

Environment Working Paper No. 278

Enabling policies for transition finance

New evidence and perspectives



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Abstract

This paper examines new evidence and perspectives on how enabling policies relate to the mobilisation of transition finance and the credibility and economic feasibility of corporate transitions. It combines three strands of evidence: a comparative mapping of policy environments, with case studies of Japan, the European Union and the United Kingdom, a structured review of 167 academic and institutional studies and a 2026 OECD survey of 121 respondents from financial institutions and non-financial companies. The evidence indicates that constraints on transition finance extend beyond the supply of capital to an economic feasibility gap shaped by technology costs, infrastructure dependencies, weak demand for low-emission products and uncertain revenues. It also finds that policy uncertainty and cross-border regulatory differences are perceived by market participants as important barriers to financing decisions, while long-term strategies, regulatory standards and public support are viewed as the most enabling policy instruments assessed. The paper presents new findings on how policy conditions influence whether transition pathways are credible, economically feasible and able to attract finance and investment.

Acknowledgements

This paper was prepared by the Green Finance and Investment Team in the OECD Environment Directorate. Emilie Berger was the lead author and co-ordinator, under the direction of Robert Youngman, Team Lead, Green Finance and Investment. The authors are also grateful to Yuval Laster, Head of Division, for his guidance throughout the project.

Other principal contributors to the paper were Yuji Nakahama and Felicitas Murat, who contributed to the sections on enabling policy environments. Marleen Gelbman provided valuable contributions to the literature review.

The authors are particularly grateful to Hideki Takada (GX Acceleration Agency) and Takako Onitsuka (Ministry of Economy, Trade and Industry, Japan) for their contributions to the Japan case study and to the organisation of the joint GXA-OECD Stakeholder Workshop held on 7 November 2025. Contributions to national case studies were also provided by Minako Kageyama (Ministry of the Environment, Japan), Giovanni Garcea (Directorate-General for Climate Action, European Commission) and Rohan Sheth (Department for Energy Security and Net Zero, United Kingdom).

Valuable feedback on the paper and/or the OECD Survey on Enabling Policies for Transition Finance was provided by OECD colleagues from the Environment Directorate (Alwin Adityo, Geraldine Ang, Eleonora Moro, Michael Mullan, Daniel Nachtigall, Jolien Noels and Ioannis Tikoudis), the Economics Department (Seungjin Baek, Stefan Hinkelmann and Gulserim Ozcan) and the Directorate for Financial and Enterprise Affairs (Devran Zeyrek).

Many senior experts from financial institutions, international organisations and other organisations provided input and reviewed preliminary drafts of the paper. Their comments and suggestions were of great value. They include Yutaka Naito and Hiroshi Kobayashi (Japan Asset Management Forum); Megumi Muto (Mizuho Financial Group); Tomohiro Ishikawa (Mitsubishi UFJ Financial Group (MUFG)); Özgür Can Altun and Valérie Guillaumin (International Capital Market Association (ICMA)); Ryo Yamasaki (International Energy Agency (IEA)); Ben Gilbey (International Transition Plan Network (ITPN)); Carmen Nuzzo (TPI Global Climate Transition Centre, London School of Economics and Political Science); and Tom Arup (Principles for Responsible Investment (PRI)).

The paper benefited from feedback provided by Delegates of the Working Party on Finance and Investment for Environmental Goals (WPFIEG).

Finally, the authors thank Beth Del Bourgo and Alyssa Perrott for their assistance with communications.

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Executive summary

Transition finance has emerged as an approach to support the dynamic process through which companies, activities and sectors that are currently emissions-intensive move towards alignment with environmental goals over time. Labelled transition finance instruments, such as transition bonds and loans, can provide one channel for this support, alongside broader corporate, project and capital-market financing for transitioning entities and activities.

A persistent gap remains between transition commitments and economically feasible implementation. Transition labelled instruments still account for only a very small share of the sustainable debt market, despite much larger estimated investment needs for decarbonising emissions-intensive sectors over the coming decades. Similarly, corporate transition plans and related disclosures have increased significantly in the past five years but available evidence continues to show limited translation of transition commitments into aligned capital expenditure, effective governance and implementation. Credible transition pathways therefore need to be considered alongside the policy, market and economic conditions that affect whether investment is commercially viable and financeable.

Jurisdictions are developing different policy approaches to help address the economic feasibility gap in transition finance by making transition activities more credible, commercially viable and financeable. To support the evidence base on effective enabling policies for transition finance, this paper examines how climate-related policies affect the mobilisation of transition finance and how market participants perceive the barriers and enabling conditions for transition-related investment and financing decisions. The analysis draws on three complementary strands of evidence: a comparative mapping of enabling policy environments for transition finance, a structured review of 167 academic and institutional studies and an OECD survey of 121 financial institutions and non-financial companies. The evidence base is recent and market-informed: more than half the studies included in the review were published in 2024-2025 and 60% of surveyed organisations report having a publicly available transition plan or equivalent strategy. The survey and case studies are geographically concentrated in the European Union and Japan, while the literature review draws on a broader international evidence base.

A credible long-term direction and predictable policy implementation and evolution emerge as important conditions for financing the investments needed to implement corporate and sectoral transition pathways. In the survey, 89% of respondents reported that policy uncertainty reduces their willingness or ability to invest in or finance transition activities to at least a moderate extent, while 75% reported a similar effect from cross-border differences in transition-related policy, regulatory or financing frameworks. The literature review points in the same direction, finding that policy uncertainty is associated with weaker investment, lower innovation, higher financing risk and delayed transition decisions. Long-term strategies and targets are found to be most relevant for transition finance when they are translated into regulatory and institutional capacity underlying sector roadmaps, infrastructure milestones, technology expectations and credible implementation frameworks.

The evidence distinguishes the role of credibility frameworks from the conditions underpinning the commercial viability and financeability of transition activities. The reviewed literature indicates that disclosure frameworks, taxonomies, transition plan guidance and labels can help improve transparency, comparability and accountability and can reduce risks of greenwashing. However, across the evidence reviewed, companies and financiers also point to technology costs and maturity, infrastructure and supply-chain dependencies, weak or uncertain demand for low-emission products, expected revenues and risk-adjusted returns as important constraints for investment.

Market practitioners associate the strongest enabling effects with policies that make transition pathways more predictable and commercially viable. In the survey, regulatory standards and transition mandates received the strongest support, with 90% of respondents indicating that they increase the commercial viability and financeability of transition activities. Long-term public transition strategies, roadmaps or emissions targets followed at 84%, and public support to enable investment at 79%. Respondents highlighted these instruments for their ability to clarify future compliance expectations, create stable demand for lower-emission alternatives and address specific barriers such as high upfront costs or uncertain revenues. Carbon pricing and disclosure requirements were also viewed positively overall, at 60% and 59% respectively, although their perceived effect appears more dependent on design and wider market conditions.

Demand and revenue visibility are identified by companies and capital providers as practical determinants of whether credible transition pathways can become financeable investments. Many transition investments in emissions-intensive sectors face cost premiums, uncertain offtake and limited ability to pass through higher costs to customers. This is especially relevant for low- and near-zero-emission industrial products, which often compete with conventional alternatives while the emissions-reduction value is not fully reflected in market prices. Survey respondents identify price-support mechanisms, long-term purchase commitments, public procurement and guarantees as important instruments for improving revenue visibility and financeability of transition projects.

Cross-border differences in transition-related frameworks highlight the practical importance of interoperability for transition finance. Survey respondents report that cross-border regulatory differences can delay long-term commitments, raise compliance and transaction costs, reduce comparability and complicate the structuring of transition-related finance. The selected case studies show how established policies, evolving regulatory approaches and market-led initiatives can help address these frictions by defining or signalling credible transition activity through sector roadmaps, taxonomy criteria and transition plan guidance; improving economic feasibility through clearer policy direction, infrastructure support, demand creation and risk sharing; and providing information and market-integrity tools that allow investors and lenders to assess transition commitments and plans across jurisdictions.

1 Background and analytical framing

1.1. Transition finance as a channel for real-economy decarbonisation

Emissions-intensive and hard-to-abate sectors face a substantial investment mobilisation gap as they transition towards net zero. While climate-related investment has grown significantly in recent years, capital remains concentrated in activities with relatively mature technologies and clearer investment frameworks, including renewable energy, electrified transport and energy storage. Global energy investment is estimated to reach USD 3.4 trillion in 2026, with around USD 2.2 trillion going to clean energy, almost double the amount directed to fossil fuels (IEA, 2026^[1]). By contrast, emissions-intensive sectors with more complex transition pathways have generally seen slower deployment of low- and zero-emission technologies but remain material to economy-wide emissions, with manufacturing industries accounting for up to 40% of global CO₂ emissions in 2022 (OECD, 2023^[2]). For steel and cement alone, recent estimates indicate that annual global investment in near-zero-emission technologies would need to increase 25-fold from current levels by 2035, reaching at least USD 500 billion (OECD/IEA, 2026^[3]).

The transition of emissions-intensive sectors can be highly relevant for competitiveness, economic resilience and energy security. Emissions-intensive sectors tend to be capital-intensive, trade-exposed and embedded in strategic value chains, so transition-related cost increases, infrastructure constraints or uncertain demand can affect firms' capacity to invest and compete in a low-emission economy. Differences in carbon prices, energy costs, technology support, product standards or demand-side measures can also influence production costs, trade patterns and carbon leakage risks (OECD, 2026^[4]). Energy security concerns add another dimension, as countries and companies seek to diversify energy sources and trade routes, strengthen electricity systems and scale investment in electrification, energy efficiency, low-emission fuels, renewables, grids and storage (IEA, 2026^[1]). At the macro-financial level, transition risks may also affect how investors assess future growth prospects, fiscal space and borrowing conditions, with recent evidence linking transition risk to higher sovereign bond yields, particularly in high-emitting countries after 2015 (Bank for International Settlements, 2025^[5]).

Transition finance has garnered interest as a complement to green finance to support the transformation of companies and sectors that are in the process of decarbonising. While there is no single internationally accepted definition of transition finance, guidance shows growing convergence around a common core: transition finance supports the decarbonisation of companies, activities or assets that are high-emitting but that can credibly align with net-zero pathways over time. The OECD Guidance on Transition Finance defines it as any finance raised or deployed to support the dynamic process through which companies, activities and sectors move towards alignment with climate goals over time, grounded in credible corporate climate transition plans. Transition finance can operate both at the entity level, where finance supports a company-wide transition strategy, and at the asset or activity level, where finance supports specific investments such as retrofits, technology shifts, early retirement, managed phase-out or diversification into low-carbon activities. This broader scope is necessary to support real-economy decarbonisation but it also requires safeguards to manage risks of greenwashing, delayed action and carbon lock-in (OECD, 2022^[6]; OECD, 2023^[7]).

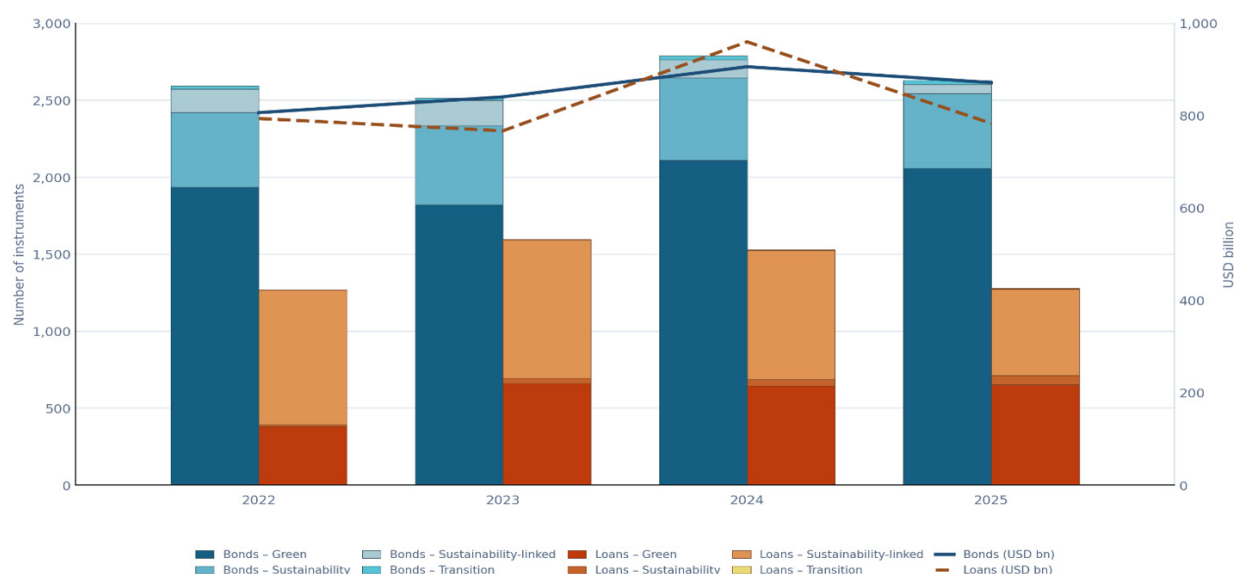
Credible transition finance is closely linked to credible transition plans. The OECD Guidance identifies several key elements of credible corporate climate transition plans: net-zero and interim targets, metrics and KPIs, the integration of climate objectives into business strategy, including capital expenditure (CapEx) and investment planning, governance and accountability, transparency and verification and the treatment of offsets and carbon credits (OECD, 2022^[6]). This link is increasingly relevant for financing conditions, as financial institutions may require borrowers to have credible transition plans or provide pricing incentives for more ambitious plans when assessing future access to capital (WBCSD, 2025^[8]). A similar pattern is observed in market and disclosure guidance, with the International Capital Markets Association providing guidance on issuer transition strategy, business-model materiality, transparent implementation and independent review (ICMA, 2025^[9]), and recent work by the International Financial Reporting Standards Foundation (IFRS Foundation) and the Financial Stability Board (FSB) further supporting more consistent transition plan disclosure and use by investors, lenders and financial authorities (IFRS Foundation, 2025^[10]; FSB, 2025^[11]).

1.2. Low levels of labelled transition finance; significant potential for scaling

The sustainable finance market has grown substantially but instruments explicitly labelled as transition finance remain limited. Climate Bonds Initiative estimates that cumulative green, social, sustainability and sustainability-linked (GSS+) bond volume reached USD 8.1 trillion by end-2025, with annual aligned GSS+ issuance reaching USD 1.0 trillion in 2025. Green bonds accounted for 64% of aligned annual issuance (Climate Bonds Initiative, 2025^[12]). Recent OECD data puts global corporate sustainable bond issuance in 2024 at USD 522 billion. Green bonds dominate while sustainability-linked bonds, once seen as a channel for transition finance, represented around 7% of corporate sustainable bond issuance in 2024 (OECD, 2025^[13]). Explicitly transition labelled instruments have remained smaller in scale. Estimates vary but according to Environmental Finance Data, annual transition bond issuance ranged from 15 to 26 transactions over 2022-2025, compared with more than 1 800 green bonds per year, while transition loans ranged from 1 to 4 instruments annually (Environmental Finance Data, 2026^[14]). In value terms, annual transition bond issuance ranged from USD 3.4 billion to USD 20.6 billion. Even in 2024, the strongest year for transition bonds, they accounted for less than 1% of sustainable bond transactions and around 2.3% of total sustainable bond market value (see Figure 1).

Transition finance could become a significant source of capital for real-economy decarbonisation, particularly where existing green finance instruments do not fully address the needs of high-emitting sectors. The International Energy Agency estimates that transition finance could support around USD 5 trillion in cumulative investment over 2026-2035 under the Announced Pledges Scenario, and around USD 4 trillion under the Net Zero Emissions Scenario, equivalent to approximately USD 400-500 billion annually on average (IEA, 2025^[15]). These investments would support decarbonisation across end-use sectors such as buildings, transport and industry, as well as energy supply and power generation, creating opportunities for industrial transformation, technology deployment, productivity gains and employment.

Figure 1. Sustainable bonds and loans market growth by instrument type (2022-2025)



Note: Data are from Environmental Finance. Transition bonds are classified on an issuer-led basis, meaning bonds are included where issuers self-label them as “transition bonds”, regardless of alignment with a specific framework or guideline. Figures may therefore differ from providers applying independent eligibility criteria.

Source: Authors’ illustrations based on Environmental Finance (2026), accessed on 8 June, 2026.

Recent market guidance is helping to clarify how transition finance can be structured across instruments. Transition finance instruments can be provided through use-of-proceeds instruments, general-purpose sustainability-linked instruments or other general-purpose corporate financing assessed against an entity’s transition strategy and implementation. In the bond market, the International Capital Markets Association’s 2025 Climate Transition Bond Guidelines introduce a standalone Climate Transition Bond label and are designed to support the financing or refinancing of credible climate transition projects (ICMA, 2025^[16]). Loan markets are also developing guidance relevant to transition finance, particularly through sustainability-linked loans and the emerging transition loan framework, with the *Guide to Transition Loans* setting out guidance for use-of-proceeds transition loans (LMA; APLMA; LSTA, 2025^[17]).

New transition oriented investment funds are emerging, although definitions and practices remain at an early stage. The European Securities and Markets Authority identified 220 EU-domiciled transition funds, including 121 actively managed funds with around EUR 30 billion in assets under management as of December 2024. These funds commonly refer to portfolio-level objectives, engagement, positive screening and forward-looking data but the use of indicators linked to capital allocation remains limited, with 10% referring to CapEx data and 2% to future taxonomy-aligned revenues in pre-contractual disclosures (European Securities and Markets Authority, 2025^[18]). MSCI also finds that transition labelled funds have grown rapidly, with 139 funds managing just over USD 50 billion globally as of July 2024, while noting continued variation in definitions, holdings and strategies (MSCI, 2024^[19]).

An increasing number of sustainable finance taxonomies are incorporating explicit approaches to classify and support transition, but jurisdictions differ in how they operationalise them. For this paper, 16 national and regional taxonomy frameworks with transition-related classifications were identified, of which 5 are in OECD countries, 9 are in non-OECD jurisdictions and 2 are regional frameworks (see Figure 2). This suggests growing use of taxonomies to address the classification gap between activities that are already aligned with sustainable objectives and activities that may support credible decarbonisation pathways over time. Jurisdictions make this distinction visible in different ways. Some frameworks, such as the EU Taxonomy, incorporate transition through activity-level criteria within a

broader green taxonomy (European Parliament and Council, 2020^[20]). Others use a dedicated transition tier or intermediate category, as in the Korean Green Taxonomy and several green/amber-style approaches, including the ASEAN Taxonomy, the Singapore-Asia Taxonomy and the Thailand Taxonomy (Ministry of Climate, Energy and Environment, 2025^[21]; ASEAN Taxonomy Board, 2025^[22]; MAS, 2023^[23]; Bank of Thailand, n.d.^[24]). The Australian Sustainable Finance Taxonomy combines green and transition finance in a single framework and extends coverage to sectors such as mining and metals. Canada is also developing a voluntary sustainable finance taxonomy intended to identify both green and transition investments through its sustainable investment guidelines (Australian Sustainable Finance Institute, 2025^[25]; Government of Canada, 2025^[26]).

An important distinction across taxonomy approaches is how visibly and under what conditions transition activities are recognised. Binary taxonomies can include transition activities through technical screening criteria while traffic-light taxonomies make transition more explicit through intermediate categories for activities that are not yet green but may be on a credible pathway. Taxonomies may also include mechanisms such as forward-looking thresholds, transition measures, sunset dates, phase-down guidance or transition plan requirements to recognise improvement over time while limiting risks of lock-in (Climate Bonds Initiative, 2025^[27]). The diversity of approaches increases the importance of interoperability, including through comparison tools such as the IPSF Common Ground Taxonomy, which identifies areas of commonality between selected taxonomy features without establishing a single mandatory standard (IPSF, 2021^[28]). Similarly, frameworks such as Japan's Basic Guidelines on Climate Transition Finance and the United Kingdom's Transition Finance Market Review illustrate that approaches to identifying credible transition finance are increasingly part of a wider set of credibility and market-signalling tools for transition finance (Ministry of Economy, Trade and Industry, Japan, 2025^[29]; City of London, 2025^[30]).

Figure 2. Cumulative count of sustainable finance taxonomies with explicit transition classification, by jurisdictions



Source: Authors' illustrations, based on (Climate Bonds Initiative, 2026^[31]), complemented by internal mapping and assessment of taxonomies

1.3. From transition commitments to financeable investments: the economic feasibility gap

Corporate transition efforts, notably through transition plans, are increasingly expected to demonstrate not only climate ambition but also credible capital allocation and implementation pathways¹. The number of corporates developing climate transition plans has grown significantly: by the end of 2023, 26% of organisations reporting to CDP disclosed that they had a climate transition plan, a 44% increase from 2022. However, only 2% met all of CDP's key climate transition plan indicators, indicating that many plans remain incomplete or insufficiently detailed on implementation (CDP, 2023^[32]). Likewise, the Transition Pathway Initiative finds that in 2025, among 2,000 high-emitting public companies assessed, fewer than 1% have committed to align future capital expenditure with decarbonisation goals, while only 2% have committed to phasing out capital expenditure from carbon-intensive assets or products, underscoring a persistent gap between transition commitments and the capital allocation needed to implement them (TPI Global Climate Transition Centre, 2025^[33]).

In addition to their consistency with global net-zero goals, the credibility of transition finance instruments and corporate transition plans depends on their effective implementation. A key aspect of this is the economic feasibility for corporates, particularly in emissions-intensive sectors, to undertake the capital and operating expenditures needed to shift to lower-emitting technologies, within the context of existing policy frameworks and competitiveness pressures (OECD-UNDP, 2025^[34]; Cordonnier and Saygin, 2023^[35]). In many cases, the perceived “unprofitability” or unclear financial incentives associated with accelerated climate action has been cited as a barrier to more ambitious investment (Columbia Center on Sustainable Investment, 2024^[36]). With these issues in mind, corporates need to convince financial institutions that they can decarbonise while remaining competitive. For their part, financial institutions need to assess the consistency of corporate climate action and transition plan elements with the company's long-term business strategy and the technological and economic feasibility of mitigation actions in light of the company's dependencies on external factors such as policies and infrastructure (EU Platform on Sustainable Finance, 2025^[37]; Pickard Garcia et al., 2024^[38]).

A central constraint for transition finance is therefore that many transition activities are technically feasible before they are commercially viable and financeable. For the purposes of this paper, the economic feasibility gap refers to the difference between investments identified as necessary or technically possible under sectoral decarbonisation pathways and investments that companies and financiers can undertake under prevailing prices, infrastructure availability, technology readiness, demand conditions, cost of capital and policy frameworks. This gap is particularly relevant for emissions-intensive sectors, where decarbonisation often requires high upfront capital expenditure, long asset lifetimes, new enabling infrastructure, uncertain offtake and technologies that are not yet cost-competitive at scale (OECD, 2023^[2]; OECD-UNDP, 2025^[34]). The economic feasibility gap applies both to capital-intensive sectors where low-emission technologies still need to reach commercial scale and to sectors where technologies are more mature but deployment depends on affordability, infrastructure, demand and policy certainty.

Project-level evidence suggests that while the pipeline of low-carbon industrial projects is expanding, structural barriers to financeability continue to constrain the number of initiatives reaching financial close. Mission Possible Partnership tracking indicates that the announced pipeline of low-carbon industrial projects has continued to grow, reaching 969 projects in 2026, but only 19 projects worth USD 43 billion reached funding decisions in the most recent reporting period (Mission Possible Partnership, 2026^[39]). The analysis identifies insufficient buyer commitments for products such as low-carbon steel and sustainable aviation fuels as barriers to financing. Evidence from the Asia GX Consortium based on interviews with financial institutions similarly underlines that project financeability needs to be assessed in relation to local systems, infrastructure and market conditions and identifies insufficient policy support, limited regulatory clarity, underdeveloped carbon-pricing mechanisms, blended finance

constraints, data gaps and limited sectoral or regional pathways as bottlenecks to scaling transition finance (Financial Services Agency, 2025^[40]).

1.4. Scope of the paper and evidence base

This paper examines how enabling policies relate to and affect the mobilisation of transition finance and the credibility, economic feasibility and financeability of corporate transitions in emissions-intensive and hard-to-abate sectors.

Section 2 examines enabling policy environments for transition finance, using a common analytical architecture to map relevant policy families and illustrate how different jurisdictions are combining strategies and targets, regulatory measures, carbon pricing, public support, information tools and public-private dialogue. The section also includes selected case studies to show how enabling policy environments for transition finance differ across contexts and activities.

Section 3 reviews evidence from 167 studies on how climate-related policies affect the mobilization of transition finance, corporate transition credibility and the economic feasibility of corporate transitions in emissions-intensive and hard-to-abate sectors. It provides the analytical evidence base for identifying the main channels through which enabling policies relate to transition finance and economically feasible and competitive corporate transitions.

Section 4 adds a market practice perspective through the 2026 OECD Survey on Enabling Policies for Transition Finance, which gathered responses from 121 respondents from non-financial corporates and financial institutions involved in transition-related investment and financing decisions. The survey evidence is complemented by stakeholder dialogue, including a closed-door roundtable and written comments, to help interpret how policy uncertainty, cross-border differences and specific policy instruments affect transition finance decisions in practice. These components allow the paper to connect policy mapping, literature-based evidence and market-informed perspectives within a single analytical framework.

2 Enabling policy environments for transition finance

This section maps how selected jurisdictions are developing enabling policy environments for transition finance. The illustrative case studies of Japan, the European Union and the United Kingdom examine different approaches to linking the identification of credible transition activities or entities with the policy and market conditions needed for economically feasible transition activities, corporate action and financing. The case studies are organised around six policy families used throughout the paper: long-term strategies and targets, regulatory standards and mandates, carbon pricing and economic instruments, public support and financial instruments, disclosure and information instruments and public-private dialogue and voluntary approaches.

Across the case studies, enabling policy environments can serve several interlinked functions to support the mobilisation of transition finance. First, they help define or signal what credible transition activities or strategies look like, whether through sector roadmaps, taxonomy criteria or entity-level transition plan guidance. Second, they can improve the economic feasibility of transition investment by clarifying policy direction, supporting infrastructure, strengthening demand for transition activities and products or sharing risks. Third, they provide information and market-integrity tools that help investors and lenders assess transition claims across different jurisdictions. The simplified overview below highlights selected features of each enabling policy environment:

	Japan	European Union	United Kingdom
Main emphasis	Government-led, sector-specific approach embedded in the wider GX strategy	Multi-layered regulatory and investment architecture combining activity-level classification with entity-level disclosure and transition planning	Market-led, principles-based approach centred on entity-level transition credibility
How credible transition is identified or assessed	Entity transition strategies are assessed under the Basic Guidelines on Climate Transition Finance, informed by sectoral technology roadmaps and decarbonisation pathways.	The EU Taxonomy identifies qualifying transitional activities, while CSRD/ESRS disclosures provide entity-level information on transition plans, targets, actions and capital expenditure.	Market-led transition plan guidance and voluntary Transition Finance Guidelines support assessment of the credibility of transitioning entities.
Key instruments supporting transition finance	GX Economy Transition Bonds, targeted public support, sector investment strategies and public-private coordination, increasingly complemented by carbon pricing.	The EU ETS, CBAM, public finance and clean industrial policies support real-economy investment, while SFDR, climate benchmarks and the European Green Bond Standard provide market-integrity tools; the proposed SFDR reform includes a transition category.	UK SRS/disclosure reforms, SDR labels and market-led TFC guidance, alongside development of sector pathways and public/blended finance approaches; mandatory transition plan policy remains under development.

2.1. Analytical approach

Transition finance is shaped by the wider conditions in which companies and financiers make transition-related investment decisions. As noted in the OECD Guidance on Transition Finance, “policy changes to improve the enabling conditions for mitigation options are necessary to increase the economic and institutional feasibility of those options” (OECD, 2022^[6]). These enabling conditions can be understood as external dependencies: factors outside a company’s direct control that shape both the mobilisation of transition finance and the feasibility of corporate transition activities. They include policy and regulatory support, consumer and client willingness to pay a green premium, infrastructure and logistics requirements, technology availability, resource needs and skilled labour (Transition Plan Taskforce, 2023^[41]; Pickard Garcia et al., 2024^[38]).

A growing body of work suggests that national strategies, sector roadmaps and company transition plans need to be better connected for transition finance to scale. National strategies and Nationally Determined Contributions can set the overall direction of travel and signal expected economy-wide and sectoral decarbonisation trajectories, policy dependencies and capital needs (OECD-UNDP, 2025^[34]; Nassiry and Dixon, 2025^[42]). Sector transition plans and sector roadmaps can then act as an intermediate layer between economy-wide objectives and company-level transition plans, translating aggregate ambition into sector-specific emission trajectories, technology options, infrastructure needs and investment requirements (ITPN/ TPI Global Climate Transition Centre, 2025^[43]; E3G/ ECCO, 2025^[44]). These instruments operate at different levels, with economy-wide strategies and pathways providing an overarching direction, sectoral pathways and roadmaps identifying sector-specific trajectories and enabling conditions and company transition plans setting out entity-specific actions and implementation choices.

In emissions-intensive sectors, the relevance of the policy environment is particularly visible in the economics of low-emission industrial production. Evidence from industrial project pipelines, sectoral transition work and market analysis shows that low-emission industrial production often faces higher costs due to clean-energy inputs, first-of-a-kind technology risks, infrastructure needs, limited economies of scale and uncertain future demand (Energy Transitions Commission, 2023^[45]; OECD/IEA, 2025^[46]). These barriers can weaken the commercial case for transition investment and make projects harder to finance. In the context of constrained fiscal space and competitiveness pressures, this increases the relevance of policy instruments that improve project economics, reduce risks and mobilise private finance (RBC Climate Action Institute, 2025^[47]; CFMCA, 2025^[48]).

Defining the enabling policy environment

Identifying the policy environment relevant to transition finance requires drawing a clear analytical boundary around a broad and heterogeneous policy landscape. Once the analysis moves beyond financial instruments themselves, the range of potentially relevant policies expands quickly, including climate targets, sectoral pathways, industrial strategies, infrastructure planning, disclosure requirements, prudential expectations, public finance instruments and co-ordination mechanisms across ministries and authorities. This raises the question of which policies are sufficiently relevant to transition finance to be included in a structured assessment of its enabling policy environment.

For this paper, the relevant boundary is defined by the role of policies in shaping the credibility, economic feasibility and financeability of transition activities, projects and entities. This means that the analysis cannot simply reproduce the full universe of climate-related policies. It requires a more selective structure focused on the policy areas most directly relevant to whether transition finance can be mobilised, whether corporate transition plans can be implemented and whether transition-related activities can be commercially viable and financeable under prevailing market and policy conditions. The Climate Actions and Policies Measurement Framework and OECD Climate Action Monitor provide a useful

reference point for this by showing that climate action is shaped by a wide range of policy measures across countries and sectors (OECD, 2025^[49]; OECD, 2025^[50]).

A broad but selective approach is also consistent with recent OECD work on industrial transitions and finance alignment. OECD analysis on industrial decarbonisation, financing industrial transitions and the Climate Club Financial Toolkit has emphasised that the transition of emissions-intensive sectors depends not only on the availability of finance but also on enabling conditions such as sectoral pathways, public support, infrastructure, revenue certainty, risk-sharing arrangements and project bankability (OECD, 2026^[51]). The 2025 OECD Review on Aligning Finance with Climate Goals similarly underlines that financial-sector alignment depends on a wider policy environment, including disclosure, transition planning, financial-sector policy instruments and climate-related metrics (OECD, 2026^[52]).

The typology developed for this paper is an illustrative architecture of policy instruments that aims to organise a heterogeneous policy landscape in a way that is relevant to transition finance and comparable with the literature review and survey evidence presented in the paper. It draws, as far as possible, on established OECD approaches to climate policy classification, in particular the Climate Actions and Policies Measurement Framework and the policy typology and instrument definitions developed under the Inclusive Forum on Carbon Mitigation Approaches (OECD, 2025^[50]; OECD, 2024^[53]) and remains open to refinement as policy practice, market standards and the evidence base evolve. Policies are grouped into six broad families: long-term strategies and targets, including sectoral pathways; regulatory standards and transition mandates; carbon pricing and economic instruments; public support and financial instruments; disclosure and information instruments and public-private dialogue and voluntary approaches. These policy families are not mutually exclusive and often work as complements (see Figure 3).

The three case studies presented in this section illustrate different but comparable approaches to enabling policy environments for transition finance. Each studied policy environment addresses a common challenge: how to scale transition finance in ways that preserve environmental integrity and alignment with climate goals, while also supporting transition activities and entities that can be implemented in practice, are economically feasible and are capable of attracting finance on workable terms. The case studies show how the analytical architecture used in this paper can be reflected in different policy mixes or packages, with varying emphasis on sectoral pathways, disclosure and market-integrity instruments, carbon pricing, public support, financial instruments and public-private coordination. They also highlight that implementation remains an evolving area across jurisdictions, including how sectoral pathways translate into investment support, how policy frameworks maintain predictability as they evolve and how governments seek to facilitate the use of transition-related information by investors and lenders in financing decisions in practice. The case studies are illustrative and distinguish, where relevant, between adopted government policies, measures under development and market-led or voluntary initiatives. Interventions were identified through a targeted review of official government, regulatory and market-led sources and examined according to their relevance to the analysis and policy families set out above.

Figure 3. Illustrative architecture of the enabling policy environment for transition finance



Note: The figure shows the six policy families used in this paper to map the enabling environment for transition finance. It is presented as an analytical architecture developed for this working paper, not as a prescriptive framework. The structure draws, as far as possible, on established OECD approaches to climate-policy classification, notably the CAPMF and the IFCMA policy typology, while adapting them to the specific transition finance lens used here. Example instruments are illustrative only and not prescriptive.

Source: Authors' illustrations

2.2. Japan

The policy environment for transition finance in Japan combines the government's Green Transformation objectives, sectoral technology roadmaps and targeted public instruments. The Green Transformation (GX) policy framework includes the "Pro-Growth Carbon Pricing Concept" (Cabinet Secretariat, 2023^[54]), underpinned by the Act on the Promotion of Smooth Transition to a Decarbonised Growth-Oriented Economic Structure (Ministry of Economy, Trade and Industry, Japan, 2023^[55]) and the GX 2040 Vision (Cabinet Secretariat, 2025^[56]). Within this framework, government-issued guidance and sectoral technology roadmaps provide a principle-based basis for identifying transition activities and pathways, rather than relying primarily on a technology taxonomy. These include the Basic Guidelines on Climate Transition Finance, first published in 2021 (Financial Services Agency; Ministry of Economy, Trade and Industry; and Ministry of the Environment, Japan, 2025^[57]) and the Sectoral Technology Roadmaps for Promoting Transition Finance (Ministry of Economy, Trade and Industry, Japan, 2025^[29]). The roadmaps provide specific decarbonisation pathways for emissions-intensive sectors, including iron and steel, chemical, power, gas, oil, pulp and paper, cement, automobile, international shipping, domestic marine transport and aviation.

Globally, the Japanese government has so far been the only issuer of sovereign transition bonds. The Japan Climate Transition Bond is the world's first government-labelled transition bond and is linked to the broader GX framework. Under the Japan Climate Transition Bond Framework, revised in June 2025,

the government envisages upfront investment support totalling approximately JPY 20 trillion over 10 years, reported by market sources as approximately USD 133 billion. The bonds to fund this support have already been issued, with JPY 1.6 trillion, or around USD 11 billion, issued in FY 2023, JPY 1.4 trillion in FY 2024 and JPY 1.2 trillion in FY 2025 (Cabinet Secretariat et al., 2025^[58]; ESG Today, 2024^[59]; METI, 2026^[60]).²

Public financing forms part of the GX policy mix for addressing investment costs and risks in emissions-intensive sectors. Sovereign climate transition bonds provide targeted public finance to GX-related investments including hard-to-abate sectors, backed by future carbon pricing revenues from the GX-ETS. In 2023, as part of the Japanese government's climate transition strategy, the government established future milestones for 16 priority sectors to demonstrate its long-term commitments. These objectives are operationalised through the 'Sector-Specific Investment Strategies', initially compiled in December 2023 and updated in December 2025 (Cabinet Secretariat, 2025^[61]). These strategies define the fundamental principles for executing investment promotion measures which are supported by GX Economy Transition Bonds and clarify the commitments expected from targeted businesses. Investment roadmaps are designed to be fully aligned with the sectoral technology roadmaps mentioned above. Moving forward, these investment strategies will continue to be refined through the 'Working Group of Experts for the Realization of GX', leveraging objective indicators and expert insight (Cabinet Secretariat et al., 2025^[58]). Furthermore, the GX Acceleration Agency facilitates risk-sharing for transition projects through instruments such as debt guarantees (GX Acceleration Agency, 2024^[62]).

Japan's transition finance framework places emphasis on alignment with global standards and on voluntary guidance, providing internationally recognised reference points for companies, financial institutions and investors. The Sustainability Standards Board of Japan (SSBJ) published Japan's first sustainability disclosure standards in March 2025, aligned with the International Sustainability Standards Board (ISSB) framework to support global comparability and consistency in corporate reporting (Sustainability Standards Board of Japan, 2025^[63]). Aside from these regulations, the Japanese government supports corporates and financial institutions to implement transition finance by providing voluntary transition finance related guidelines. For transition labelled instruments, the Basic Guidelines on Climate Transition Finance are aligned with the ICMA Climate Transition Finance Handbook (Financial Services Agency; Ministry of Economy, Trade and Industry; and Ministry of the Environment, Japan, 2025^[57]), enabling companies, securities firms, banks, evaluation agencies, and investors to label and raise financing for decarbonisation investments through instruments such as "transition bonds" and "transition loans". More broadly, the Japanese government provides other voluntary guidance including "Transition Finance Follow-up Guidance" (Financial Services Agency, Ministry of Economy, Trade and Industry, Ministry of Environment, 2023^[64]) and "Addressing the Challenges of Financed Emissions" (Financial Services Agency, Ministry of Economy, Trade and Industry, Ministry of Environment, 2023^[65]). In March 2023, to address global concerns regarding greenwashing, the Financial Services Agency revised its comprehensive supervisory guidelines for investment management businesses. These revisions enable supervisors to evaluate ESG-related disclosures in publicly offered investment trusts, covering the scope of ESG funds, disclosure practices and the asset managers' internal resources and due diligence processes (Financial Services Agency, 2023^[66]).

Regional co-operation initiatives constitute a further component of the policy environment associated with Japan's GX and transition finance agenda. The Asia Zero Emission Community (AZEC) (Ministry of Economy, Trade and Industry, Japan, 2023^[67]) serves as a collaborative framework for achieving net-zero emissions, primarily involving energy agencies from 11 partner countries in Asia. Concurrently, the Asia GX Consortium (Financial Services Agency, Japan, 2024^[68]) aims to foster a shared understanding of transition finance approaches among financial authorities and institutions in Japan and ASEAN countries, the Asian Development Bank (ADB) and the Glasgow Financial Alliance for Net Zero (GFANZ), exemplified by their recent outcomes of seven key bottlenecks and countermeasures to scale transition finance, based on real-economy case studies. These initiatives are driven by the common challenges faced by regional economies, particularly regarding their relatively high dependence on thermal

power infrastructure, as well as imperatives concerning supply chain resilience and energy security and the relatively prominent role of bank finance in parts of the region.

2.3. European Union (EU)

The EU's enabling policy environment for transition finance is characterised by a multi-layered regulatory and investment architecture. Its core sustainable finance framework combines an activity-based taxonomy with entity-level sustainability reporting, transition planning requirements, financial product disclosure rules and market integrity tools. Carbon pricing, leakage safeguards, EU-level climate governance, sector-specific regulation, public finance and clean industrial policy provide complementary incentives, accountability mechanisms and financing channels for real-economy decarbonisation.

The strategic foundation of the EU sustainable finance framework was laid with the 2018 Action Plan on Financing Sustainable Growth (European Commission, 2018^[69]). The 2021 Strategy for Financing the Transition to a Sustainable Economy and the 2023 Commission Recommendation subsequently provided the main policy orientation for transition finance (European Commission, 2021^[70]; European Commission, 2023^[71]). More recent simplification measures, notably the Omnibus I simplification package, point to a recalibration of the framework (in particular its corporate sustainability reporting and due diligence pillars), aimed at making requirements more targeted and usable in light of competitiveness considerations, while preserving its overall direction (European Parliament and Council, 2025^[72]). A more targeted approach is also reflected in a Commission-contracted study on European Climate Law-aligned transition pathways for 24 specific sectors and one “other sectors” category, which is intended to support credible transition planning and the setting of sector-specific emission reduction targets (European Commission, 2025^[73]).

The EU Taxonomy Regulation provides the core activity-level reference point for credible transition finance in the EU framework. It defines when an economic activity qualifies as environmentally sustainable (European Parliament and Council, 2020^[20]). Article 10(2) recognises transitional economic activities where “no technologically and economically feasible low-carbon alternative” exists, provided that they support the transition to climate neutrality, that their greenhouse gas emissions are aligned with the sector's or industry's best-performing benchmarks and that they do not hamper low-carbon alternatives or lead to carbon-intensive lock-in. These activities do not form a separate “amber” category; rather, they may be Taxonomy-aligned where they meet all applicable conditions. At the same time, Article 8 and the related disclosure rules require in-scope undertakings to disclose how and to what extent their activities are associated with environmentally sustainable economic activities, operationalised through indicators for the share of turnover, CapEx and OpEx linked to Taxonomy-eligible and Taxonomy-aligned activities.

Corporate disclosure provides the main company-level information base for assessing transition pathways. Companies within the scope of the Corporate Sustainability Reporting Directive (CSRD) are required to report in accordance with the European Sustainability Reporting Standards (ESRS) (European Parliament and Council, 2022^[74]; European Commission, 2026^[75]). Where climate change is material, ESRS E1 requires companies to disclose information on their climate strategy, targets, actions and transition plans. The original Corporate Sustainability Due Diligence Directive (CSDDD) would have complemented the CSRD and ESRS by requiring certain companies to “adopt and put into effect a transition plan for climate change mitigation” (European Parliament and Council, 2024^[76]). However, recent Omnibus I measures have narrowed and postponed some reporting and due diligence requirements and deleted this CSDDD obligation (European Parliament and Council, 2025^[72]; European Parliament and Council, 2026^[77]). For non-listed SMEs outside the scope of the CSRD, the Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME) offers a lighter, standardised reporting framework and allows companies to report on climate transition plans through the optional Comprehensive Module (EFRAG, 2024^[78]).

Financial market rules complement corporate disclosure by setting guardrails for how financial products use transition information. The Sustainable Finance Disclosure Regulation (SFDR), EU climate benchmarks and the European Green Bond Standard (EuGBS) support comparability, market integrity and product transparency through disclosures, benchmark methodologies, Taxonomy-aligned allocation of proceeds and external review for EuGBS bonds (European Parliament and Council, 2019^[79]; European Parliament and Council, 2019^[80]; European Parliament and Council, 2023^[81]). The proposed SFDR reform would further strengthen these guardrails by moving from broad disclosure requirements towards clearer rules on how sustainability-related products are categorised, named and marketed. It responds to the use of SFDR disclosures as de facto product labels by introducing voluntary product categories, including a transition category. This could give investors a basis for identifying products that finance credible transition strategies, while stricter rules on product names and marketing could reduce greenwashing risks. However, as the reform remains under negotiation, its practical effect will depend on the final legal text (European Commission, 2025^[82]; European Parliament, 2026^[83]).

A further layer of the EU enabling environment for transition finance operates through carbon pricing, public funding, leakage safeguards and sector-specific regulation, creating incentives and support mechanisms for real-economy decarbonisation. The EU Emissions Trading System (EU ETS) provides the main carbon-price signal for electricity and heat generation, energy-intensive industry, aviation and maritime transport (European Parliament and Council, 2003^[84]; European Commission, 2026^[85]). Over 2021-2030, up to 57% of general allowances are to be auctioned, while benchmark-based free allocation continues for eligible sectors to reduce carbon leakage risks and support low-carbon investment (European Commission, 2026^[86]). Auction revenues from the EU ETS provide an important source of public finance dedicated to the climate transition, with revenues accruing to national budgets and EU-level instruments, including the Innovation Fund, the Modernisation Fund and, from 2026, the Social Climate Fund. The Innovation Fund, for instance, supports the deployment of innovative low-carbon and net-zero technologies, while the Modernisation Fund supports energy-system modernisation and energy efficiency in lower-income EU Member States (European Commission, 2026^[87]; European Commission, 2026^[88]). The Carbon Border Adjustment Mechanism (CBAM) complements the EU ETS by applying a carbon price to selected imports, including iron and steel, cement, aluminium, fertilisers, electricity and hydrogen. Its objective is to preserve a level playing field and reduce carbon leakage as free allocation in these sectors is gradually phased out from 2026 to 2034, in line with the gradual introduction of CBAM (European Parliament and Council, 2023^[89]; European Commission, 2026^[90]; European Parliament and Council, 2023^[91]). Sector-specific regulatory standards also contribute to transition requirements in transport, including CO₂ performance standards for cars and vans and fuel requirements under FuelEU Maritime and ReFuelEU Aviation (European Commission, 2026^[92]; European Commission, 2026^[93]; European Commission, 2026^[94]).

Industrial policy has become a more prominent part of the EU enabling environment for transition finance. The Clean Industrial Deal links decarbonisation with competitiveness, including through lower energy costs, demand for clean products, public finance and access to critical raw materials (European Commission, 2025^[95]). The Net-Zero Industry Act and Critical Raw Materials Act give this agenda a regulatory basis by supporting clean-technology manufacturing, faster permitting, market access and more resilient supply chains (European Parliament and Council, 2024^[96]; European Parliament and Council, 2024^[97]). The proposed Industrial Accelerator Act would add a stronger demand-side instrument by using public procurement and public support schemes to create lead markets for low-carbon and EU-made products (European Commission, 2026^[98]).

Internationally, the EU has sought to align its transition finance framework with emerging global approaches. The 2023 Commission Recommendation on facilitating finance for the transition to a sustainable economy builds on international transition finance initiatives, including OECD guidance, the G20 framework, the International Platform on Sustainable Finance and the UN High-Level Expert Group (European Commission, 2023^[71]). The EU has also pursued interoperability for instance with the global

baseline set by the International Sustainability Standards Board (ISSB). Guidance from the International Financial Reporting Standards Foundation (IFRS Foundation) and the European Financial Reporting Advisory Group (EFRAG) confirms a high degree of alignment between the climate-related disclosure requirements in the European Sustainability Reporting Standards (ESRS) and ISSB standards (IFRS Foundation & EFRAG, 2024^[99]). This alignment is also reflected in financial materiality assessments, which are expected to lead to aligned outcomes under ESRS and ISSB Standards. However, the EU framework goes further than the investor-focused ISSB approach by requiring a double materiality assessment, covering both financial and impact materiality. Early EU Taxonomy disclosures show growing information on transition-related investment, with Taxonomy-aligned CapEx reaching EUR 250 billion in 2023 and a further EUR 206 billion identified as potentially transition-supporting but not yet fully aligned (Platform on Sustainable Finance, 2025^[100]).

2.4. United Kingdom

The United Kingdom's evolving enabling policy environment for transition finance combines established sustainability-related disclosure requirements, voluntary and market-led transition planning guidance and various policy proposals under consideration, including measures intended to support capital allocation and improve investment conditions. The enabling environment reflects the UK's objective of supporting sustainable finance as part of the Financial Services Growth and Competitiveness Strategy, while facilitating investment in the transition to a low-emission economy (HM Government, 2023^[101]; Department for Energy Security and Net Zero, 2025^[102]).

The UK policy environment combines established sustainability-related disclosure requirements with voluntary reporting standards and an evolving approach to transition planning. Building on the phased introduction of mandatory climate-related financial disclosures aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) between 2021 and 2023, the Government published the UK Sustainability Reporting Standards (UK SRS S1 and S2) in 2026, based on the International Sustainability Standards Board's (ISSB) global baseline standards, for voluntary use. The FCA consulted in January 2026 on aligning its rules on sustainability disclosures for listed companies with UK SRS. It published a Policy Statement on 30 September announcing final rules that will require listed issuers to make sustainability and climate disclosures in line with UK SRS on a "comply or explain" basis. The new disclosure requirements will come into force on 1 January 2027. By promoting internationally aligned reporting standards, the UK aims to improve the consistency and comparability of sustainability information, reduce reporting burdens for internationally active firms, and support efficient capital allocation (Department for Business and Trade, 2026^[103]). In 2025, the Government consulted on possible implementation routes for climate-related transition plan requirements, and considerations of next steps are underway. The UK has also contributed to international transition planning practice through the Transition Plan Taskforce (TPT), whose Disclosure Framework covers strategy, implementation, governance, financial planning and metrics and targets, and whose materials have since been transferred to the ISSB (Transition Plan Taskforce, 2023^[41]).

A distinctive feature of the emerging UK transition finance landscape is the emphasis placed on assessing transition credibility at the level of the entity, alongside the continuing role of activity- and use-of-proceeds-based finance. This perspective was articulated in the Transition Finance Market Review, which argued that financing high-emitting companies through general-purpose instruments required clearer market guidance (City of London, 2025^[30]). The subsequent Transition Finance Guidelines, which are a market-led tool developed by the Transition Finance Council, help capital providers assess whether an entity represents a credible transition finance opportunity, taking account of target-setting, implementation, capital allocation, governance and external dependencies such as infrastructure, policy and technology availability (Transition Finance Council, 2026^[104]). This entity-level focus

complements, rather than replaces, labelled instruments with a defined use of proceeds for eligible transition activities.

The UK is developing a suite of complementary products to support investment decisions at the entity level. Investor Factsheets set out the policy landscape, government interventions and investment opportunities across key sectors of the economy (Department for Energy Security and Net Zero, 2025^[105]). The government-convened Net Zero Council is facilitating the development of industry-led Sector Transition Plans, with accompanying finance plans where beneficial, to provide sector-specific pathways, identify barriers to delivery, and highlight investment opportunities and needs. The UK Government also recently launched the Pathways to Commercialisation initiative, bringing together private sector and market participants to build a shared and credible view of what is needed for innovative clean energy technologies to reach large-scale commercial deployment.

Market-integrity rules help to ensure that sustainability-related claims are credible and comparable. The Financial Conduct Authority's Sustainability Disclosure Requirements and investment labels regime, introduced through Policy Statement PS23/16 and implemented between 2024 and 2026, combines product- and entity-level disclosure requirements with voluntary labels, naming and marketing restrictions and an anti-greenwashing rule (Financial Conduct Authority, 2026^[106]). This helps create consistency between transition-related claims made by investment products and the underlying transition strategies and disclosures of issuers (Financial Conduct Authority, 2026^[107]).

Policy design also reflects the understanding that credibility and transparency alone may not be sufficient to overcome certain barriers to investment in the short to medium term. In sectors such as hydrogen and CCUS, policy mechanisms can improve revenue certainty and investment conditions where significant investor interest coexists with early-stage demand, infrastructure and risk-allocation challenges. Carbon pricing through the UK Emissions Trading Scheme, established under the Greenhouse Gas Emissions Trading Scheme Order 2020 (SI 2020/1265), provides the main price signal for emissions reductions in power generation, energy-intensive industry and aviation, while the planned UK Carbon Border Adjustment Mechanism from January 2027 is intended to reduce carbon leakage risks in sectors such as steel, cement and aluminium (UK Government, 2020^[108]; HM Treasury and HM Revenue and Customs, 2024^[109]). Project economics are further supported through the Contracts for Difference scheme under the Energy Act 2013, the Hydrogen Production Business Model, and Carbon Capture, Usage and Storage business models including Industrial Carbon Capture Contracts and the Dispatchable Power Agreement, which seek to improve revenue certainty or share risk in sectors with high capital intensity and strong infrastructure dependencies (UK Government, 2013^[110]; Department for Energy Security and Net Zero, 2024^[111]; Department for Energy Security and Net Zero, 2025^[102]). In sectors such as hydrogen and CCUS, investment decisions also depend on confidence in the timely development of enabling infrastructure, including hydrogen transport and storage networks and CO₂ transport and storage infrastructure, highlighting the importance of coordinating financing mechanisms with broader infrastructure planning and delivery. The National Wealth Fund, as successor to the UK Infrastructure Bank, adds a public finance channel through loans, guarantees and co-investment intended to crowd in private capital for infrastructure and clean energy projects (HM Treasury, 2024^[112]).

Figure 4. Summary overview of case studies on national enabling environments for transition finance

Policy function	Japan	European Union	United Kingdom
Direction-setting, pathway clarity and expectation coordination	GX Strategy/GX 2040 Vision	European Climate Law/EU climate objectives	Climate Change Act and carbon budgets
	Sectoral technology roadmaps	Strategy for Financing the Transition	Sustainable finance policy agenda
	Sector-specific investment strategies	Climate-law-aligned sector pathways	Entity-level transition-planning agenda
Operational requirements, market creation and delivery conditions	Technology pathways in sectoral roadmaps	EU Taxonomy technical criteria	Entity-level transition assessment
	Priority areas for GX support	CBAM and sectoral standards	Hydrogen and CCUS business models
		Demand-side industrial policy tools	Sectoral delivery frameworks
Price signals, investment incentives and expected revenues/returns	GX-ETS mandatory phase	EU ETS	UK ETS
	Planned GX Surcharge and auctioning	CBAM	Planned UK CBAM
		ETS auction revenues	Revenue-support mechanisms
Risk-sharing, revenue visibility, enabling conditions and financeability	Sovereign climate transition bonds	Innovation Fund	National Wealth Fund
	GX Acceleration Agency guarantees	Modernisation Fund	Contracts for Difference
	GX-related public support	InvestEU/public finance	Hydrogen Production Business Model
Definition, guidance, verification and market integrity	Basic Guidelines on Climate Transition Finance	EU Taxonomy	UK SRS based on ISSB
	Transition Finance Follow-up Guidance	CSRD/ESRS transition-plan disclosure	TPT Disclosure Framework
	SSBJ standards aligned with ISSB	SFDR/climate benchmarks	FCA SDR/anti-greenwashing
Coordination, interoperability and implementation capacity	Asia Zero Emission Community (AZEC)	Platform on Sustainable Finance	TPT materials transferred to ISSB
	Asia GX Consortium	IPSF/Common Ground Taxonomy	Transition Finance Council
	GX public-private dialogue		Transition Finance Market Review

Note: The figure presents selected examples of evolving policy instruments across case studies, it is not a comprehensive mapping of policy measures or voluntary approaches in each jurisdiction.

Source: Authors' illustrations

3 Literature review: climate-related policies, transition finance and corporate transitions

The literature review synthesises the available evidence on how climate-related policies relate to the mobilisation of transition finance and credible, economically feasible corporate transitions in emissions-intensive sectors. It draws on a structured review of 167 studies published between 2013 and 2026. The section explains the methodology, analytical approach and composition of the evidence base and then examines what the literature suggests about how different climate-related policies are associated with transition finance and related outcomes.

The reviewed literature associates coherent and predictable policy packages with stronger transition-related investment outcomes than isolated policy instruments. Long-term targets and sectoral strategies can provide direction but their effects on investment appear to depend on credible implementation, stable policy signals and complementary measures addressing infrastructure, technology and market constraints. Across the studies reviewed, policy uncertainty is consistently associated with weaker investment and innovation in low-carbon technologies, greater financing risk and delayed transition decisions.

Public support is most consistently associated with stronger finance mobilisation where it addresses specific barriers to project financeability, while demand-side measures appear to support market formation and corporate transition implementation. Guarantees, tax credits, concessional finance, public banks, Contracts for Difference and Carbon Contracts for Difference are associated with improved investment conditions through risk sharing, lower upfront costs or greater revenue certainty. These effects are particularly evident in emissions-intensive sectors facing first-of-a-kind technology risks, high capital requirements, uncertain demand and infrastructure dependencies. Public procurement and related demand-side policies are also linked to green product development and supply-chain effects, although evidence on their contribution to large-scale capital mobilisation remains more limited.

Information instruments are associated with stronger transition credibility and, in some cases, more favourable financing conditions when they produce comparable, reliable and decision-useful information. Mandatory disclosure, taxonomies, transition plans and reporting standards are linked to improvements in reporting quality, comparability and the assessment of greenwashing risks. Their effects tend to depend less on the volume of reporting than on whether investors and lenders can assess implementation, including governance, capital expenditure, intermediate targets and technology choices. The literature also indicates that evidence of transition plan implementation can be associated with lower borrowing costs.

The literature finds that carbon pricing and regulatory measures can be compatible with competitiveness on average, while their effects vary substantially across companies. Several studies identify limited average adverse effects on employment, revenues, exports or profitability, particularly where companies can improve efficiency, innovate, pass through costs or invest in cleaner production. At the same time, corporates with higher emissions exposure, limited abatement options or weaker financial capacity are more likely to face higher financing costs, shorter loan maturities or greater financial distress. The review therefore finds differentiated effects, with more favourable financing outcomes for corporates demonstrating credible adjustment and tighter conditions for corporates remaining exposed to unmanaged transition risks.

3.1. Methodology

Review design and scope

The literature review uses a structured evidence-mapping approach to examine how climate-related policies affect the mobilisation of transition-related finance and the credibility and economic feasibility of corporate transitions. Since transition finance is still an emerging field of study, the review does not focus only on instruments explicitly labelled as “transition finance”. This broader scope is necessary because much of the relevant evidence concerns adjacent channels, including green and sustainable finance, and the approach allows the paper to organise a diverse body of literature across policy instruments, sectors, outcome variables and study designs. The review methodology draws on established principles of transparent evidence synthesis and reporting while adapting them to the needs of this paper (OECD, 2025^[113]). Similar approaches have been used in climate-policy review work to synthesise evidence across multiple policy instruments and outcomes (Peñasco, Anadón and Verdolini, 2021^[114]).

The literature review is guided by an overarching question: how do climate-related policies affect and relate to the mobilisation of transition finance and the economic feasibility of corporate transitions in emissions-intensive sectors? This research objective is examined through three analytical questions. R1 examines which climate-related policy instruments and policy mixes are associated with stronger capital mobilisation and more favourable financing conditions for transition-related financing and investment. R2 examines how climate-related policies affect corporate transition credibility and implementation, including transition plan uptake, governance arrangements and alignment with investment decisions. R3 examines under what policy conditions corporate transitions remain economically feasible and compatible with industrial competitiveness and resilience. These questions are intended to capture the main policy channels that relate to transition finance and credible, economically feasible corporate transitions.

To support comparison across studies, the review organises the literature into a limited number of policy families and outcome families. On the policy side, studies were grouped into the same broad analytical categories defined in Section 2: long-term strategies and targets, regulatory standards and mandates, public support, carbon pricing, disclosure and information requirements and public-private dialogue and voluntary approaches. This allows the policy mapping (Section 2), literature review (Section 3) and survey results (Section 4) to be interpreted within a common analytical architecture. Studies are classified into three outcome families: 1) finance and investment, 2) corporate transition credibility and implementation and 3) feasibility, competitiveness and resilience (see Table 1).

Table 1. Overview of outcome families

Outcome family	What it captures	Illustrative variables
Finance and investment	The mobilisation, allocation and cost of capital for transition-related activities	Investment volumes, capital mobilisation, lending conditions, bond spreads, financing costs, fund flows
Corporate transition credibility and implementation	Whether firms adopt, govern and implement credible transition strategies	Transition plan uptake, governance arrangements, target-setting, disclosure quality, deployment of low-carbon technologies
Feasibility, competitiveness and resilience	Whether transition pathways remain economically feasible and compatible with firm- or sector-level competitiveness	CAPEX burdens, production costs, profitability, competitiveness, resilience, investment viability

Source: Authors' illustrations

Study selection and limitations

Studies were identified through an iterative search process combining keyword-based searches, targeted searches of academic and institutional sources and citation review from studies already identified. The literature review was conducted using studies available in English. It includes ex-post empirical studies, modelling and scenario analyses, systematic reviews, conceptual papers and selected institutional reports, where these were judged sufficiently relevant and analytically credible. These study types are not methodologically equivalent and results are therefore not pooled into a single estimate of policy effectiveness. Instead, the review maps where evidence is concentrated and synthesises the main findings across policy and outcome areas. Analytically, this allows identifying the most developed policy outcome clusters and assessing where effects appear positive, mixed, negative or too heterogeneous for quantitative comparison. The final review includes 167 studies published between 2013 and 2026. Further details on the search process and analytical approach are provided in Annex A.

Several limitations should be borne in mind when interpreting the findings of the literature review.

First, the review was designed as a structured evidence map of studies most useful for answering the paper's research questions, not as an exhaustive review of all potentially relevant studies. Second, the evidence base is highly heterogeneous in terms of methods, policy settings, sectors and outcome variables, which limits the extent to which findings can be compared directly across studies or combined into common quantitative estimates. Third, the review includes a broad range of evidence types, from ex-post empirical studies to modelling, reviews and institutional analyses, which are not methodologically equivalent and therefore cannot be interpreted as carrying the same inferential weight or pooled into a single estimate of policy effects across all settings.

3.2. Descriptive statistics

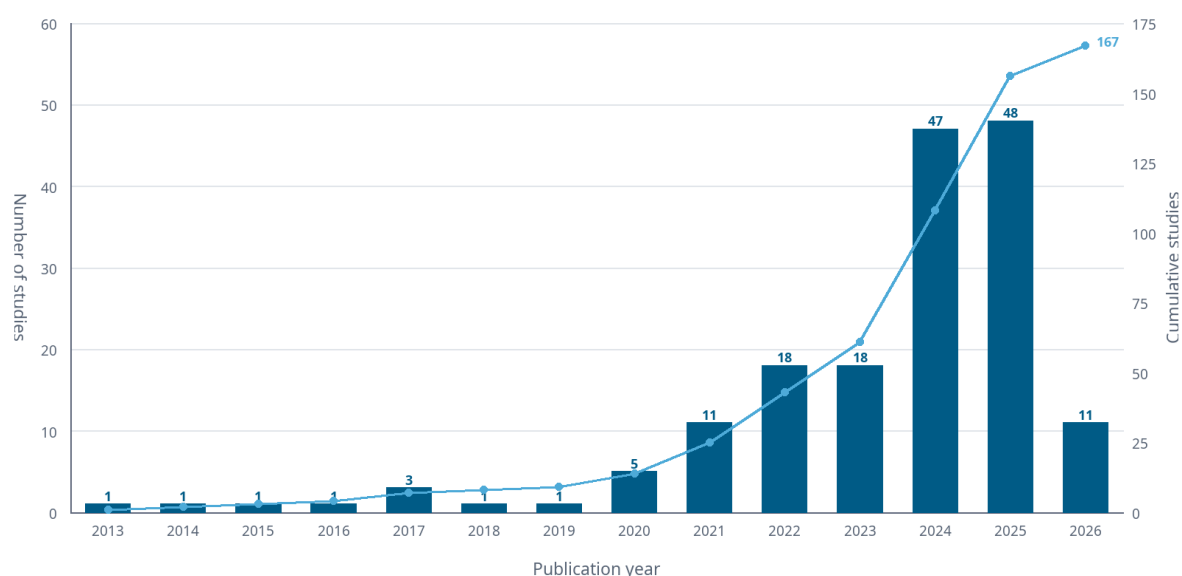
The literature review includes 167 studies covering six policy families and three outcome families.

The largest policy clusters are carbon pricing (38 studies), disclosure and information requirements (35), long-term strategies and targets (33), public support and financial instruments (27) and regulatory standards and mandates (22). Public-private dialogue and voluntary approaches are less frequently covered (6 studies). Studies are grouped according to their primary dependent variable: finance and investment is the largest outcome family (71 studies), followed by feasibility, competitiveness and resilience (55) and corporate transition credibility and implementation (41).

The evidence base has increased sharply since the early 2020s. Only 9 studies in the review were published between 2013 and 2019, compared with 95 studies in 2024 and 2025 and 11 studies in 2026. This recent growth makes the review closely aligned with current debates on transition finance, transition disclosure, transition plans and industry decarbonisation policies. The lower number of studies for 2026 should be interpreted cautiously, as the review only captures studies available at the time of screening.

Evidence remains uneven across policy areas, with public-private dialogue and some implementation aspects of corporate transition plans still less extensively covered.

Figure 5. Studies included in the review by publication year



Note: Data for 2026 may be truncated.

Source: 2026 OECD Literature Review on Climate-related Policies and Transition Finance

3.3. Climate-related policies associated with transition finance and corporate transitions

Finance and investment

Climate-related policies can increase transition-related capital allocation, improve financing conditions or reduce investment risk, while also tightening financing conditions for emissions-intensive, fossil-exposed or financially constrained firms. The finance and investment outcome family includes 71 studies, making it the largest outcome group in the review. The evidence is concentrated in carbon pricing (21 studies), regulatory standards and mandates (16), public support (14) and disclosure and information instruments (13). The included studies examine different forms of finance and investment, including bank lending, fund flows, institutional holdings, corporate green investment and capital expenditure, and different financing conditions, including loan spreads, bond financing costs and debt maturity.

Disclosure requirements, taxonomies and other information instruments tend to support financing conditions when they make transition-related information more comparable, credible and usable for lenders and investors. The strongest effects appear where disclosure rules go beyond reporting volume and help market participants assess transition risks, implementation progress and firm-level credibility. Mandatory sustainability-reporting regulations, for example, are associated with lower debt financing costs, especially where rules are government-issued, compliance-based and more strongly enforced (Song and Rimmel, 2024^[115]). Taxonomy-related information can also support investment decisions: after implementation of the EU Taxonomy Regulation for listed firms, analyst attention to environmental issues is associated with higher corporate green investment (Davrinche, Filbien and

Vigneron, 2025^[116]). Evidence from loan markets points in the same direction, with firms providing clearer evidence of transition plan implementation benefiting from lower loan spreads and therefore a lower cost of debt (Zhou and Shrimali, 2024^[117]).

Public support instruments are positively associated with finance mobilisation when they improve bankability, share risks or strengthen revenue visibility. The reviewed studies cover government grants, tax credits, guarantees, public banks, green credit policies, public procurement, Contracts for Difference (CfDs) and Carbon Contracts for Difference (CCfDs). These instruments are found to be particularly relevant in emissions-intensive and hard-to-abate sectors, where low-carbon investments often face high upfront capital costs, uncertain demand, technology risk and exposure to volatile carbon or energy prices. Evidence on CCfDs illustrates the mechanism: public support instruments can reduce mitigation costs, stabilise carbon-related revenues and improve investment conditions for low-emission industrial projects (Richstein and Neuhoﬀ, 2022^[118]; Hoogsteyn, Bruninx and Delarue, 2025^[119]).

Carbon pricing and regulatory instruments have differentiated effects on financing conditions, depending on whether corporates are seen as adapting to the transition or remaining exposed to transition risks. In some settings, carbon pricing policies are associated with lower financing costs, suggesting that investors and lenders may reward firms that respond to policy signals through green innovation, improved environmental performance or stronger transition management. Evidence from China, for example, finds both lower bond financing costs for high-polluting firms where carbon trading is accompanied by green innovation, environmental-performance improvements and CSR channels, and it links cap-and-trade pilots to reductions in the cost of equity and debt (Zhang and Wang, 2024^[120]; Hu, Hu and Wu, 2025^[121]; Tang et al., 2026^[122]). The reverse effect appears where firms face higher emissions exposure without a sufficiently credible adjustment pathway. Cap-and-trade regulation has been found to be associated with shorter loan maturities and higher interest rates for affected high-emission firms while international loan-market evidence shows higher borrowing costs for fossil-fuel firms with larger reserves after 2015, as banks began pricing climate-policy exposure more strongly (Ivanov, Kruttlı and Watugala, 2024^[123]; Delis et al., 2024^[124]).

Corporate transition credibility and implementation

Disclosure and information instruments are the largest evidence cluster for corporate transition credibility and implementation and are generally associated with better reporting quality, stronger comparability and lower greenwashing risk. Evidence on mandatory disclosure, taxonomy reporting, fund classification rules, transition plan disclosure and green bond reporting suggests that these tools improve the information available to investors and lenders for assessing transition claims. Taxonomy-related studies point to both implementation frictions and credibility benefits: first-year EU Taxonomy reporting was often basic and constrained by immature reporting systems but it also increased lender attention to taxonomy KPIs and internal discussion on sustainability positioning (Hummel and Bauernhofer, 2024^[125]). Evidence on classification, such as the EU's Sustainable Finance Disclosure Regulation (SFDR) and green bond reporting similarly suggests that clearer categories, external review, certification and identifiable use of proceeds can strengthen credibility and reduce greenwashing risk (Abouarab, Mishra and Wolfe, 2025^[126]; Fatica and Panzica, 2021^[127]; Reitsema and Scholtens, 2025^[128]). Disclosure requirements can also influence implementation: studies link public or mandatory climate and sustainability disclosure to lower emissions, stronger benchmarking and improved reporting quality (Downar et al., 2021^[129]; Fiechter, Hitz and Lehmann, 2022^[130]; Krueger et al., 2024^[131]).

Long-term strategies, targets and transition plan frameworks provide useful forward-looking signals but credibility depends on additionality, accountability and implementation detail. Studies on corporate climate targets, transition plans, TPI-style assessments and corporate climate-policy mixes show that headline commitments are not sufficient evidence of credible transition. Comprehensive corporate climate-policy mixes are more strongly associated with improved climate performance than

isolated individual policies, suggesting that implementation packages are more informative than single commitments (Klaaßen, Lohmüller and Steffen, 2024^[132]). Evidence on SBTi-approved targets indicates that voluntary targets may be only modestly additional to existing policy baselines unless flanking measures ensure additional reductions (Roelfsema, Kuramochi and den Elzen, 2024^[133]). For heavy industries, transition plan credibility depends strongly on external conditions such as policy strategy, regulation, infrastructure, resource availability and environmental constraints (Pickard Garcia et al., 2025^[134]).

Public support instruments are found to strengthen implementation where they create demand-side incentives for firms to act on transition commitments. The most relevant evidence in this outcome family relates to green public procurement and related demand-side instruments. Procurement policies are associated with improved ESG performance, environmental innovation, green product development and supply-chain spillovers. Innovative public procurement is linked to environmental innovation adoption (Ghisetti, 2017^[135]), while green public procurement awards increase the probability that firms introduce environmentally friendly products (Krieger and Zipperer, 2022^[136]). More recent evidence links government green procurement to stronger corporate ESG performance, operating through executive attention, analyst scrutiny and anti-greenwashing channels (Wang, Wang and Li, 2024^[137]). Related evidence also suggests that procurement can create upstream ESG spillovers through client-supplier relationships (Wang and Shen, 2025^[138]).

Economic feasibility, competitiveness and resilience

Evidence on the effects of climate-related policies on firms' economic competitiveness and resilience is mixed but points to several positive channels. The 55 studies in this outcome family examine whether policies affect commercial viability, firm performance, production costs, carbon leakage risk, energy security and resilience. The largest evidence clusters relate to long-term strategies and targets, carbon pricing, public support and regulatory standards. The literature suggests that climate-related policies are more likely to support commercially feasible and resilient transition pathways when they improve energy security, reduce investment risk, clarify infrastructure and technology dependencies or strengthen the business case for low-emission investment.

Long-term strategies, sectoral pathways and environmental policy stringency are positively associated with resilience where they contribute to energy input diversification, efficiency and cleaner energy systems. Across OECD countries, stricter environmental policy and higher environmental awareness are associated with stronger energy resilience, partly through renewable energy, energy access and energy-efficiency channels (Dabbous, Croutzet and Horn, 2025^[139]). Evidence for developed economies similarly suggests that climate policy can improve energy security, although effects vary over time and across countries (Xie and Xie, 2024^[140]).

Public support instruments are most clearly linked to transition feasibility where they reduce investment risk, improve revenue visibility or make low-emission industrial projects more financeable. This channel is particularly relevant in hard-to-abate sectors, where transition investments often involve high upfront capital costs, uncertain demand, first-of-a-kind technology risks and infrastructure dependencies. Targeted policy packages can improve the feasibility of low-carbon investment in the EU basic materials sector by addressing barriers related to infrastructure, technology deployment, demand creation and investment risk (Chiappinelli et al., 2021^[141]). Carbon Contracts for Difference (CCfDs) can also improve the bankability of low-carbon industrial investments by stabilising carbon-related revenues and reducing exposure to carbon-price uncertainty (Richstein and Neuhoff, 2022^[118]).

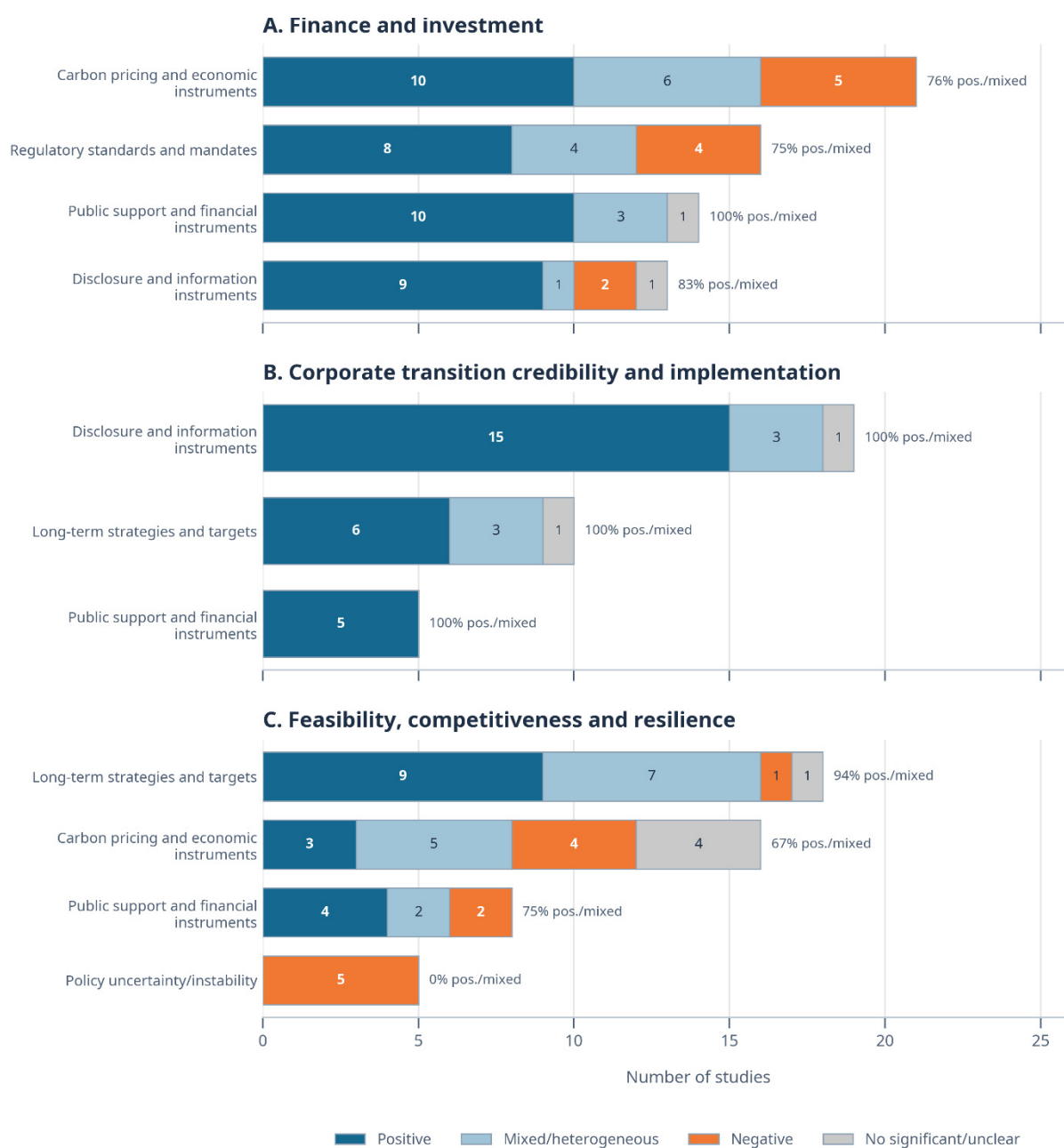
The evidence suggests that carbon pricing can be compatible with industrial competitiveness overall, while its effects vary across firms and sectors depending on carbon-cost exposure and adaptive capacity. Several studies find no significant adverse effects, or only limited average effects, on

firm-level indicators such as employment, revenue, exports, profitability or broader economic performance, particularly where firms can improve efficiency, pass through costs, innovate or invest in lower-emission production (Chan, Li and Zhang, 2013^[142]; Trinks and Hille, 2026^[143]; Bremer and Sommer, 2025^[144]). However, aggregate results can mask adjustment pressures for firms that are more carbon-cost exposed, including trade-exposed or financially weaker firms with limited short-term abatement options. Evidence from EU ETS Phase III indicates that the move to auctioned permits increased financial distress risk for regulated firms relative to unregulated firms, while evidence on investment-location decisions points to potential leakage risks where firms can relocate investment across jurisdictions (Lambertides and Tsouknidis, 2024^[145]; D’Arcangelo and Galeotti, 2025^[146]).

Policy uncertainty is consistently linked to weaker transition investment and economic feasibility.

The evidence points to several channels: weak credibility of future carbon-price commitments can contribute to high-carbon investment lock-in (Campiglio, Lamperti and Terranova, 2024^[147]) and higher climate-policy uncertainty is associated with slower energy transition and greater financing risk for low-carbon technologies, including CCUS (Lin and Cheung, 2024^[148]; Lin et al., 2025^[149]). Firm-level evidence also suggests that weakening climate policy can worsen maturity mismatches between long-term investment needs and shorter-term financing structures (Tan et al., 2025^[150]).

Figure 6. Main evidence clusters on climate-related policies on transition-related finance and corporate transitions



Note: Bars show the number of studies by direction of finding. "Mixed/heterogeneous" indicates effects that vary across firms, sectors, outcomes or specifications. Percentages show the share of directional findings coded as positive, mixed, negative or unclear. Policy uncertainty/instability is included as a cross-cutting condition rather than a policy instrument.

Source: 2026 OECD Literature Review on Climate-related Policies and Transition Finance

4

Survey findings: transition finance in practice

This section examines how practitioners in companies and financial institutions involved in transition-related investment and financing decisions perceive the effect of policy and market conditions on transition finance. It draws on the 2026 OECD Survey on Enabling Policies for Transition Finance, conducted between April and May 2026, which gathered responses from 121 respondents: 66 from financial institutions and 55 from non-financial companies. To help interpret quantitative results, the survey is complemented by stakeholder discussion, including a closed-door roundtable and written comments.

Survey respondents perceive the main constraints on transition finance as arising from the conditions that determine whether projects and corporate transitions are commercially viable and financeable, rather than from a shortage of capital alone. Policy uncertainty, technology cost and maturity, weak demand for low-emission products, uncertain revenues and returns, infrastructure constraints and insufficiently mature project pipelines were the most frequently reported barriers. Their relative importance differs along the investment and financing chain: corporates place greater emphasis on demand, technology costs and infrastructure, while financial institutions more often identify uncertain returns, limited project readiness and due diligence gaps.

Policy uncertainty and cross-border regulatory differences are widely perceived as major constraints to transition-related investment and financing. Overall, 89% of respondents report that policy uncertainty reduces their willingness or ability to invest or finance transition activities to at least a moderate extent, while 75% report the same for cross-border regulatory differences. Respondents most frequently associate these conditions with delayed or discouraged long-term commitments, higher perceived risk, lower expected risk-adjusted returns and greater compliance and transaction costs. Qualitative responses also emphasise the importance of predictable policy direction and greater interoperability across transition finance frameworks.

Respondents associate the strongest enabling effects with policy instruments that make transition pathways more concrete, predictable and financeable. Long-term strategies, including sectoral pathways, regulatory standards and mandates and public support receive the highest assessments across respondents from corporates and financial institutions. Qualitative responses indicate that long-term strategies are viewed as most relevant when they translate national objectives into clear sectoral pathways, technology and infrastructure milestones and implementation expectations. Regulatory standards and mandates are perceived as enabling where they clarify future compliance requirements, expected technology uptake and demand for lower-emission alternatives.

Public support is perceived as most enabling where it strengthens demand and revenue visibility or improves the bankability of investments. Respondents particularly highlight price-support mechanisms, long-term purchase commitments and public procurement as valuable

instruments to strengthen demand and support the creation of stable markets for low-emission products. Guarantees, blended finance and other de-risking instruments are viewed as complementary measures that can improve financing conditions once a credible revenue case has been established. These findings are particularly prominent in sectors characterised by large capital requirements, green cost premiums and early-stage markets.

Carbon pricing is perceived as enabling overall but its effects appear to depend on the credibility of future price trajectories and firms' exposure to transition costs. Around 60% of respondents report a positive effect on commercial viability and financeability, although corporates are less positive than financial institutions and a substantial share report no clear effect. Qualitative responses indicate that carbon pricing is viewed mainly as a forward-looking signal affecting expected relative costs, technology choices and capital-allocation decisions, rather than as a stand-alone determinant of project viability. Respondents also report mixed effects from fossil-fuel supply disruptions and energy-price volatility, reflecting both stronger incentives to transition and greater uncertainty and cost pressures.

4.1. Methodology

Survey design and scope

To understand how enabling policies relate to and affect transition finance in practice, evidence on formal policy design can be complemented by market participants' perceptions on the conditions under which transition activities become commercially viable and financeable. In this area, many of the relevant determinants of capital allocation are mediated through expectations and judgements: whether policy direction is viewed as credible and durable, whether future demand for lower-emission products is sufficiently visible, whether infrastructure and technology dependencies are likely to be resolved and whether firms' transition strategies appear commercially viable on workable terms. A targeted survey of informed respondents can provide useful evidence on how actors close to investment and financing decisions understand the policy and market conditions that shape transition-related capital allocation. This logic is consistent with wider methodological practice in expert and informed respondent surveys, which are particularly helpful where decision-relevant questions must be addressed under uncertainty and where important parts of the phenomenon are only partially captured in existing datasets or ex post empirical studies (Granger Morgan, 2014^[151]). At the same time, such evidence must be interpreted with appropriate caution, since it reflects informed respondent perceptions rather than directly observed behavioural effects or government positions (OECD, 2025^[152])

The 2026 OECD Survey on Enabling Policies for Transition Finance was designed as one component of the broader evidence base for this paper. It complements the policy mapping in Section 2 and the structured literature review in Section 3 by adding a practitioner perspective on how current policy environments are assessed in non-financial corporates and financial institutions. It collected structured perceptions from respondents with practical involvement in transition-related investment and financing decisions, to better understand where external conditions are perceived to constrain transition finance mobilisation and which policy instruments are seen as most useful in addressing those constraints. Stakeholder proposals are reported as views expressed by participants and should not be interpreted as agreed government positions or stakeholder consensus.

The questionnaire was organised around three analytical questions. First, it asked what is currently holding transition investment and financing back, including the main external constraints on commercial viability and financeability of activities or entities and whether fossil fuel supply disruptions or energy price volatility are changing decisions in the near term. Second, it asked which policy instruments are perceived as most enabling in making transition activities commercially viable and financeable. Third, it examined

how policy uncertainty and cross-border regulatory differences influence willingness and ability to invest or finance, including the channels through which these frictions affect decision-making in practice. Please see Annex B for a complete overview of the questions asked.

The standardised survey data are complemented by qualitative evidence gathered through stakeholder dialogue and open-ended written responses. The analysis draws on insights from the Joint GXA-OECD Stakeholder Workshop on Transition Finance and Corporate Climate Action, held on 7 November 2025, including a roundtable discussion conducted under the Chatham House Rule. The workshop explored how Japan's enabling policy environment shapes investment decisions and capital allocation in both financial institutions and corporates, and which policy conditions and instruments stakeholders view as most important for economically feasible transitions. The survey evidence is also complemented by 31 longer-form written comments provided at the end of the questionnaire. These comments offered more detailed perspectives across the themes covered by the survey and responded in particular to two prompts: (i) examples of how a policy instrument had positively or negatively affected transition-related investment or financing decisions, and (ii) areas where a policy instrument, or the overall jurisdictional approach to transition finance, could be further developed or strengthened to better support transition investment and financing.

Survey outreach and limitations

The survey targeted two groups of respondents: non-financial companies operating in emissions-intensive sectors and financial institutions involved in related investment, financing or decision-making. The intention was to capture views from practitioners in organisations that either undertake transition-related investments and financing directly or play an active role in assessing, structuring, approving or supporting transition-related finance. The questionnaire was distributed through a combination of targeted organisational networks and bilateral outreach. Distribution channels included Business at OECD (BIAC), notably through its Finance Committee and Environment and Energy Committee, as well as sectoral and financial-market organisations such as the World Steel Association (worldsteel), the German Federation of Industries (BDI), the Asset Management Forum Japan, Association for Financial Markets in Europe (AFME), Principles for Responsible Investment (PRI), the Institutional Investors Group on Climate Change (IIGCC), Institut de la Finance Durable (IFD) and UK Finance. In addition to this network-based distribution, targeted bilateral outreach was undertaken to broaden participation and ensure representation from both corporate and financial-market perspectives. The survey was conducted between April and mid-May 2026.

Several limitations should be borne in mind when interpreting the findings:

The survey is based on a targeted, non-random sample, with the outreach strategy aiming to reach respondents with practical involvement in decision-making on transition financing and investment, rather than to construct a statistically representative sample of emissions-intensive corporates or financial institutions financing or investing in emission-intensive sectors. While the sample is diverse, some subgroup analyses necessarily rely on relatively small numbers of observations, especially in certain regional, sectoral or institution-type categories. Results for these smaller groups should therefore be interpreted with caution and read primarily as indicative.

The survey captures self-reported perceptions rather than observed financing outcomes or transaction-level data. Positive or negative effects represent respondents' assessments and do not establish that a policy instrument caused the reported outcome. These findings are nevertheless valuable for the purposes of this paper, since the objective is to understand how market participants perceive the policy environment, the constraints it creates and the conditions under which transition activities may become economically feasible and financeable.

The sample is skewed toward respondents from corporates and financial institutions that are already relatively engaged with transition planning. This is analytically useful for understanding how informed market participants assess policy conditions but it may mean that the sample underrepresents corporates and financial institutions that are less advanced in transition planning or less directly involved in transition-related financing decisions.

4.2. Descriptive statistics

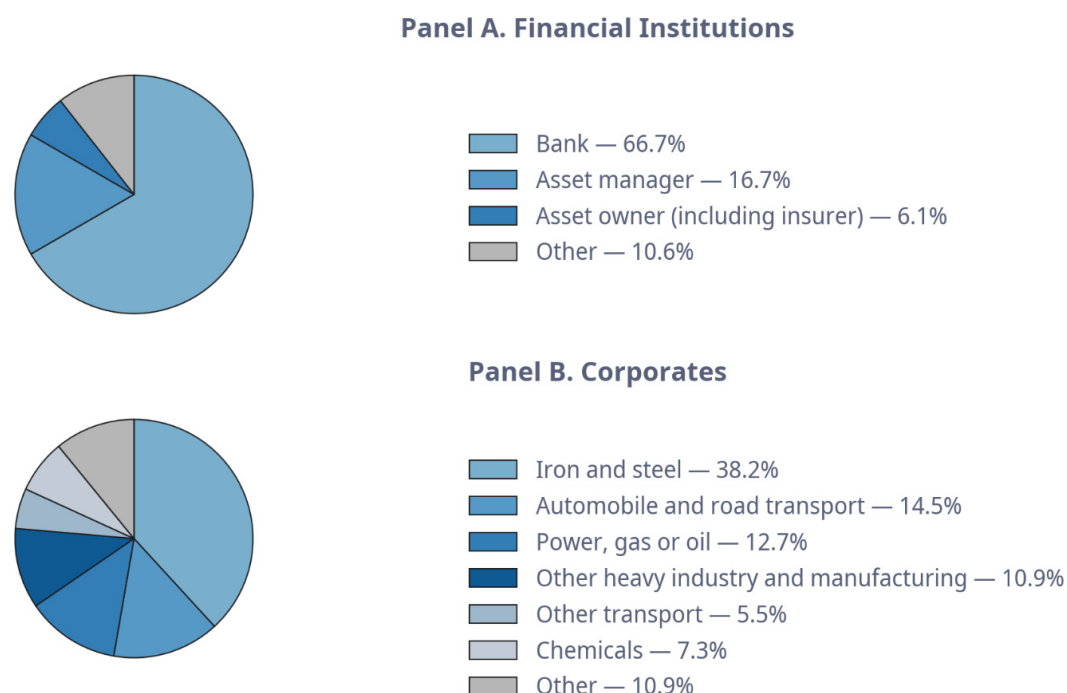
The data sample contains 121 respondents, of whom 66 are from financial institutions and 55 from non-financial companies. Based on organisation location, around 62% of respondents are located in the European Union, compared with around 16% in Japan, 11% in other European countries and 12% in the rest of the world. When respondents are asked to identify the most relevant policy jurisdiction for their organisation's transition-related investment and financing decisions, the sample is even more EU-centred: around 69% identify the EU as the most relevant policy environment, while 16% identify Japan and around 7% each identify other European jurisdictions and the rest of the world.

Country-level location data show that the sample is especially concentrated in Germany, Japan, Italy and France, with smaller but still visible representation from countries including Switzerland, Romania, Sweden, Spain and the United Kingdom. This pattern suggests that the evidence should be read primarily as reflecting views shaped by European and Japanese policy and market conditions, even though the sample remains geographically diverse overall.

Respondents are concentrated in roles that are close to the investment and financing process. The largest role groups are respondents providing technical or sustainability input (37%) and those preparing recommendations or assessments for decision-makers (34%). A further 14% work in reporting, compliance, legal or data support, while 11% are final decision-makers or members of final approval bodies; only a small residual group falls into other roles. Nearly 59% of respondents report more than 10 years of relevant professional experience, giving the survey a strong base of respondents with substantial practical exposure to transition-related investment and financing issues.

Most respondents come from corporates and financial institutions that already have some form of transition planning in place. Around 60% report that their employer entity has a publicly available transition plan or equivalent strategy, while a further 21% say a plan is currently in development and about 9% report an internal but non-public plan. These descriptive statistics suggest a sample that is policy-relevant, relatively experienced and institutionally advanced, as respondents are concentrated in corporates and financial institutions that are already engaging with transition planning and are answering from positions that are close to the practical investment and financing process. That gives the subsequent results considerable value for understanding how current policy and market conditions are perceived by actors with direct operational relevance.

For a detailed breakdown of descriptive statistics, please refer to Annex C.

Figure 7. Breakdown of survey respondents by sector

Note: Respondent count= 121, of which Financial Institutions= 66 and Corporates= 55

Source: 2026 OECD Survey on Enabling Policies for Transition Finance

4.3. What is holding transition finance back? Perceived external constraints on commercial viability and financeability

The survey provides new evidence on the external constraints that most affect whether transition activities in emissions-intensive sectors are perceived as commercially viable and able to attract finance. Across the full sample, the results point to a combination of policy uncertainty, technology cost, market demand, infrastructure and project-readiness constraints, rather than a single dominant barrier. The aggregate findings are the main analytical reference point, while differences by organisation type are best interpreted as indicative evidence of where constraints become most salient along the investment and financing chain. The results suggest that bottlenecks to transition finance arise not only from the supply of capital but from the wider conditions that determine whether projects and entities are economically feasible, financeable and scalable.

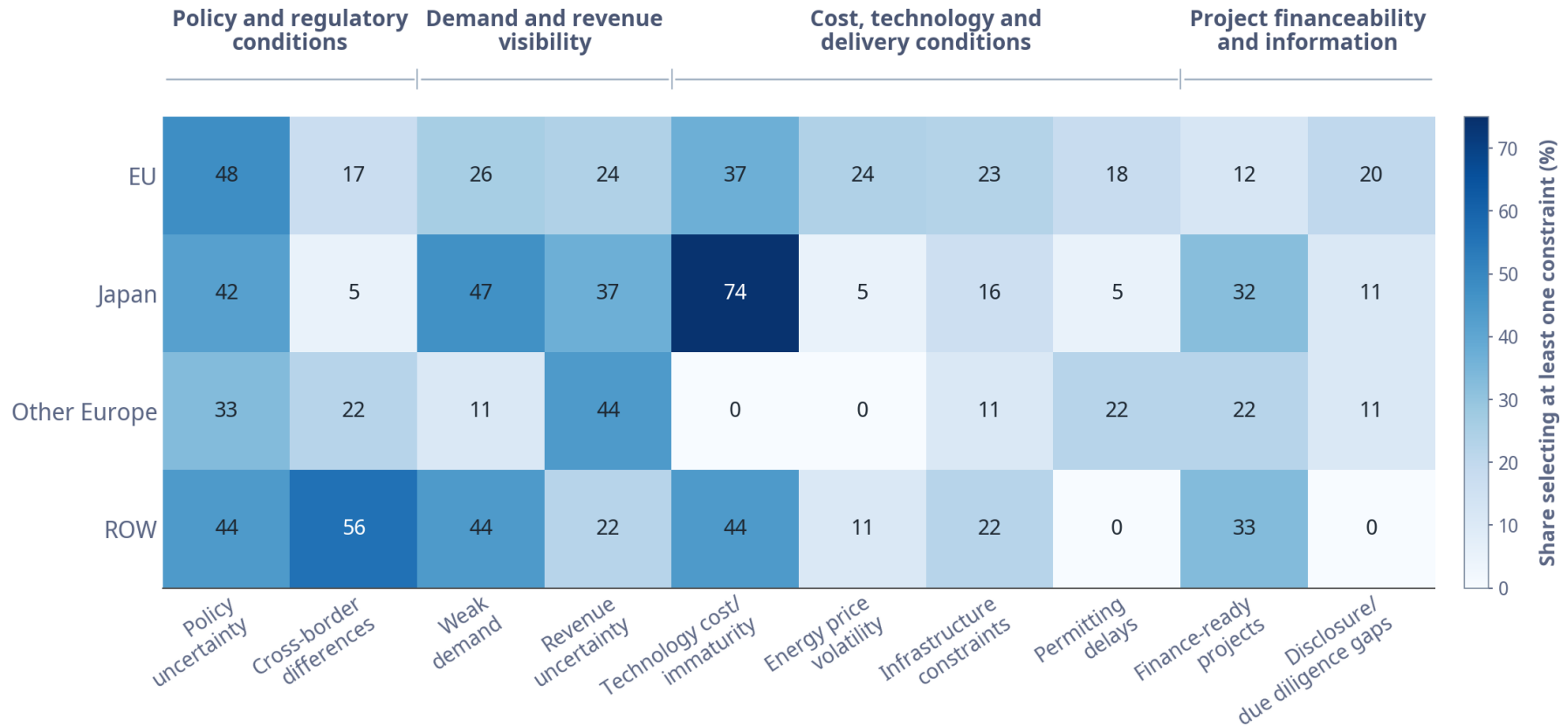
Policy uncertainty, technology cost and weak market fundamentals emerge as the main barriers to the commercial viability of transition-related investment and financing. Across respondents, the most frequently cited external constraint is policy uncertainty or the risk of policy reversal (46%), followed by technologies being too immature or too costly (41%). Commercial viability also remains constrained by weak demand for low-carbon products or services (30%) and by uncertain expected revenues or risk-adjusted returns (27%). Another set of reported constraints relates more to delivery conditions than to project economics alone, including infrastructure, logistics and supply-chain constraints (21%), energy prices that are too high or too volatile (18%), cross-border regulatory differences (18%), too few finance-ready or mature projects (17%), disclosure or due-diligence gaps (17%) and permitting or project-development delays (15%).

Among non-financial companies, the most frequently cited constraint is weak demand for low-carbon products or services, selected by 64% of respondents. This is followed by technology immaturity or high cost (44%) and policy uncertainty or the risk of policy reversal (44%). Corporates also report relatively high exposure to infrastructure, logistics and supply-chain constraints (38%), as well as energy prices that are too high or too volatile (24%) and cross-border regulatory differences (24%). These responses point to transition bottlenecks in the economics of production and commercial delivery. Even where transition technologies exist in principle, investment remains difficult where buyers are uncertain, cost premiums remain high and supporting infrastructure or value chains are not yet in place.

Among financial institutions, the most frequently cited constraints are uncertain expected revenues or risk-adjusted returns (48%) and policy uncertainty (47%), followed by technology immaturity or cost (38%). Financial institutions also point relatively often to too few projects being sufficiently mature or finance-ready (32%) and to counterparty disclosure or due-diligence gaps, including integrity and greenwashing concerns (30%). These reported constraints point to the challenge of “investable” or “bankable” transition activities and entities, i.e., whether projects have sufficiently credible revenue models, whether pipelines are mature enough to finance and whether the available information is robust enough to assess transition risk and credibility.

Closed-door discussions and open-ended survey responses also identified predictable demand, project pipelines and internationally competitive transition value chains as important conditions for investment. Participants repeatedly emphasised the need for sustained and predictable long-term cash flows to support decarbonisation investments and noted that confidence in premium pricing for lower-emission products depends heavily on clear demand signals and credible policy support. Several respondents also underlined that what matters is not only whether low-carbon technology can be deployed domestically but whether sustainable production can be made available on internationally competitive terms, supported by a global level playing field and more consistent regulatory conditions across jurisdictions. A related message was that commercially viable transition pathways depend on resilient end-to-end value chains, including abundant and affordable low-carbon power, enabling infrastructure and critical minerals supply.

Figure 8. Main reported external constraints to transition activities being commercially viable and able to attract financing

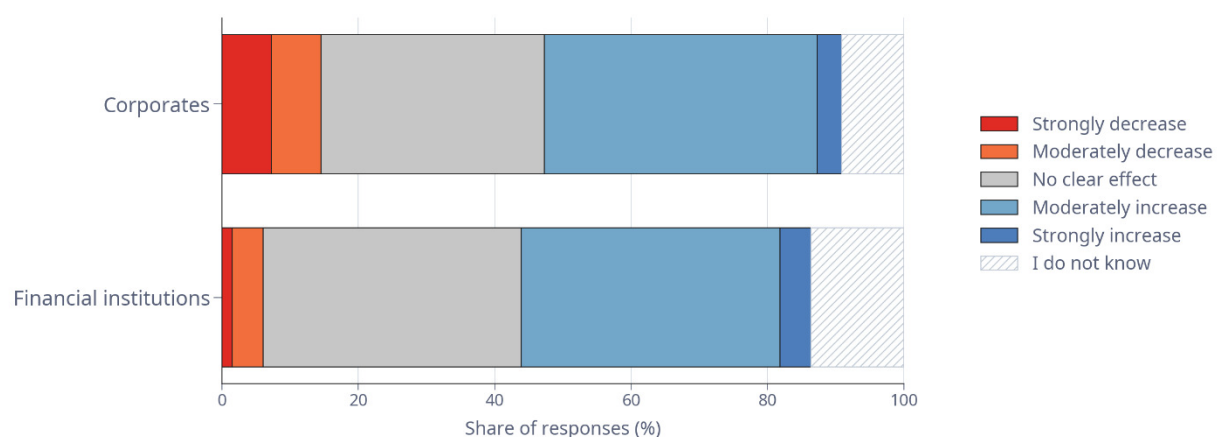


Note: Respondent count = 121. Question: “Which of the following currently represent the main external constraints that limit whether your company’s transition activities are commercially viable and able to attract financing?”/ “Which of the following currently represent the main external constraints that limit whether transition activities are commercially viable and able to attract financing or investment from your institution?” Comparisons between non-financial corporates and financial institutions should be interpreted with caution where response options were not fully identical across respondent groups; subgroup results are presented as indicative evidence.

Source: 2026 OECD Survey on Enabling Policies for Transition Finance

Fossil fuel supply disruptions and price volatility are reported to have a positive effect on transition-related investment and financing, while also increasing uncertainty. Across the full sample, 43% of respondents say these disruptions would increase transition-related investment and financing activity to some extent, while 10% say they would decrease it. At the same time, 36% report no clear effect and 12% respond “I do not know”. The same pattern appears for both corporates and financial institutions. In short, energy-market disruption does not translate into a single directional investment response: a substantial share of respondents sees it as either ambiguous or insufficiently predictable, while among those expressing a directional view, the balance is toward greater financing of transition-related activities.

Figure 9. Perceived effect of fossil fuel disruptions and price volatility on transition-related investment and financing



Note: Respondent count= 121. Question: “How do fossil fuel supply disruptions and price volatility affect your company’s plans to invest in transition activities over the next year?”/ “How do fossil fuel supply disruptions and price volatility affect your institution’s plans to provide financing or investment for transition activities over the next year?”

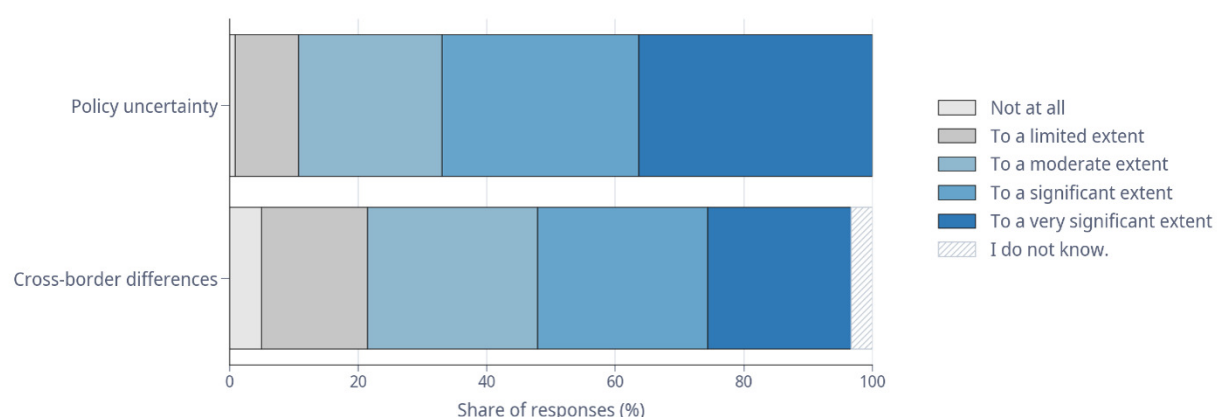
Source: 2026 OECD Survey on Enabling Policies for Transition Finance

Where fossil fuel supply disruption matters most, it appears to do so in sectors where energy costs and input availability remain tightly linked to production economics and investment timing. The more granular breakdown in Annex D shows that this is especially relevant in iron and steel, power, gas or oil, chemicals and other heavy industry and manufacturing, while the financial sector displays a more muted and heterogeneous pattern across banks, asset managers, asset owners and other institutions. This is consistent with wider evidence from Europe after the 2022 energy crisis. ECB analysis finds that energy shocks can reduce corporate investment, with stronger effects for energy-intensive and financially constrained firms, and ECB evidence on energy-intensive industries shows that sectors such as steel, chemicals and cement remained under pressure even after energy prices fell from their peak, limiting their capacity to finance green investment internally (Bijnens, Duprez and Hutchinson, 2024^[153]; Anaya Longaric et al., 2025^[154]). EIB survey evidence points in a similar direction: energy costs remain a major obstacle to investment for a large share of EU firms (European Investment Bank, 2024^[155]).

89% of surveyed practitioners say policy uncertainty reduces their willingness or ability to invest or finance transition activities to at least a moderate extent, and for 67% to a significant or very significant extent. More than one third of respondents (36%) say policy uncertainty reduces willingness or ability to invest or finance transition activities to a very significant extent, and a further 31% say it does so to a significant extent. This is consistent with the broader message emerging from the closed-door workshop and written comments. What constrains investment is not only the level of policy ambition but whether policy signals are sufficiently predictable, coherent and operationally clear to support investment

decisions. Participants repeatedly emphasised that transition investments require confidence about how policy will shape future demand, cost curves and technology deployment while several investors identified policy uncertainty, together with unclear definitions and standards, among their most important barriers.

Figure 10. Reported extent to which policy uncertainty and cross-border regulatory differences reduce willingness or ability to finance transition activities and entities



Note: Respondent count = 121, Question: "To what extent do the following reduce your organisation's willingness or ability to invest in or finance transition activities?"

Source: 2026 OECD Survey on Enabling Policies for Transition Finance

For 75% of respondents, cross-border regulatory differences reduce their willingness or ability to invest in or finance transition activities to at least a moderate extent. Nearly half (49%) say the effect is significant or very significant. This indicates that regulatory fragmentation is a widely felt constraint on transition finance across jurisdictions. Some respondents noted that international alignment in transition finance has improved considerably over the past two years, with greater convergence around principles and market practice, including through organisations such as LMA and ICMA, which has made operations more manageable. At the same time, respondents also stressed that evolving, conflicting or overly prescriptive frameworks continue to slow product innovation, particularly in asset management, and can undermine willingness to commit capital where firms and investors must operate across multiple jurisdictions with different standards, definitions or transition finance approaches.

The main impact channel of policy uncertainty and cross-border regulatory differences on transition finance is delayed commitment: 61% of respondents say policy uncertainty or cross-border differences delay or discourage large or long-term commitments, and 55% say they increase perceived risk or reduce expected risk-adjusted returns. A second set of channels operates through execution and transaction costs: 41% say these conditions increase compliance, administrative or transaction costs, 33% say they make transactions or projects harder to structure, assess or execute, 28% say they create difficulties in applying, recognising or aligning approaches across jurisdictions, and 24% indicate they increase the need for public support, guarantees or other de-risking measures.

Market practitioners perceive improving interoperability across transition finance frameworks as essential for scaling markets while maintaining credibility. Participants repeatedly stressed that divergent taxonomies, transition classifications and implementation requirements risk slowing due diligence, weakening cross-border comparability and making it harder for investors and lenders to assess whether transition opportunities are credible. The practical challenge is therefore not only policy divergence across jurisdictions but inconsistent compliance expectations that can hold back cross-border activity and product development. At the same time, the discussion did not support a move toward undifferentiated flexibility. Rather, stakeholders emphasised the need for greater interoperability and reciprocity between

frameworks, combined with continued alignment to scientific pathways and robust quality standards. In that context, several frameworks were repeatedly identified as credible reference points for sovereign and market actors, notably the EU taxonomy and the ICMA Climate Transition Finance Handbook.

4.4. Which policies matter most? Perceived enabling effects of policy instruments

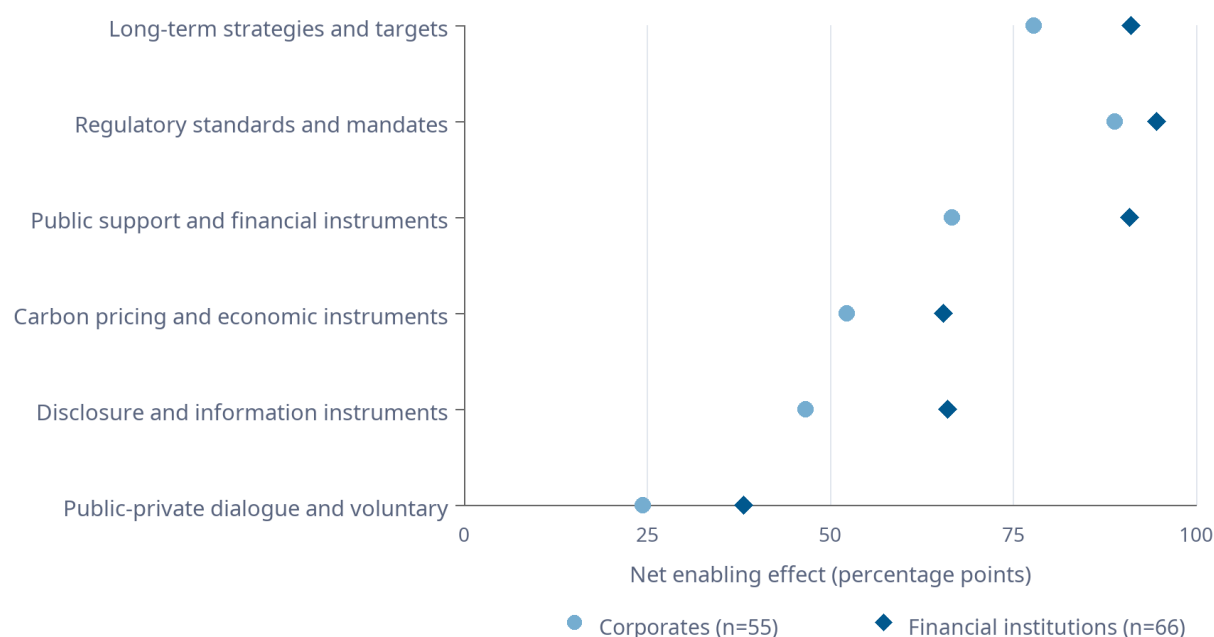
All six policy instruments assessed in the survey have a positive net enabling effect, indicating that respondents view each of them as enabling overall for the commercial viability and financeability of transition activities. This section provides new practitioner evidence on which policy instruments are seen as most enabling for making transition activities in emissions-intensive sectors commercially viable and able to attract finance on workable terms. To summarise responses, the paper uses a net enabling effect (NEE), calculated as the share of respondents reporting that a policy instrument would increase commercial viability or financeability minus the share reporting that it would decrease it, expressed in percentage points (p.p.). Positive responses combine “moderately increase” and “strongly increase”, while negative responses combine “moderately decrease” and “strongly decrease”. The NEE should be read as a summary of the net balance of perceived enabling effect across respondents, rather than as a causal estimate of policy effectiveness or a judgement on whether any one instrument is sufficient on its own.³

Long-term public transition strategies and targets, regulatory standards and mandates, and public support (including procurement, infrastructure investment, grants, tax credits or guarantees) are reported as most enabling overall, with regulatory standards reaching around +88 p.p. and public support around +77 p.p. Carbon pricing, disclosure and information requirements, and public-private dialogue and voluntary approaches are also viewed as enabling but less consistently reported by respondents as highly enabling to make transition activities commercially viable and financeable. This pattern should be interpreted carefully. These responses indicate that, in the context of commercial viability and financeability, practitioners place value on policy instruments that provide clearer direction, more concrete operational expectations or more direct support for investment and implementation.

The perceived net enabling effect of policy instruments is similar across respondent groups and regions, although the intensity of support differs. Across both non-financial companies and financial institutions, regulatory standards and mandates, long-term strategies and targets, and public support are the highest ranked instruments in their perceived enabling effect. Across all six policy instruments, however, financial institutions report a more positive NEE than corporates, while still pointing to the same broad ordering overall. Across regional groupings, long-term strategies and targets, regulatory standards and mandates, and public support remain among the most positively assessed policy instruments.

The results suggest that practitioners strongly associate enabling policy environments with instruments that make the transition-related investment opportunities more concrete, predictable and investable. In practice, this means that the instruments receiving the strongest positive assessments are those that can help clarify the direction of travel, shape expectations about future technologies and markets, or improve the practical conditions for investment and implementation. Other instruments are also viewed positively, but respondents appear more likely to interpret their effect as depending on how they interact with broader policy packages, market conditions and implementation frameworks. The discussion below examines each policy family in more detail, with particular attention to how respondents interpret its practical contribution to commercial viability and financeability.

Figure 11. Perceived net enabling effect by policy instrument



Note: Respondent count= 121, Question: "In your experience, how do the following policy instruments typically affect your organisation's assessment of whether transition activities in emissions-intensive sectors are commercially viable and able to attract financing?"

Source: 2026 OECD Survey on Enabling Policies for Transition Finance

Detailed discussion by policy instrument

Long-term strategies and targets, including sectoral pathways

Long-term strategies and targets are among the most positively assessed policy instruments in the survey, with strong support across respondent groups and regions. The net enabling effect for long-term public transition strategies, sectoral roadmaps and emissions targets is 78 p.p. among corporates and 88 p.p. among financial institutions. Regional results show the same broad pattern: the net enabling effect is 80 p.p. in the EU, 100 p.p. in Japan, 78 p.p. in non-EU European countries and 89 p.p. in the rest of the world.

The survey results reinforce the importance of clear and credible strategies, including sectoral roadmaps. Survey comments and closed-door discussion consistently emphasised that transition investments often involve long asset lives, long payback periods and significant uncertainty about future demand, cost curves and technology deployment. In this context, respondents viewed stable national climate targets and strategies as important for assessing whether future market and policy conditions are likely to support the economic feasibility of transition activities and entities. Further, long-term direction becomes more credible when it is translated into sector-specific pathways, including practical guidance on which technologies, activities and investment types are expected to be part of the transition. This was particularly important for emissions-intensive and hard-to-abate sectors, where respondents stressed the usefulness of a shared roadmap for technological scale-up alongside sectoral transition pathways, clearer timelines and more specific technical criteria.

Surveyed practitioners placed the strongest value on direction-setting policies when these were specific enough to guide real investment decisions. In practice, this meant linking national climate and transition strategies to sectoral pathways and, where relevant, the transition planning of corporates and

financial institutions. Stakeholders repeatedly highlighted the importance of national and sectoral strategies, regular monitoring of emissions trends, reporting aligned with recognised standards and a precise articulation of how transition activities contribute to national climate objectives. They also pointed to the value of more operational elements within sectoral roadmaps or pathways, such as technology deployment milestones, expected infrastructure availability, indicative emissions-intensity trajectories, asset-level cost modelling and scenario-based assessment of policy and technology risks.

Regulatory standards and mandates

Regulatory standards and mandates (including performance standards, technology requirements or phase-out rules) are perceived as consistently enabling, with around 90% of respondents saying they increase the commercial viability and ability to attract finance for transition activities. The positive assessment is broad-based across respondent groups, with a net enabling effect of 89 percentage points among financial institutions and 87 p.p. among non-financial companies, suggesting a high degree of convergence on the value of these instruments. Regional results point in the same direction: the net enabling effect is particularly strong in the EU (around 91 p.p.) and Japan (95 p.p.).

Regulatory standards and mandates are perceived as enabling where they create credible demand for low-carbon alternatives and help identify and prioritise transition-related investment opportunities. Respondents referred in this context to instruments such as performance standards, technology requirements, phase-out rules, industrial emissions-intensity standards, best-available-technology requirements, charging and hydrogen infrastructure requirements, as well as regulatory frameworks affecting market intermediation and supplier qualification. The common thread across these examples is that such measures can make transition pathways more concrete by shaping expected technology uptake, clarifying compliance trajectories and reinforcing the commercial logic for investment in lower-emission production and enabling infrastructure. Participants also noted that these instruments are particularly useful when combined with complementary policy levers that help channel capital towards priority transition areas and accelerate critical decarbonisation efforts.

Carbon pricing and economic instruments

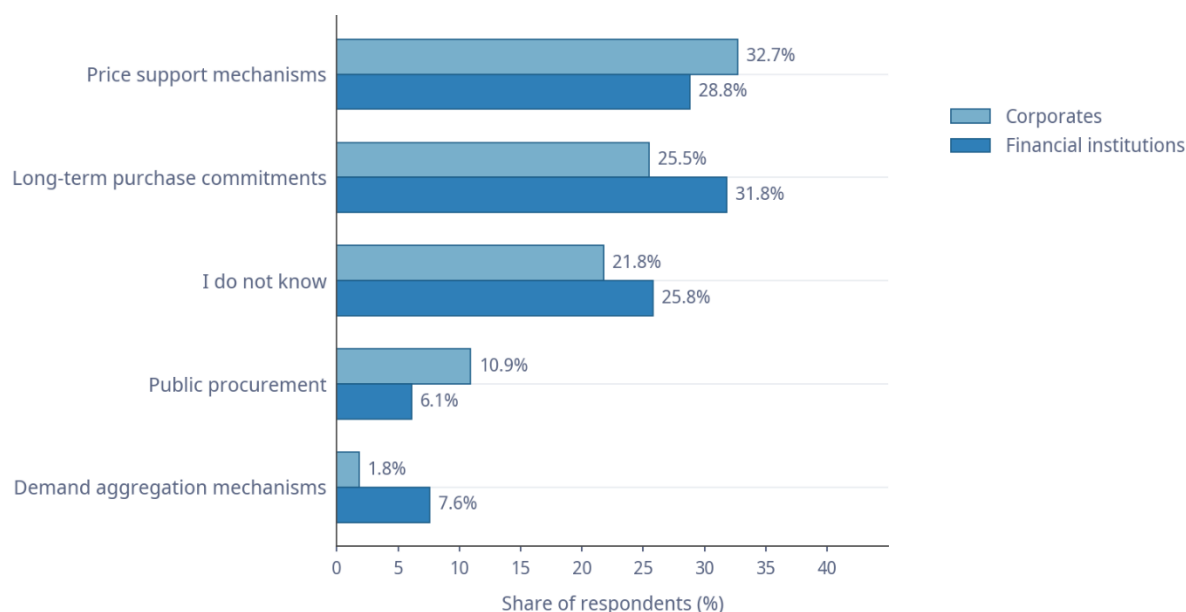
Around 60% of respondents say carbon pricing increases the commercial viability and ability to attract finance for transition activities. A further 28% report no clear effect and 5% say they do not know. Carbon pricing is therefore perceived as enabling overall in the context of the specific survey question, although views are more mixed than for some other policy instruments. Reported perceptions also differ across respondent groups: the net enabling effect is 61 p.p. among financial institutions, compared with 47 p.p. among non-financial companies. This difference should be interpreted cautiously but it may suggest that respondents in financial institutions are somewhat more likely to view carbon pricing as a useful long-term signal for transition-related investment and financing decisions, whereas several respondents in non-financial companies report assessing carbon pricing against project-level economics, competitiveness pressures and exposure to input costs.

Market practitioners emphasised that the perceived contribution of carbon pricing depends not only on current price levels but also on the credibility of future carbon-price trajectories. Comments and discussion repeatedly pointed to the importance of long-term policy signals that help shape expectations about the future cost of emissions. In that context, some respondents suggested that forward-looking carbon-price expectations are relevant for current capital-allocation decisions because they influence how firms and financiers assess future relative costs, technology choices and investment risks. Carbon pricing was often described not as a stand-alone determinant of project viability but as one element of the broader policy environment that can help translate long-term climate objectives into economically relevant expectations. Some respondents referred to the EU ETS as one example where current pricing and expectations about future trajectories had helped inform financing decisions in hard-to-abate sectors.

Public support and financial instruments

Around 79% of respondents report that public support measures increase commercial viability and ability to attract finance for transition activities and projects. The qualitative evidence suggests that public support is seen as most effective when it mobilises private capital at scale and strengthens demand visibility for low-carbon products. Practitioners pointed in particular to the role of public investment, procurement and concessional or grant-like capital in sectors such as transport, power and steel, where these tools can help crowd in private investors and support key transition infrastructure. Respondents also stressed that support measures are especially valuable where they help create a visible and assured green premium market for low-carbon products.

Figure 12. Instruments perceived as most effective for improving demand and revenue visibility



Note: Respondent count= 121, Question: "Looking specifically at support instruments that improve revenue visibility or demand, which type of policy instrument most helps make transition activities commercially viable and able to attract financing?"

Source: 2026 OECD Survey on Enabling Policies for Transition Finance

Price support mechanisms and long-term purchase commitments are the two most frequently selected instruments for improving revenue visibility or demand, with 33% of corporates selecting price support mechanisms and 26% long-term purchase commitments from buyers. Respondents from financial institutions reported long-term purchase commitments as the most effective instrument for revenue visibility. The pattern is consistent with the wider literature on demand-side support, which emphasises that investment depends on credible expectations about future sales volumes and prices, especially where projects face a green premium or depend on early markets for low-carbon products.

De-risking measures are reported as an important complement to strengthening financing conditions once a revenue case has been established. Instruments such as public guarantees, debt guarantee schemes and blended finance can reduce credit risk, improve risk-adjusted returns and lower financing costs for projects that are commercially promising but still difficult to finance on standard terms. This is consistent with the literature, which generally treats CfDs, CCfDs, public procurement and long-term purchase commitments as market-creation instruments, while placing guarantees and blended finance under the broader heading of instruments that help mobilise capital by reducing risk and improving bankability (Richstein and Neuhoﬀ, 2022^[118]; Bolscher et al., 2023^[156]).

Disclosure and information instruments

Disclosure and information requirements are perceived as enabling overall, but mainly where they improve transparency and comparability within an already viable transition business case. Across the full sample, 59% of respondents say disclosure and information requirements increase the commercial viability and ability to attract finance for transition activities to some extent, compared with 7% saying they decrease it; a relatively large 34% report no clear effect. As with carbon pricing, perceptions differ across respondent groups: the net enabling effect is 62 p.p. among financial institutions, compared with 40 p.p. among non-financial companies. Within the EU context, respondents pointed to the EU Taxonomy, Sustainable Finance Disclosure Regulation (SFDR) and Corporate Sustainability Reporting Directive (CSRD) as important elements of the disclosure architecture supporting transition finance.

Taxonomies and disclosure requirements have only limited impact where there is no viable business case, and discussions also suggest that transition plans are sometimes conflated with disclosure obligations, pointing to a need for clearer definitions of what constitutes an appropriate transition plan. More broadly, participants emphasised that sovereigns can play a meaningful role in strengthening data ecosystems through better disclosure on public spending, transition-related budgeting, policy implementation and sectoral progress, while more transparency around modelling assumptions could help financiers assess credibility, identify bottlenecks and strengthen confidence in national transition strategies. Several participants from financial institutions also agreed that persistent data gaps and inconsistent sovereign disclosure remain an obstacle to credible transition assessments, whether because of insufficient project-level emissions data or limited visibility on fiscal and implementation progress at the sovereign level.

Public-private dialogue and voluntary approaches

Public-private dialogue and voluntary approaches are perceived as supportive overall. The net enabling effect is 39 p.p. among financial institutions, compared with 26 p.p. among non-financial companies. This may indicate that dialogue is particularly valued by actors whose role depends heavily on interpreting policy direction, fiduciary constraints and broader cross-sector signals. Around 37% of respondents say public-private dialogue and voluntary approaches increase the commercial viability and ability to attract finance for transition activities, while 57% report no clear effect.

The perceived enabling effect of public-private dialogue is substantially stronger in Japan than in other jurisdictions, suggesting that respondents find it most useful where dialogue is embedded in a broader, long-term and cross-sectoral transition strategy. This pattern is consistent with discussions highlighting the importance of coordination across energy, industry, infrastructure and supply chain policy, especially in an environment shaped by geopolitical considerations and concentrated clean technology value chains. In that context, participants pointed to frameworks such as Japan's GX 2040 Vision as examples of a holistic strategic approach that can help align public and private expectations over time. Several respondents also stressed that fiduciary constraints make long-term policy predictability especially important for institutional investors allocating client capital, reinforcing the value of dialogue where it helps clarify policy direction and improve confidence in the wider transition pathway.

Qualitative evidence suggests that public-private dialogue is most enabling when it strengthens coordination and credibility across the wider policy mix. Participants emphasised that governments cannot rely on a single “core” policy instrument, especially in a context of uncertain technology pathways, shifting market conditions and geopolitical pressures. Instead, they stressed the need for a comprehensive and adaptable mix of measures, including government support, credit guarantees, equity investment and tax incentives, combined with sustained industry-government dialogue. Practitioners also highlighted the role of Ministries of Finance and supervisory authorities in improving coordination across the policy framework and providing more consistent signals to markets. Recent OECD work similarly points to the value of clear roles, dedicated co-ordination mechanisms and sustained engagement across ministries,

with Ministries of Finance playing an important role in linking fiscal and financial policy with wider climate and sectoral priorities. High-level leadership and cross-government working groups can help align policy signals and implementation (OECD, 2025^[157]).

5 Conclusions and next steps

Mobilising transition finance will depend on matching credible transition pathways with enabling conditions that make implementation economically feasible and financeable in practice. This paper has examined how enabling policies relate to and affect the mobilisation of transition finance and the credibility, economic feasibility and financeability of corporate transition activities in emissions-intensive sectors. Across the case studies of enabling policy environments, the literature review and the survey of financial institutions and companies, the paper identifies an economic feasibility gap as a major constraint on both the demand for and supply of transition finance. Whether corporates and financiers can form a credible business case in light of technology costs and maturity, infrastructure and supply-chain dependencies, demand for low-emission products, expected revenues and risk-adjusted returns is reported as the main constraints for mobilising finance to transition hard-to-abate and emissions-intensive sectors.

The findings indicate that credible long-term direction, policy coherence and predictable implementation and evolution are central to transition-related investment and financing. Policy uncertainty is one of the clearest cross-cutting barriers identified in the paper: 89% of practitioners surveyed report that it reduces their willingness or ability to invest in or finance transition activities to at least a moderate extent. The literature review points in the same direction, finding that policy uncertainty is associated with reduced transition-related investment, lower low-carbon innovation, increased financing risk and delayed transition decisions. These findings indicate that the design of enabling policy environments matters through the level of ambition they signal as well as the confidence they provide about how transition pathways will be implemented over time. Long-term strategies and targets are found to be most relevant for transition finance when they are translated into sectoral pathways or sector transition plans that include infrastructure milestones, technology expectations and credible implementation frameworks.

Market practitioners view policies that make transition pathways more predictable and commercially viable as particularly important. In the survey, regulatory standards and transition mandates received the strongest support, with 90% of respondents indicating that they increase the commercial viability and financeability of transition activities. Long-term public transition strategies, roadmaps or emissions targets followed at 84% and public support at 79%. Respondents highlighted these instruments for their ability to clarify future compliance expectations, create demand for lower-emission alternatives and address specific barriers such as high upfront costs or uncertain revenues. Carbon pricing and disclosure requirements were also viewed positively overall, at 60% and 59% respectively, although their perceived effect appears more dependent on design and wider market conditions.

Demand and revenue visibility emerge as a key link between credible transition pathways and financeable investment. The paper finds that many transition activities in emissions-intensive sectors face cost premiums, uncertain offtake and limited ability to pass through higher costs to customers. This is especially relevant for low- and near-zero-emission industrial products, which compete with conventional alternatives while the emissions-reduction value is not fully reflected in market prices. Survey respondents identify price-support mechanisms, long-term purchase commitments, public procurement and guarantees

as important instruments for improving revenue visibility and creating stable markets for low-emission products.

Interoperability emerges as a practical condition for scaling transition finance across markets. 75% of survey respondents report that cross-border regulatory differences and associated uncertainty negatively affect transition-related finance and investment. These differences can delay long-term commitments, increase compliance and transaction costs, weaken comparability and complicate the structuring of transition-related finance. At the same time, the evidence does not suggest that interoperability should mean lowering credibility expectations; rather, it points to making jurisdiction-specific approaches more comparable and usable across borders while preserving robust safeguards against greenwashing and carbon lock-in. The selected case studies of enabling policy environments illustrate how governments are working to improve comparability and interoperability where investors, lenders and companies must assess activities, entities and financing structures across different policy and regulatory environments.

Future work could build on these findings by developing policy analysis and advice on transition finance frameworks and enabling policy environments across sectors, jurisdictions and financing contexts. This could include additional case studies, particularly from emerging markets and developing economies, to examine how different policy mixes support the move from credible transition pathways to economically feasible and financeable investments. Further analysis could examine in more detail the respective roles of market creation and financing instruments, including measures that strengthen demand and revenue visibility, guarantees and blended finance, as well as the contribution of domestic and international public financial institutions. It could also explore how financial institutions assess project maturity, transition plan credibility and policy dependencies in more detail. Another area would be to examine interoperability in practical terms, by comparing how transition activities, transitioning companies or financing structures to support the transition are treated across different jurisdictional approaches. Such work could provide an analytical basis for future policy guidance on scaling transition markets while safeguarding credibility.

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Annex A. Methodological note on the literature review

Annex A provides a technical overview of how the 2026 OECD Literature Review on Climate-related Policies and Transition Finance was conducted. It complements Section 3.1 of the working paper by documenting the search process and source identification, eligibility and selection, coding template, evidence-strength rules, synthesis-role classification and full list of included studies.

Search and source identification

Studies were identified through an iterative and targeted search process combining academic search platforms, institutional repositories and backward citation review. The review was conducted using studies available in English. It was designed to build a broad but purposive evidence base rather than an exhaustive review of all potentially relevant climate-policy literature.

Main search sources:

- Google Scholar
- ScienceDirect
- Taylor & Francis Online
- OECD repositories
- Targeted institutional websites
- Backward citation review from relevant studies already identified

Illustrative search queries:

- transition finance
- transition finance AND policy
- climate policy AND financing conditions
- transition plans AND investment
- climate policy AND heavy industry AND finance
- policy uncertainty AND transition finance

Eligibility and selection

Studies were screened against predefined eligibility criteria covering substantive relevance and fit with the review's research questions. To be retained, a study needed to provide sufficiently direct and analytically useful evidence on at least one of the following: (i) mobilisation, allocation or cost of capital for transition-

related activities; (ii) corporate transition credibility, implementation, reporting or transition planning; (iii) economic feasibility, competitiveness or resilience of transition pathways or (iv) mechanisms, instruments or enabling conditions clearly related to one of those questions.

Included study types:

- Peer-reviewed academic articles
- Academic working papers
- Systematic reviews and meta-analyses
- Modelling and scenario studies
- Selected institutional and policy reports with sufficient relevance and transparency

Selection summary

Initial pool of studies	254
Final included studies	167
Period covered by included studies	2013-2026
Language	English

Full list of included studies

No.	Title	Author(s)	Publication year
1	"Green" steel investments in the EU: Pie in the sky?	Per-Olov Johansson; Bengt Kriström	2025
2	A green COVID-19 recovery of the EU basic materials sector: identifying potentials, barriers and policy solutions	Chiappinelli, Olga; Gerres, Timo; Neuhoff, Karsten; Lettow, Frederik; de Coninck, Heleen; Felsmann, Balázs; Joltreau, Eugénie; Khandekar, Gauri; Linares, Pedro; Richstein, Jörn; Śniegocki, Aleksander; Stede, Jan; Wyns, Tomas; Zandt, Cornelis; Zetterberg, Lars	2021
3	A Review of the Impact Evidence for Climate-Related Disclosures	Mark C. Freeman; Adriana Cornea-Madeira	2024
4	Achieving energy resilience: The joint role of environmental policy stringency and environmental awareness	Dabbous, Amal; Croutzet, Alexandre; Horn, Matthias	2024
5	Addressing Competitiveness Concerns of EU Exporters with Industrial Policy: The Role of Innovation Support	Jakob, Michael; Mehling, Michael A.	2025
6	Addressing steel decarbonisation challenges for industry and policy	OECD	2024
7	An empirical analysis of climate and environmental policy risk, the cost of debt and financial institutions' risk preferences	Zhou et al.	2025
8	An industrial policy framework for transforming energy and emissions intensive industries towards zero emissions	Nilsson, Lars J.; Bauer, Fredric; Åhman, Max; Andersson, Fredrik N. G.; Bataille, Chris; de la Rue du Can, Stephane; Ericsson, Karin; Hansen, Teis;	2021

No.	Title	Author(s)	Publication year
		Johansson, Bengt; Lechtenbömer, Stefan; van Sluisveld, Mariësse; Vogl, Valentin	
9	Analyzing the role of regulation in shaping private finance for sustainability in the European Union	Boni, Leonardo; Scheitza, Lisa	2025
10	Assessing corporate climate action: Corporate climate policies and company-level emission reductions	Klaaßen, Lena; Lohmüller, Christian; Steffen, Bjarne	2024
11	Assessing the impact of climate policy on energy security in developed economies	Xie, Biqing; Xie, Bibo	2024
12	Banking on Carbon: Corporate Lending and Cap-and-Trade Policy	Ivanov, Ivan T.; Kruttli, Mathias S.; Watugala, Sumudu W.	2024
13	Being Stranded with Fossil Fuel Reserves? Climate Policy Risk and the Pricing of Bank loans	Delis, Manthos D.; de Greiff, Kathrin; Iosifidi, Maria; Ongena, Steven	2024
14	Believe Me When I Say Green! Heterogeneous Expectations and Climate Policy Uncertainty	Campiglio, Emanuele; Lamperti, Francesco; Terranova, Roberta	2024
15	Beyond carbon pricing: The role of banking and monetary policy	Campiglio, Emanuele	2016
16	Border carbon adjustments and industrial competitiveness in a European Green Deal	Evans, Stuart; Mehling, Michael A.; Ritz, Robert A.; Sammon, Paul	2021
17	Business as Usual: Bank Net Zero Commitments, Lending, and Engagement	Sastry, Parinitha R.; Verner, Emil; Marques Ibanez, David	2024
18	Can Finance Save the World? Measurement and Effects of Coal Divestment Policies by Banks	Green, Daniel; Vallée, Boris	2022
19	Can green credit policy stimulate firms' green investments?	Ma, Yanbai; Lu, Ling; Cui, Jingbo; Shi, Xunpeng	2024
20	Carbon Border Adjustment Mechanism as a Catalyst for Greenfield Investment: Evidence from Chinese Listed Firms	Liu et al.	2025
21	Carbon contracts for difference design: Managing carbon price risk in a low-carbon industry	Hoogsteyn, Alexander; Bruninx, Kenneth; Delarue, Erik	2025
22	Carbon contracts-for-difference: How to de-risk innovative investments for a low-carbon industry?	Richstein, Jörn C.; Neuhoff, Karsten	2022
23	Carbon costs and industrial firm performance: Evidence from international microdata	Trinks, Arjan; Hille, Erik	2026
24	Carbon Disclosure and Climate Change Mitigation in the European Union: Diffusion and Dominance of Transparency Frames	Chaves Correa, Federico; Öge, Kerem	2026
25	Carbon emission trading scheme and carbon performance: The role of carbon management system	Jiang, Yan; Luo, Le; Tsang, Albert; Zhang, Yueheng	2025
26	Carbon pricing and competitiveness: are they at odds?	Venmans, Frank; Ellis, Jane; Nachtigall, Daniel	2020
27	Carbon pricing, compensation, and competitiveness: Lessons from UK manufacturing	Basaglia, Piero; Isaksen, Elisabeth T.; Sato, Misato	2025

No.	Title	Author(s)	Publication year
28	Carbon Taxes and the Geography of Fossil Lending	Laeven, Luc; Popov, Alexander	2023
29	Catalyzing the transition to a climate-neutral industry with carbon contracts for difference	Richstein, Jörn C.; Anatolitis, Vasilios; Blömer, Robin; Bunnenberg, Lennart; Dürrwächter, Jakob; Eckstein, Johannes; Ehrhart, Karl-Martin; Friedrichsen, Nele; Köveker, Till; Lehmann, Sascha; Lösch, Oliver; Matthes, Felix Christian; Neuhoﬀ, Karsten; Niemöller, Paula; Riemer, Matia; Ueckerdt, Falko; Wachsmuth, Jakob; Wang, Runxi; Winkler, Jenny	2024
30	Clean innovation, heterogeneous financing costs, and the optimal climate policy mix	Campiglio, Emanuele; Spiganti, Alessandro; Wiskich, Anthony	2024
31	Climate Change and Energy Security: The Dilemma or Opportunity of the Century?	Cevik, Serhan; Jalles, João Tovar; Ozturk, Ezgi	2022
32	Climate finance policy in practice: a review of the evidence	R. Bhandary, K. Gallagher, Fang Zhang	2021
33	Climate governance actions, financing constraints, and green transformation of energy-intensive firms	Fan, Min; Shira, Ruba Khalid; Hunjra, Ahmed Imran; Zhao, Shikuan	2025
34	Climate Laws and Green Finance: The Value of Legal Commitment	Ciminelli, Gabriele; D'Arcangelo, Filippo Maria; Pisu, Mauro; Tian, Shu	2025
35	Climate policies that achieved major emission reductions: Global evidence from two decades	Stechemesser, Annika; Koch, Nicolas; Mark, Ebba; Dilger, Elina; Klösel, Patrick; Menicacci, Laura; Nachtigall, Daniel; Pretis, Felix; Ritter, Nolan; Schwarz, Moritz; Vossen, Helena; Wenzel, Anna	2024
36	Climate policy and international capital reallocation	Fourné, Marius; Li, Xiang	2025
37	Climate Policy Transition Risk and the Macroeconomy	Fried, Stephie; Novan, Kevin; Peterman, William B.	2022
38	Climate policy uncertainty and energy transition: Evidence from prefecture-level cities in China	Lin, Yangyi; Cheung, Adrian Wai Kong	2024
39	Climate regulation costs and firms' distress risk	Lambertides, Neophytos; Tsouknidis, Dimitris	2024
40	Climate Regulatory Risks and Corporate Bonds	Seltzer, Lee H.; Starks, Laura T.; Zhu, Qifei	2022
41	Climate-Change Regulations: Bank Lending and Real Effects	Miguel, Faruk; Pedraza, Alvaro; Ruiz-Ortega, Claudia	2024
42	Climate-Related Regulations and Financial Markets: A Meta-Analytic Literature Review	Linh Ho, Christopher Gan, Zhenzhen Zhao	2024
43	Company transition plans for climate change mitigation: identifying external factors to analyse geographical dependencies in energy-intensive industries	Pickard Garcia, Nicolas; Gourdon, Thomas; Mari, Elliot; Seigneur, Isabelle; Arranz Padilla, Maria; Guerreiro Miguel, Mecia; Beltran Miralles, Manuel	2025
44	Comparing the ambition of EU companies with science-based targets to EU regulation-imposed reductions	Roelfsema, Mark; Kuramochi, Takeshi; den Elzen, Michel	2024
45	Comprehensive governance in hybrid regulation and knowledge	Ran, Bing; Zhou, Bing; Yin, Bowen	2026

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46	Consequences of sustainability reporting mandates: evidence from the EU taxonomy regulation	Hummel, Katrin; Bauernhofer, Karina	2024
47	Credibility Beyond Control: Corporate Climate Transition Plans and Dependencies	Valenzuela, Jose Maria; Rudkovska, Anastasiia; Manzano, Elena Pierard; Singh, Dhruv; Gnissios, Stephanie; Shrimali, Gireesh	2025
48	Debtholders' reaction to sustainability reporting regulations: International evidence	Song, Haozhe; Rimmel, Gunnar	2025
49	Decarbonisation of industry and the energy system: Exploring mutual impacts and investment planning	Raillard--Cazanove, Quentin; Knibiehly, Thibaut; Girard, Robin	2025
50	Decarbonization in the European Steel Industry: Strategies, Risks, and Commitments	Di Foggia, Giacomo; Beccarello, Massimo	2024
51	Decarbonizing Institutional Investor Portfolios	Vaska Atta-Darkua; Simon Glossner; Philipp Krueger; Pedro Matos	2025
52	Demand-pull and environmental innovations: Estimating the effects of innovative public procurement	C. Ghisetti	2017
53	Deployment of carbon capture and storage in the cement industry – Is the European Union up to shape?	Anna Hörbe Emanuelsson; Johan Rootzén; Filip Johnsson	2025
54	Developing markets for low-carbon products as an enabler of industrial decarbonisation in Europe	Bolscher, Hans; Torres, Perla; Schers, Jules; Finesso, Andrea; Miari, Aurora; Guevara Opinska, Liliana	2023
55	Divestment and Engagement: The Effect of Green Investors on Corporate Carbon Emissions	Matthew E. Kahn; John G. Matsusaka; Chong Shu	2023
56	Do analysts matter for green investment? Evidence from the EU taxonomy	Davrinche, Grégoire; Filbien, Jean-Yves; Vigneron, Ludovic	2025
57	Do Banks Fuel Climate Change?	Alessio Reghezza; Yener Altunbas; David Marques-Ibanez; Costanza Rodriguez d'Acari; Martina Spaggiari	2022
58	Do Carbon Trading Policies Affect Bond Financing Costs for High-Polluting Firms? Evidence from China	Tan et al.	2025
59	Do Firm Credit Constraints Impair Climate Policy?	Matthias Kaldorf; Mengjie Shi	2024
60	Does green public procurement trigger environmental innovations?	Krieger, Bastian; Zipperer, Vera	2022
61	Does Pricing Carbon Mitigate Climate Change? Firm-Level Evidence from the European Union Emissions Trading System	Jonathan Colmer; Ralf Martin; Mirabelle Muûls; Ulrich J. Wagner	2025
62	Does the EU sustainable finance disclosure regulation mitigate greenwashing?	Rabab Abouarab; Tapas Mishra; Simon Wolfe	2025
63	Does the transition finance policy facilitate lending for heavy polluters? Insights from China	Chen, Ping; Yao, Xiaoyang; Li, Jianfeng; Wang, Ya	2025

No.	Title	Author(s)	Publication year
64	Does transition finance policies persistently fuel green innovation in brown firms? Investigating the roles of ESG rating and bank connection	Yang, Tongbin; Zhou, Bo	2025
65	Economic performance and investments under emissions trading: Untangling the effects of a staggered regulation	Bremer & Sommer	2025
66	Effects of mandatory climate-related information disclosure on mutual funds	Gajewski & Tran Dieu	2024
67	Emission reductions, industrial competitiveness, and spillover effects under China's regional emission trading systems: Evidence from the iron and steel sector	Quan, Yifei; Duan, Maosheng	2023
68	Environmental Externalities, Corporate Bonds, and the Role of Policy	Kempa & Moslener	2022
69	Environmental policy and investment location: The risk of carbon leakage in the EU ETS	D'Arcangelo, Filippo Maria; Galeotti, Marzio	2025
70	Environmental Regulation and Access to Credit	Viet A. Dang; Ning Gao; Tiancheng Yu	2025
71	ESG disclosure quality, supply chain resilience, and corporate performance	Hu, Siyang; Zhang, Chongyan	2025
72	Europe's Shift to EVs Amid Intensifying Global Competition	Wingender, Philippe; Yao, Jiaxiong; Zymek, Robert; Carton, Benjamin; Cerdeiro, Diego A.; Weber, Anke	2024
73	European regions transitioning to green markets: the role of related capabilities and public procurement policies	Castaldi, Carolina; Abbasiharofteh, Milad; Petralia, Sergio	2026
74	Factors promoting business strategies, activities, and long-term commitment for climate change mitigation: a survey of Japanese enterprises	Shiro Hori; Daisuke Nogata; Yuriko Hayabuchi; Kayoko Kondo	2022
75	Filling the climate governance gap: Do corporate decarbonization initiatives matter as much as state and local government policy?	Benjamin Leffel; Thomas P. Lyon; Joshua P. Newell	2024
76	Financing the low-carbon transition in Europe	Olimpia Carradori; Margherita Giuzio; Sujit Kapadia; Dilyara Salakhova; Katia Vozian	2023
77	Firm competitiveness and the European Union emissions trading scheme	Chan, H. Ron; Li, Shanjun; Zhang, Fan	2013
78	Firms' Response to Climate Regulations: Empirical Investigations Based on the EU ETS	Kalantzis et al.	2024
79	Global Bank Lending Under Climate Policy	Asli Demirgüç-Kunt; Alvaro Pedraza; Fredy Pulga; Claudia Ruiz-Ortega	2024
80	Global Standards and Local Ambitions Across Green Taxonomies	Theodor Cojoianu, Andreas G. F. Hoepner, Ifigenia Paliampelou, Anh Vu, Dariusz Wójcik	2025
81	Government green procurement and corporate ESG performance	Wang, Shoujie; Wang, Zhao; Li, Bo	2024
82	Green bonds and carbon emissions	Caroline Flammer	2023
83	Green bonds as a tool against climate change?	Serena Fatica; Roberto Panzica	2021

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85	Green industrial policy can strengthen carbon pricing but not replace it	Jakob, Michael; Overland, Indra	2024
86	Green Policies, Greener Wallets: How Cap-and-Trade Regulation Affects Cost of Capital	Mingyu Hu; Zilin Hu; Qingyang Wu	2025
87	Green public procurement as an effective way for sustainable development: A systematic literature review and bibliometric analysis	Pablo Ortega Carrasco, Fabio Iannone, Vera Ferrón Vilchez, Francesco Testa	2024
88	Greenhouse Gas Disclosure and Emissions Benchmarking	Sorabh Tomar	2023
89	Greening through finance: Green finance policies and firms' green investment	Zhang et al.	2024
90	How Advance Market Commitments and Contracts for Difference Can Help Create a Market for Green Industrial Products	Gangotra, Ankita; Carlsen, Willy; Kennedy, Kevin; Lebling, Katie	2023
91	How Do Carbon Taxes Affect Emissions? Plant-Level Evidence from Manufacturing	Younes Ahmadi; Akio Yamazaki; Philippe Kabore	2022
92	How Does China's Carbon Emissions Trading Policy Affect the Financing of High-Carbon Enterprises?	Yue-Jun Zhang; Wei Wang	2024
93	How Ministries of Finance Can Support Coherent Climate Policy Packages: Available Analytical Tools and Emerging Good Practice	Coalition of Finance Ministers for Climate Action	2026
94	Industry Compensation under Relocation Risk: A Firm-Level Analysis of the EU Emissions Trading Scheme	Martin, Ralf; Muûls, Mirabelle; de Preux, Laure B.; Wagner, Ulrich J.	2014
95	Institutional Investors, Climate Disclosure, and Carbon Emissions	Shira Cohen; Igor Kadach; Gaizka Ormazabal	2023
96	International practices in climate transition plan reporting: lost in translation?	Bankar, A.; Campbell, S.; Gandotra, S.; Gayen, M.; Klumpes, Paul; Matteucci, D.; Meyer, N.; Mok, K.; Walshe, B.J.; Worsley, S.	2025
97	Investing in Climate for Growth and Development: The Case for Enhanced NDCs	OECD; United Nations Development Programme	2025
98	Limited accountability and awareness of corporate emissions target outcomes	Xiaoyan Jiang; Shawn Kim; Shirley Lu	2025
99	Low-carbon investment volatility under policy uncertainty: Evidence from equity markets and implications for carbon capture deployment	Dapeng Lin; Yanfen Wang; Chang Wang; Wen Jiang; Liyuan Zhang; Shuo Hu; Kai Du; Chengdong Yuan	2025
100	Managing financing costs and fostering green transition: The role of green financial policy in China	Peng & Xiong	2022
101	Mandatory Carbon Disclosure: Evidence from France	Thomas Bourveau; Alexandre Gareil; Arthur Romec	2024
102	Mandatory Corporate Carbon Disclosure: Evidence from a Natural Experiment	Valentin Jouvenot; Philipp Krueger	2019
103	Mandatory Disclosure and Corporate Green Innovation	Bratten, Cheng & Kleppe	2024

No.	Title	Author(s)	Publication year
104	Mandatory Disclosure of Institutional Investors' Fossil Fuel Investments	Miller et al.	2023
105	Mandatory TCFD Disclosure and Corporate Financial Performance: Evidence From UK Non-Financial Firms	Prashant Gupta	2026
106	Mobilizing private finance for low-carbon innovation – A systematic review of barriers and solutions	Friedemann Polzin	2017
107	National climate legislation and policymaking and energy security: International evidence	Hu, Getao; Yang, Jun; Li, Jun; Cheng, Xi; Feng, Chao	2024
108	Optimum investment strategy for hydrogen-based steelmaking project coupled with multiple uncertainties	Shuo Xu; Xiaoyang Wang; Yingqi Jiang; Biying Yu; Yi-Ming Wei	2024
109	Paving the way for sustainable decarbonization of the European cement industry	Cavalett, Otavio; Watanabe, Marcos D. B.; Voldsund, Mari; Roussanaly, Simon; Cherubini, Francesco	2024
110	Policy sequencing toward decarbonization	Meckling, Jonas; Sterner, Thomas; Wagner, Gernot	2017
111	Policy sequencing towards carbon pricing among the world's largest emitters	Linsenmeier, Manuel; Mohommad, Adil; Schwerhoff, Gregor	2022
112	Policy Uncertainty Reduces Green Investment	Mengyu Wang; Jeffrey Wurgler; Hong Zhang	2023
113	Policy, investment, and growth: How green finance drives corporate sustainable development?	Jiang, Miaoyi; Ma, Jun	2025
114	Pollution permits and financing costs	Fabio Antoniou; Manthos D. Delis; Steven Ongena; Chris Tsoumas	2024
115	Public Credit Guarantees: Unlocking Private Investments for Climate Technologies	Tech for Net Zero Allianz	2023
116	Quasi-Experimental Evidence on Carbon Pricing	K. Vrolijk, Misato Sato	2023
117	Real effects of a widespread CSR reporting mandate: Evidence from the European Union's CSR Directive*	Peter Fiechter; Jörg-Markus Hitz; Nico Lehmann	2022
118	Real Effects of Climate Policy: Financial Constraints and Spillovers	Söhnke M. Bartram; Kewei Hou; Sehoon Kim	2022
119	Real Effects of the Proposed SEC Climate Disclosure Rule	Mary Ellen Carter; Lian Fen Lee; Enshuai Yu	2024
120	Regulatory trends in climate disclosure: A focus on implications for industrial transition	Beomseok Yoon; Yoonha Choi; Gyu Hyun Kim	2025
121	Revisiting Investment Costs for Green Steel: Capital Expenditures, Firm Level Impacts, and Policy Implications	Alexandra Hüttel; Judith Lehner	2024
122	Scaling Up the Mobilisation of Private Finance for Climate Action in Developing Countries	OECD	2023
123	Showing off Cleaner Hands: Mandatory Climate-Related Disclosure by Financial Institutions and the Financing of Fossil Energy	Jean-Stéphane Mésonnier, Benoît Nguyen	2020
124	State of the Corporate Transition 2025	Ali Amin et al.	2025
125	Still tracking: analysing corporate decarbonisation intentions	Jaakko Kooroshy; Stephanie Maier	2025

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126	Stock markets, corporate climate pledges, and the Science-Based Target Initiative	Inhwan Ko; Aseem Prakash	2024
127	Systematic review and meta-analysis of ex-post evaluations on the effectiveness of carbon pricing	Döbbeling-Hildebrandt, Niklas; Miersch, Klaas; Khanna, Tarun M.; Bachelet, Marion; Bruns, Stephan B.; Callaghan, Max; Edenhofer, Ottmar; Flachsland, Christian; Forster, Piers M.; Kalkuhl, Matthias; Koch, Nicolas; Lamb, William F.; Ohlendorf, Nils; Steckel, Jan Christoph; Minx, Jan C.	2024
128	The Big Three and corporate carbon emissions around the world	José Azar; Miguel Duro; Igor Kadach; Gaizka Ormazabal	2020
129	The Carbon Emissions Trading Scheme and Corporate Environmental Investments: A Quasi-natural Experiment from China	Chen et al.	2021
130	The dark side of climate policy uncertainty: Hindering the contribution of environmental policy to the energy transition	Yang, Kai; Chen, Guodong; Chen, Rong	2024
131	The Debt Discount: A study evaluating the financial track record of private sector transition plans	International Transition Plan Network	2026
132	The effect of capital markets and climate policy on low and high-carbon energy investment: Evidence from electric utilities	Wilson, Shrimali & Caldecott	2025
133	The effect of carbon pricing on firm performance: Worldwide evidence	Duan, Tinghua; Li, Frank Weikai; Zhang, Hong	2024
134	The effect of carbon pricing on technological change for full energy decarbonization: A review of empirical ex-post evidence	J. Lilliestam, A. Patt, Germán Bersalli	2020
135	The effect of climate policies on firm financing and investment through the banking channel	D'Arcangelo et al.	2025
136	The effectiveness of China's regional carbon market pilots in reducing firm emissions	Jingbo Cui; Chunhua Wang; Junjie Zhang; Yang Zheng	2021
137	The Effects of Mandatory ESG Disclosure around the World	Philipp Krueger; Zacharias Sautner; Dragon Yongjun Tang; Rui Zhong	2024
138	The Effects of Regulating Greenwashing: Evidence from Europe's Sustainable Finance Disclosure Regulation (SFDR)	Hunt Allcott; Mark L. Egan; Paul Smeets; Hanbin Yang	2026
139	The Effects of the EU ETS on Pollution Abatement Investments	Goerger	2021
140	The EU Taxonomy and the Syndicated Loan Market	Sautner et al.	2025
141	The Financially Material Effects of Mandatory Non-Financial Disclosure	Gibbons	2023
142	The Green Corporate Bond Issuance Premium	John Caramichael; Andreas Rapp	2022
143	The heterogeneous impact of green public procurement on corporate green innovation	Kou, Mingting; Zhang, Lin; Wang, Hongxia; Wang, Yuting; Shan, Zhiyu	2024

No.	Title	Author(s)	Publication year
144	The impact of carbon disclosure mandates on emissions and financial operating performance	Benedikt Downar; Jürgen Ernstberger; Stefan Reichelstein; Sebastian Schwenen; Aleksandar Zaklan	2021
145	The impact of China's carbon emissions trading policy on corporate investment expenditures: Evidence from carbon-intensive industries.	Lu-Tao Zhao; Zhao-Yuan Li; Lei Cheng	2024
146	The impact of green public procurement on corporate ESG performance	Wang, Bin; Shen, Ziyi	2025
147	The Impact of Mandatory Sustainability Reporting on Institutional Investment: The Role of Reporting Location	Mark DeFond; Mingyi Hung; Emily Jing Wang	2026
148	The impact of the carbon trading pilot program on the financing cost of green bonds	Yuan, Liao & Young	2025
149	The Impact of the EU Emissions Trading System on Competitiveness and Carbon Leakage: The Econometric Evidence	Verde, Stefano F.	2020
150	The joint impact of the European Union emissions trading system on carbon emissions and economic performance	Dechezleprêtre, Antoine; Nachtigall, Daniel; Venmans, Frank	2022
151	The Low-Carbon Transition, Climate Commitments and Firm Credit Risk	Sante Carbone; Margherita Giuzio; Sujit Kapadia; Johannes Sebastian Krämer; Ken Nyholm; Katia Vozian	2025
152	The making of green steel in the EU: a policy evaluation for the early commercialization phase	Valentin Vogl; Max Åhman; Lars J. Nilsson	2021
153	The next step in blended finance: addressing the evidence gap in development	C. Flammer, Thomas Giroux, Geoffrey Heal	2018
154	The power of ESG transparency: The effect of the new SFDR sustainability labels on mutual funds and individual investors	Martin G. Becker; Fabio Martin; Andreas Walter	2022
155	The Pricing of Carbon Risk in Syndicated Loans: Which Risks are Priced and Why?	Torsten Ehlers; Frank Packer; Kathrin de Greiff	2022
156	The Real Effects of Environmental Activist Investing	S. Lakshmi Naaraayanan; Kunal Sachdeva; Varun Sharma	2021
157	The role of corporate green bonds in managing greenhouse gas emissions	Lars Reitsema; Bert Scholtens	2025
158	Transformative Influence of Emissions Trading Schemes on Corporate Investments: Insights from the People's Republic of China	Luu et al.	2025
159	Transition finance facilitates lower-cost achievement of climate targets: A case study of China	Fan, Shuting; Wang, Can	2024
160	Transition to Electric Vehicles - Competitiveness vs Technological Challenge for the EU Automotive Industry	Díaz Rincon, Andrea; Genty, Aurelien; Ruiz Garcia, Juan; Vergote, Wouter	2026
161	Transmission Effects of ESG Disclosure Regulations through Bank Lending Networks	Lynn Linghuan Wang	2023

No.	Title	Author(s)	Publication year
162	Under what conditions and why is carbon pricing effective? A realist synthesis of ex-post evidence	Döbbeling-Hildebrandt, Niklas; Danilenko, Diana; Lamb, William F.; Minx, Jan Christoph	2025
163	When climate policies waver: Firms, debt, and the investment-financing maturity mismatch	Chunzhi Tan; Junjie Liu; Junfeng Ma; Bin Liu; Boru Ren	2025
164	Where should the money go? The green effect of governmental guidance	Zhang, Cheng; Zhou, Bo	2023
165	Where will corporate capital flow to? Revisiting the impact of China's pilot carbon emission trading system on investment.	Yong Qi; Mingsheng Yuan; Tingting Bai	2023
166	Will carbon emission trading scheme affect industrial investment? Evidence from China's listed companies	Haotian Zheng; Caiyun Zhang; Xiaoxi Zhang	2025
167	Would Climate Policy Improve The European Energy Security?	Guivarch, Céline; Monjon, Stéphanie; Rozenberg, Julie; Vogt-Schilb, Adrien	2015

Annex B. 2026 OECD Survey on Enabling Policies for Transition Finance

About the OECD and Green Finance and Investment Team (GFI)

The Organisation for Economic Co-operation and Development (OECD) is an international organisation that works with governments and stakeholders to build better policies for better lives. This survey is conducted by the OECD Green Finance and Investment team, which supports the transition to a net-zero, resilient and environmentally sustainable economy through policy analysis and engagement with key stakeholders. Learn more: [GFI Team Brochure by OECD - Issuu](#)

About the survey

The survey examines the role of policies in shaping investment and financing for the low-carbon transition in emissions-intensive sectors. It looks at how policy conditions affect whether transition activities are commercially viable and able to attract financing on workable terms. It is designed to reflect the broader context in which these decisions are being made, including industry competitiveness, resilience and energy security.

This survey is intended for non-financial companies in emissions-intensive sectors and for financial institutions involved in related investment, financing or decision-making. Your responses will help ensure that the OECD's analysis incorporates practical market experience and contributes to a stronger evidence base on the policy conditions, constraints and enabling factors impacting corporate transition activities and the mobilisation of transition finance. It will inform an OECD publication planned for Q4 2026.

In this survey, transition activities refer to activities that reduce GHG emissions or support the transition to net zero. This includes low-carbon technologies and solutions, credible company transition efforts, and the phase-out or early retirement of high-emitting assets. Transition investment and financing refer to capital provided to support these activities.

Instructions for responding

The survey is organised in five sections and takes around 10-15 minutes to complete. Multiple respondents from the same organisation are welcome.

Responses will be treated confidentially and analysed only in aggregate form. No individual responses will be attributed or quoted, and no organisation will be identified in the reporting of survey results. When you submit this form, it will not automatically collect details such as your name or email address unless you provide them yourself.

Section 1. Respondent type

1. Which of the following best describes your organisation? **Required*

Non-financial company

Financial institution

Section 2. Company profile and key factors affecting transition investment and financing

Please answer the survey to the best of your knowledge, based on your role and experience. Additional research is not expected in order to complete the survey. If you are not the final decision-maker, please answer based on your role and on what you observe in the internal investment or financing review and approval process.

2. Which sectors best reflect the transition-related projects and transactions you have in mind when answering this survey? (Please select at most 2 options.) *Required

Automobile and road transport

Other transport (e.g. freight transport, maritime transport and aviation)

Iron and steel

Chemicals

Cement

Pulp and paper

Other heavy industry and manufacturing

Power, gas or oil

Other

3. What is your role in the investment/ financing process? *Required

Final decision-maker or member of the final approval body (e.g. board, investment committee or credit committee)

Prepare recommendations or assessments for decision-makers

Provide technical, operational, engineering or sustainability input

Provide reporting, compliance, legal or data support

Other

4. How many years of relevant professional experience do you have in this or a comparable sector? *Required

Less than 3 years

3–5 years

6–10 years

More than 10 years

5. Where is the company you are responding for located? If you are responding for a subsidiary or business unit in a different jurisdiction from the group headquarters, please answer for that entity rather than for the group as a whole. *Required

European Union

United Kingdom

Japan

Korea

Other

6. Which jurisdiction's policy environment is most relevant to your company's transition investment and financing decisions?

European Union

United Kingdom

Japan

Korea

Other

7. Optional: Which of the following best describes your company's transition plan or equivalent transition strategy?

Publicly available

Internal, but not public

Currently in development

My company does not have a transition plan or equivalent transition strategy.

I do not know.

8. Which of the following currently represent the main external constraints that limit whether your company's transition activities are commercially viable and able to attract financing? (Please select at most 3 options.) *Required

Demand for low-carbon products or services is too weak.

Relevant technologies are too immature or too costly, resulting in weak profitability.

Project development or permitting delays hold back implementation.

Infrastructure, logistics or supply chain constraints limit viable opportunities (e.g. grid, charging, hydrogen, recycling).

Energy prices are too high or too volatile.

Access to skilled labour is constrained.

Access to external financing is constrained.

Policy uncertainty or the risk of policy reversal weakens confidence.

Cross-border differences in regulation or frameworks create barriers.

My company's transition investment and financing are not currently constrained.

I do not know.

Other

9. How do fossil fuel supply disruptions and price volatility affect your company's plans to invest in transition activities over the next year? *Required

Strongly increase

Moderately increase

No clear effect

Moderately decrease

Strongly decrease

I do not know.

Section 2. Institution profile and key factors affecting transition financing and investment

Please answer the survey to the best of your knowledge, based on your role and experience. Additional research is not expected in order to complete the survey. If you are not the final decision-maker, please answer based on your role and on what you observe in the internal investment or financing review and approval process.

10. For which type of financial institution are you currently working? *Required

Bank

Asset manager

Asset owner (including insurer)

Investment banking and brokerage services (arranger)

Other

11. What is your role in the investment/ financing process? *Required

Final decision-maker or member of the final approval body (e.g. board, investment committee or credit committee)

Prepare recommendations or assessments for decision-makers

Provide technical, risk, transaction or sustainability input

Provide reporting, compliance, legal or data support

Other

12. How many years of relevant professional experience do you have in this or a comparable sector? *Required

Less than 3 years

3–5 years

6–10 years

More than 10 years

13. Where is the institution you are responding for located? If you are responding for a subsidiary or business unit in a different jurisdiction from the group headquarters, please answer for that entity rather than for the group as a whole. *Required

European Union

United Kingdom

Japan

Korea

Other

14. Which jurisdiction's policy environment is most relevant to your institution's transition investment, financing or issuance decisions? *Required

European Union

United Kingdom

Japan

Korea

Other

15. Optional: Which of the following best describes your institution's transition plan or equivalent transition strategy? *Required

Publicly available

Internal, but not public

Currently in development

My institution does not have a transition plan or equivalent transition strategy.

I do not know.

16. Which of the following currently represent the main external constraints that limit whether transition activities are commercially viable and able to attract financing or investment from your institution? (Please select at most 3 options.) *Required

Expected revenues or risk-adjusted returns are too uncertain.

Too few projects are sufficiently mature or finance ready.

Relevant technologies are too immature or too costly.

Project development or permitting delays hold back implementation.

Infrastructure, logistics or supply chain constraints limit viable opportunities.

Policy uncertainty or the risk of policy reversal weakens confidence.

Cross-border differences in regulation or frameworks create barriers.

Our transition investment, financing or issuance activities are not currently constrained by external factors.

I do not know.

Other

17. How do fossil fuel supply disruptions and price volatility affect your institution's plans to provide financing or investment for transition activities over the next year? *Required

Strongly increase

Moderately increase

No clear effect

Moderately decrease

Strongly decrease

I do not know.

Section 3. Enabling policy instruments

Please answer the survey to the best of your knowledge, based on your role and experience. This section asks about specific policy instruments. Please answer with reference to the country/jurisdiction most relevant to the transition-related investments, projects or transactions you have in mind when responding.

18. In your experience, how do the following policy instruments typically affect your organisation's assessment of whether transition activities in emissions-intensive sectors are commercially viable and able to attract financing?

Response scale: Strongly increase / Moderately increase / No clear effect / Moderately decrease / Strongly decrease / I do not know.

Long-term public transition strategies, roadmaps or emissions targets

Regulatory standards and transition mandates (e.g. performance standards, technology requirements or phase-out rules)

Carbon pricing instruments (e.g. emissions trading systems)

Public support and enabling investment (e.g. procurement, infrastructure investment, grants, tax credits or guarantees)

Disclosure and information requirements (e.g. transition planning, reporting, taxonomies or labelling frameworks)

Public-private dialogue and voluntary approaches

19. Looking specifically at support instruments that improve revenue visibility or demand, which type of policy instrument most helps make transition activities commercially viable and able to attract financing? Please select one. *Required

Price support mechanisms (e.g. Contracts for Difference or Carbon Contracts for Difference)

Long-term purchase commitments from buyers (e.g. long-term offtake agreements)

Public purchasing commitments (e.g. public procurement)

Demand aggregation mechanisms (e.g. buyer aggregation or demand-pooling platforms)

I do not know.

Other

Section 4. Policy implementation

Please answer the survey to the best of your knowledge, based on your role and experience. This section asks about policy implementation, particularly how policy uncertainty and cross-border differences affect transition-related investment and financing decisions.

20. To what extent do the following reduce your organisation's willingness or ability to invest in or finance transition activities? *Required

Response scale: Not at all / To a limited extent / To a moderate extent / To a significant extent / To a very significant extent / I do not know.

Policy uncertainty, including uncertainty about whether relevant policies will be introduced, implemented as expected or changed over time

Cross-border differences between jurisdictions on transition-related policy, regulatory or financing frameworks

21. Through which of the following impact channels do policy uncertainty or cross-border differences most affect your organisation's transition-related investment and financing decisions? (Please select at most 3 options.) *Required

They increase perceived risk or reduce expected risk-adjusted returns.

They delay or discourage large or long-term commitments.

They increase compliance, administrative or transaction costs.

They make transactions or projects harder to structure, assess or execute in practice.

They create difficulties in applying, recognising or aligning approaches across jurisdictions.

They increase the need for public support, guarantees or other de-risking measures.

They are not a significant problem for our organisation.

I do not know.

Other

22. Please use this space to share any additional comments you may have, including:

A concrete example of how a policy instrument positively or negatively affected your organisation's transition investment or financing decisions

Areas where a policy instrument or your relevant jurisdiction's overall approach to transition finance could be further developed or strengthened to better support transition investment and financing

Any other relevant information

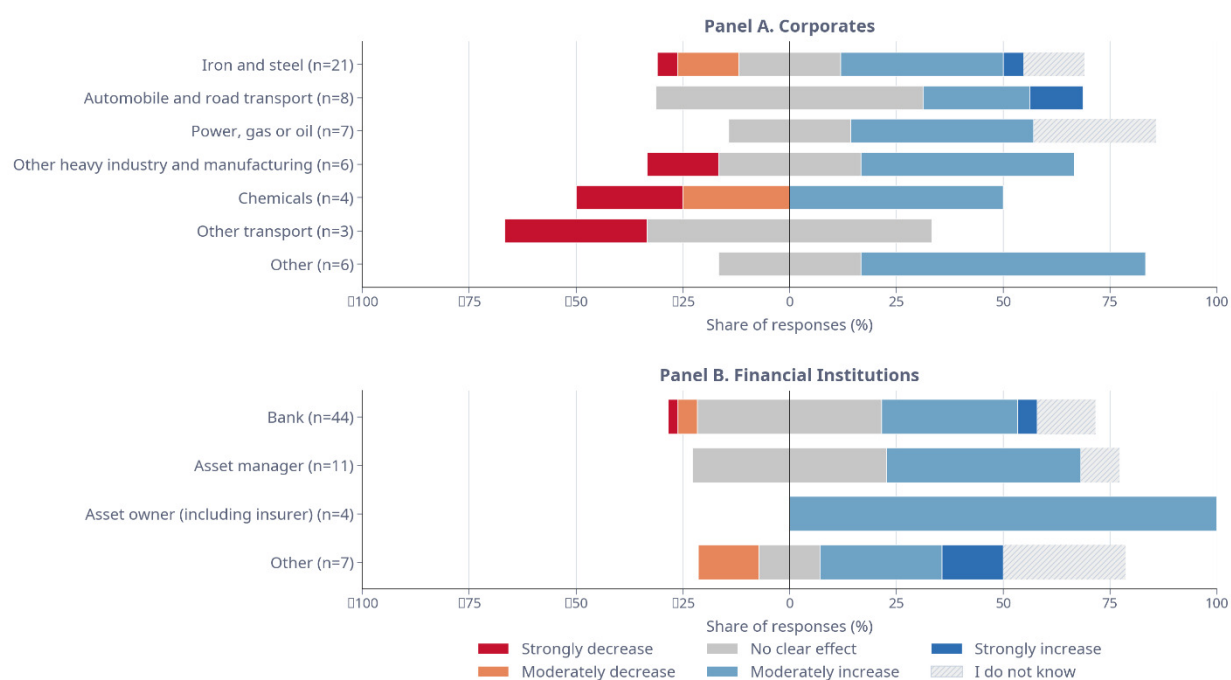
Enter your answer

Annex C. Survey: descriptive statistics

Section	Category	Count	Share of respondents (%)
Organisation type	Financial institution	66	54.5
Organisation type	Non-financial company	55	45.5
Region of organisation location (broad)	EU	75	62
Region of organisation location (broad)	Japan	19	15.7
Region of organisation location (broad)	Other Europe	13	10.7
Region of organisation location (broad)	ROW	14	11.6
Most relevant policy jurisdiction (broad)	EU	84	69.4
Most relevant policy jurisdiction (broad)	Japan	19	15.7
Most relevant policy jurisdiction (broad)	Other Europe	9	7.4
Most relevant policy jurisdiction (broad)	ROW	9	7.4
Transition plan status	Public	73	60.3
Transition plan status	Internal	11	9.1
Transition plan status	In development	25	20.7
Transition plan status	No plan	8	6.6
Transition plan status	Don't know	2	1.7
Transition plan status	Missing	2	1.7
Respondent role in the investment/financing process	Technical/sustainability input	45	37.2
Respondent role in the investment/financing process	Recommendations/assessment	41	33.9
Respondent role in the investment/financing process	Reporting/compliance/data support	17	14
Respondent role in the investment/financing process	Final decision-maker	13	10.7
Respondent role in the investment/financing process	Other	5	4.1
Years of relevant professional experience	Less than 3 years	7	5.8
Years of relevant professional experience	3–5 years	21	17.4
Years of relevant professional experience	6–10 years	22	18.2
Years of relevant professional experience	More than 10 years	71	58.7
Years of experience (binary)	10 years or less	50	41.3
Years of experience (binary)	More than 10 years	71	58.7

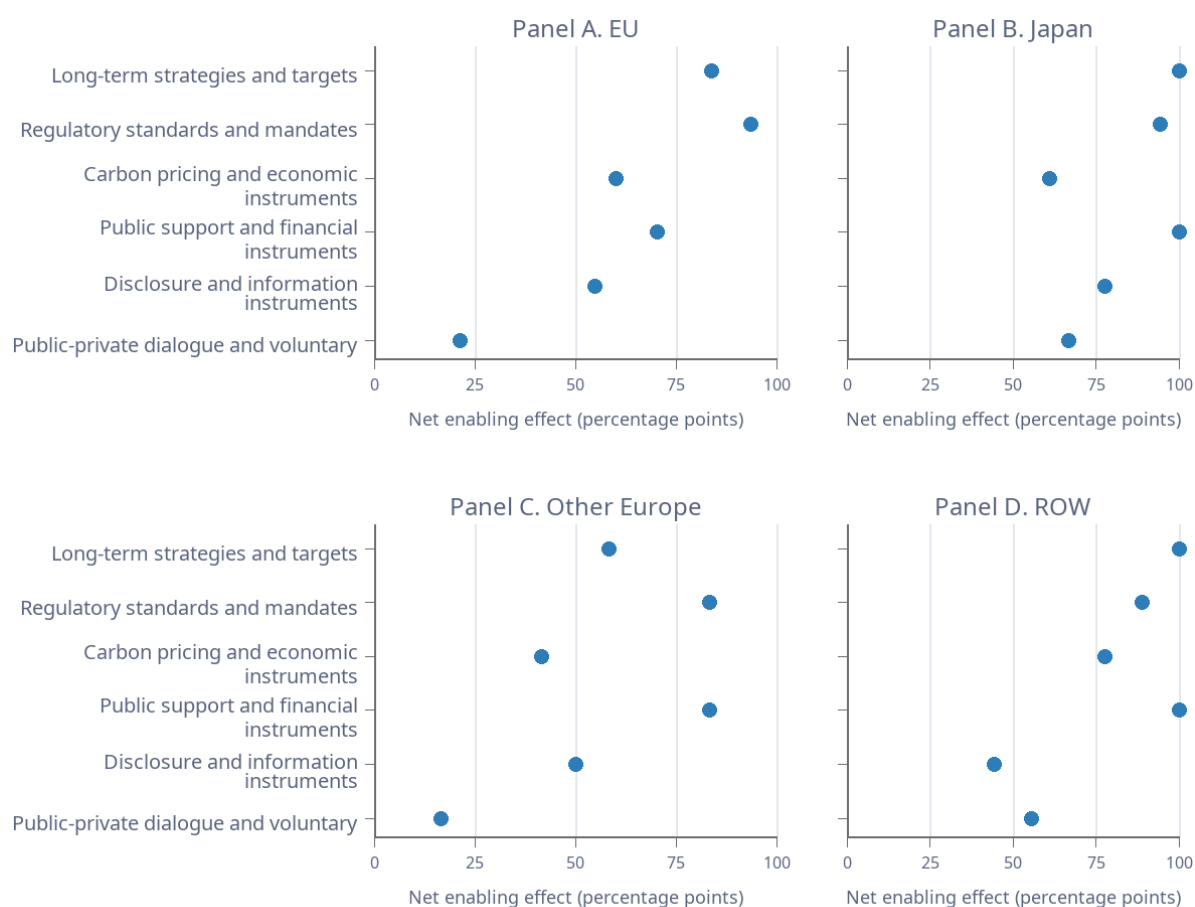
Annex D. Survey: additional figures

Figure A D.1. Effect of fossil fuel supply disruptions and price volatility by sector (detailed)



Note: Respondent count = 121, Question: How do fossil fuel supply disruptions and price volatility affect your company's/ institution's plans to invest in transition activities over the next year?

Source: 2026 OECD Survey on Enabling Policies for Transition Finance

Figure A D.2. Perceived net enabling effect by policy instrument by region

Note: Respondent count= 121

Source: 2026 OECD Survey on Enabling Policies for Transition Finance

Notes

¹ A corporate transition plan is generally understood as “a time-bound, crosscutting action plan that clearly sets out how a company intends to achieve its transition strategy (including targets, actions, progress and accountability mechanisms) and reach its goal to transform its business model, operations, assets and relationships towards low-emission, climate-resilient pathways that are aligned with the goals of the Paris Agreement” (OECD, 2022^[6]).

² TD Securities note that Canada may issue its first transition bonds by 2027, following the development of Made-in-Canada Sustainable Investment Guidelines (TD Securities, 2025^[158]). Sovereign sustainability-linked bonds have been more widely used than sovereign transition bonds, including by Chile and Uruguay in 2022, Thailand in 2024, and Slovenia in 2025, but these instruments are general-purpose instruments whose proceeds are not earmarked for transition investments.

³ Survey respondents assessed broad categories of policy instruments rather than specific government interventions. Differences in NEE values reflect the relative perceptions of respondents within this survey sample and do not constitute a ranking of individual policies or account for differences in policy design, implementation, fiscal cost or institutional context.