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UK launches guidelines to measure credibility of transition finance

August 21, 2025 | Written by Emma Thomasson

A UK body aimed at promoting finance to support the transition to a net zero economy has launched draft guidelines to help lenders assess whether carbon-intensive companies in areas like cement, shipping and transport are making progress towards reducing emissions.

The UK government set up the Transition Finance Council in February along with the City of London Corporation and representatives from the financial industry, regulators and civil society with the aim of making the UK the global hub for raising and deploying transition finance.

The council has published draft voluntary guidelines for consultation with the aim of publishing a final version in 2026.

"High-emitting sectors urgently need finance to decarbonise as the shift to clean energy becomes increasingly vital for both businesses and governments," said Alok Sharma, the council's chair and the former president of the Cop26 climate conference.

"These draft guidelines are a critical piece in developing a UK transition finance market that is open, investable, aligned with international standards and sets a global benchmark. They will help capital providers to assess transitioning companies for example those in cement, shipping and transport, in a clear and consistent manner broadening the reach of transition finance into high-emitting companies."

The council said the draft guidelines are designed to complement existing global and domestic frameworks such as those developed by the Transition Plan Taskforce (TPT) and International Sustainability Standards Board.

"The guidelines build on this with a focus on how to assess the credibility of an entity's ambition, and near-term transition planning and progress. They can also be applied where a formal transition plan is not yet in place or disclosed and provide minimum expectations for credible transition finance," they say.

The guidelines seek to establish a minimum benchmark of evidence to prove the strength of a company's ambition to transition to net zero, the existence of a credible strategy to deliver and evidence of effective implementation.

transition finance.

"We need large amounts of investment in decarbonisation, but without strict, enforceable, science-based criteria,

The council said its longer-term ambition is that these guidelines become a global benchmark for classifying credible

transition finance risks perpetuating business as usual," said Ellie McLaughlin, senior policy and advocacy manager at advocacy group Positive Money.

and fail to recognise that not all companies can decarbonise. Fossil fuel companies business models are fundamentally incompatible with net zero, and as such they should not be able to access transition finance."

In June, the International Financial Reporting Standards (IFRS) Foundation released new transition plan guidance on

"As they stand, these guidelines leave room for companies targets and plans to be misaligned with 1.5°C pathways,

disclosures relating to transition plans, building on materials from the TPT to support implementation of IFRS S2, the climate-focused sustainability standard.

supporting capital providers to get the information they need to assess an entity's transition," the council said. "This is the most efficient option for scaling transition finance with credibility and integrity."

This page was last updated August 21, 2025

"The aim is for the guidelines to be used in conjunction with available transition plan disclosures where possible in

21 August 2025: this article was updated to include comments from Positive Money.

Transition plans

Green finance

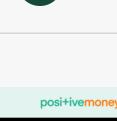
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