Accountability and Addressing Dependencies. Please refer to pages 23-27 of the Guidelines.

1. Do you agree these are the right Principles?
If not, why? Which do you believe should not be Principles or which Principles are potentially missing?
2. Does the Credible Ambition Principle, and its lock-in requirements (contained in the Implementation Factor) achieve the right balance between 1) driving decarbonisation and 2) acknowledging the energy security and development challenges of industrial operators in emerging markets? If not, are there builds or adjustments you would propose?
3. In relation to the Addressing Dependencies Principle, what kind of guidance, if any, would be helpful for making judgements on dependencies that are sufficiently likely and significant enough that they could prevent the finance from being classified as transition finance?

Questions on Section 4.3: Universal Factors

This section details the Universal Factors: Interim Targets & Metrics, Implementation, Financial Viability, Engagement, Governance and Disclosure. Please refer to pages 28-36 of the Guidelines.

1. Do you agree with the overall themes of the Universal Factors? (*Interim Targets & Metrics, Implementation, Financial Viability, Engagement, Governance and Disclosure*)

If not, which Universal Factors are not universal and which Factors might be missing and why?

2. Do the Universal Factors set an appropriate threshold that is proportional for contextual differences (e.g. entities in emerging markets or SMEs)? If not, which Factors do you disagree with and why? Please comment on specific detail within the Factors where possible.
3. Should an entity that hasn't set a decarbonisation target on its material Scope 3 emissions be able to classify as transition finance? If yes, what other parameters/information would you look at to determine its credibility?
4. Which Universal Factors do you foresee being most difficult to evidence and why? How would you practically approach that challenge of evidencing?
5. For which Universal Factors (and/or specific criteria of the Universal Factors) would it be most useful to see a case study example of its application and why?
6. Are there any other comments you would like to make about the Universal Factors, including other frameworks or guidance that should be referred to?

Questions on Section 4.4: Contextual Factors

This section details the concept of Contextual Factors and how they might be applied. Please refer to pages 37-41 of the Guidelines.

1. Do you agree with how and when Contextual Factors are considered? If not, how could it be made clearer?
2. Are there any other comments you would like to make about the Contextual Factors, including whether any of the Contextual Factors should be Universal Factors or other frameworks or guidance that should be referred to?

Questions on Section 5: Application of the Guidelines

This section is about how to apply the Guidelines to different contexts. Please refer to pages 42-45 of the Guidelines.

1. For which asset classes/financing structures would it be most useful to have additional implementation guidance on how the Principles and Factors could be applied? (please select multiple if appropriate, though please prioritise your selection, acknowledging the Council's limited resources to produce in-depth materials)
2. What other types of implementation guidance should the Council prioritise creating to support the ease of applying the Guidelines? Please give reasons for your choice.

Other feedback

1. Please let us know if you have any other feedback or suggestions to improve the Guidelines.
2. We would be grateful for any case studies that have relevance to these Guidelines. For example, we are looking for examples of both success and failures of transition finance. Particularly where challenges have been faced, or where it has been difficult to assess whether an entity meets the requirements to qualify as transition finance. Where assessment criteria bear some resemblance to the Principles/Factors, we are very interested to know how they have been applied.

If you would prefer, please email your case studies to transitionfinancecouncil.cityoflondon.gov.uk. All case studies, if used in the next consultation, will be anonymised.

The Council's next steps

The Council is taking feedback on where it could best focus its resource in the upcoming months. The Council's aim is to provide guidance that is additional rather than overlapping with other existing frameworks in the market.

1. Would it be useful to have Guidelines that address the entity-level financing of climate solutions and/or climate enablers to increase confidence investing in this space? Is there another area that would be more useful for the Council to focus on in your view, given existing material available to the market.