

JBA comments on the Consultative Document “Defining Transition Finance and Considerations for Decarbonization Contribution Methodologies”
by the Glasgow Financial Alliance for Net Zero (GFANZ)

Questions	Comments
Part I: Transition Finance	
Climate Solutions	
Q1: Are the proposed attributes sufficient and flexible enough to help you identify assets to this segment?	<ul style="list-style-type: none"> Somewhat sufficient
Q4: Are separate and/or additional attributes required for Enablers?	<ul style="list-style-type: none"> No
Aligned and Aligning	
Q6: Are the proposed attributes sufficient to help you identify entities to this segment?	<ul style="list-style-type: none"> Somewhat sufficient
Q9: Are there any other considerations for Aligned/Aligning attributes, especially relating to hurdles to implementation (e.g., data limitation, lack of disclosure regarding capex, other KPIs for degree of alignment)?	<ul style="list-style-type: none"> Alignment to pathways is proposed as one of Aligned/Aligning attributes. Under the current corporate disclosure practice, however, the expected year of alignment and target performance are often disclosed at a particular point in time, without disclosing annual progression towards alignment to pathways. Given this, how the alignment is assessed for such disclosures should be included to address such a practical issue.
Managed Phaseout	
Q10: Are the proposed attributes sufficient to help you identify assets to this segment?	<ul style="list-style-type: none"> Somewhat sufficient
Segmentation Method	
Q13: If you were to implement the proposed approaches today, what could be some	<ul style="list-style-type: none"> While we understand that Test A is the assessment performed at the asset or

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challenges you might encounter?	<p>project-level, the Proposed Attribution in Climate Solutions states that “if not already aligned, entity should aim to become net-zero aligned over time,” indicating that the assessment is required on an entity-basis as well. However, we also recognize that Test B is the assessment on an entity-basis, and hence request GFANZ to clarify how these two tests are regarded in performing this assessment.</p>
Other	
Q15: Any additional feedback regarding Part I of this consultation?	<ul style="list-style-type: none"> • Since the four key financing strategies proposed for transition finance have different targets (e.g., technologies and/or entities), we consider that these four key financing strategies may overlap (for example, there may be a strategy that finance or enable both Climate Solution and a 1.5 degrees C Aligned). Further, in our view, proposed GFANZ’s four key financing strategies are one of the approaches, and do not cover the whole picture of transition finance as specified below. Therefore, we request GFANZ to clarify such relations. • Under current practice, whether an activity constitutes transition finance is often determined based on Climate Transition Finance Handbook published by the International Capital Market Association. This handbook, however, is not fully consistent with the requirements and the elements of four key financing strategies defined by GFANZ. Therefore, criteria for determining transition finance should not be designed to be exclusive, excluding any activities that do not meet GFANZ’s definition from transition finance (we understand that the existing criteria are not designed to be exclusive). • When considering the inclusion of quantitative criteria and further clarifying criteria for determining transition finance, the criteria should not result in eliminating the options of certain transition technologies for financial institutions even such technologies have potentiality, and enable financial institutions to provide support for corporates which are committed to

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	decarbonization.
Part II: Decarbonization Contribution Methodologies	
Potential Approaches for Climate Solutions and Managed Phaseout Finance Strategies	
<p>Q28: Any additional considerations/feedback regarding impact methods for Climate Solutions, Enablers and Managed Phaseout (e.g., alternative approaches to avoided emissions; apportioning EER to Enablers, for example using a pro-rata approach)?</p>	<ul style="list-style-type: none"> Given that the Guidance on Avoided Emissions published by the World Business Council for Sustainable Development recommends the use of attributional life cycle accounting (LCA) for calculating avoided emissions, we believe that the LCA should be used in the future, in principle. However, since the LCA still has certain challenges in data collection, we also support the approach of using end-use emission for the first few years.

(End)