北京绿色金融与可持续发展研究院
INSTITUTE OF FINANCE AND SUSTAINABILITY

Transition Finance： A Guide to Practice

Institute of Finance and Sustainability

Contents


01
Foreword

I. Foreword

1.Background and purpose

As the world enters the "Boiling Era", climate change has been becoming a global crisis that must be faced by all countries together. To cope with climate change, the parties to the *United Nations Framework Convention on Climate Change* adopted the *Paris Agreement* in 2015 (herein referred to as the Agreement). The *Agreement* put forward the global temperature rise control goal of 2°C and the efforts to achieve the goal of 1.5°C. In order to cope with climate change, all countries/regions in the world need a comprehensive transition in the whole socioeconomic system such as energy, industry, transportation, agriculture, infrastructure and human health. All parties to the Convention on Climate Change have set action goals to cope with climate change according to their respective national conditions and development stages, that is, the Nationally Determined Contributions (NDCs) and the long-term low greenhouse gas emission development strategies (LTSs) in the middle of this century. In 2020, China announced that it will strive to reach its peak in carbon dioxide emissions by 2030 and strive to achieve carbon neutrality by 2060[1]. According to McKinsey's estimation, in order to achieve zero net emission in 2050, the annual total green and low-carbon investment is USD 9.2 trillion[2] worldwide, wherein the low-carbon transition of high-carbon industries especially needs financial support. In order to

[1] *Opinions on Completely, Accurately and Comprehensively Implementing the New Development Concept and Well Ensuring Emission Peak and Carbon Neutrality* of CPC Central Committee and the State Council (https://www.gov.cn/zhengce/2021-10/24/content_5644613.htm)

[2] Solving the net-zero equation nine requirements for a more orderly transition, Mekala Krishnan, Tomas Nauclér, Daniel Pacthod, Hamid Samandari, Dickon Pinner, Sven Smit, Humayun Tai, Mckingsey sustainability

support the transition of high-carbon industries, it is necessary to establish a framework for transition finance to guide social capital, especially private sector capital, to participate in economic activities in transition.[3]

At the Group of 20 (G20) Summit held in November 2022, the leaders of the G20 members approved the *G20 Sustainable Finance Report in 2022* submitted by the G20 Sustainable Finance Working Group, including the *G20 Framework for Transition Finance*. The *G20 Framework for Transition Finance* provides a set of high-level principles around five pillars of the framework: identification, reporting of information, financial instruments, policy measures, and just transition which guide national regulatory authorities to establish their own national policies on transition finance.

China is pitching into exploring the practice of transition finance. In order to realize the comprehensive economic and social decarbonization transformation required by the dual carbon target, China is actively participating in and exploring the policies and practices of transition finance at the multilateral and domestic levels. The People's Bank of China, as the co-chair of the G20 Sustainable Finance Working Group, took the lead in promoting programmatic documents such as the *G20 Sustainable Finance Roadmap* and the *G20 Framework for Transition Finance*. The People's Bank of China is studying and formulating transition finance standards for several key industries, and the national pilot zones for green financial reform and innovation and some other regions are carrying out exploration and practice. For example, Zhejiang Huzhou issued the first road map for the development of local transition

3 Ma Jun, President of Institute of Finance and Sustainability: Transition Finance Framework is of Great Significance to Green Finance. https://baijiahao.baidu.com/s?id=1751903195598437369&wfr=spider&for=pc

finance, and took the lead in issuing multiple pioneering reform achievements such as a taxonomy for transition activities, a guide for transition objectives of key industries, an outline for transition plan of financing entities, and a just transition evaluation method.

The development of transition finance needs the concerted efforts of more entities. Currently, most local governments, financial institutions and enterprises still lack capacity building in the process of promoting transition finance. For example, some industries' transition pathways are not clear enough and their transition finance standards are not established yet, it is difficult for financial institutions to obtain transition goals and identify the transition pathways of enterprises, and the enterprises themselves lack recognition of green finance. In order to better support the innovation and development of transition finance, based on the global consensus of the *Paris Agreement* on coping with climate change and relevant exploration and practice in China, we put forward this *Transition Finance ： A Guide to Practice*, hoping to provide reference for government departments, financial institutions and enterprises to carry out transition finance.

2.Summary of contents

Based on the climate objectives proposed by the *United Nations Framework Convention on Climate Change* and its *Paris Agreement* and the *G20 Framework for Transition Finance*, and combined with the practice of China's transition finance (such as the overall planning of green finance and transition finance work of the People's Bank of China and the practice of green finance reform and innovation), the *Transition Finance ： A Guide to Practice* puts forward a framework of transition finance implementation for public and private sectors to achieve win-win cooperation, and puts forward specific operational steps from the perspective of local governments, financial institutions and enterprise practice.

First, the framework of transition finance implementation. This part puts forward the core objectives, main participants and key tasks of transition finance. Transition finance needs to anchor the global consensus on services to cope with climate change, with the collaborative participation of government departments (including industrial sectors and financial management departments), financial institutions and enterprises, and the promotion of transition finance mainly includes key issues as follows: identifying transition finance activities, innovating transition finance products, establishing transition finance policy tools, strengthening professional support and capacity building for transition finance, improving the process management of transition finance and carrying out information disclosure in transition finance.

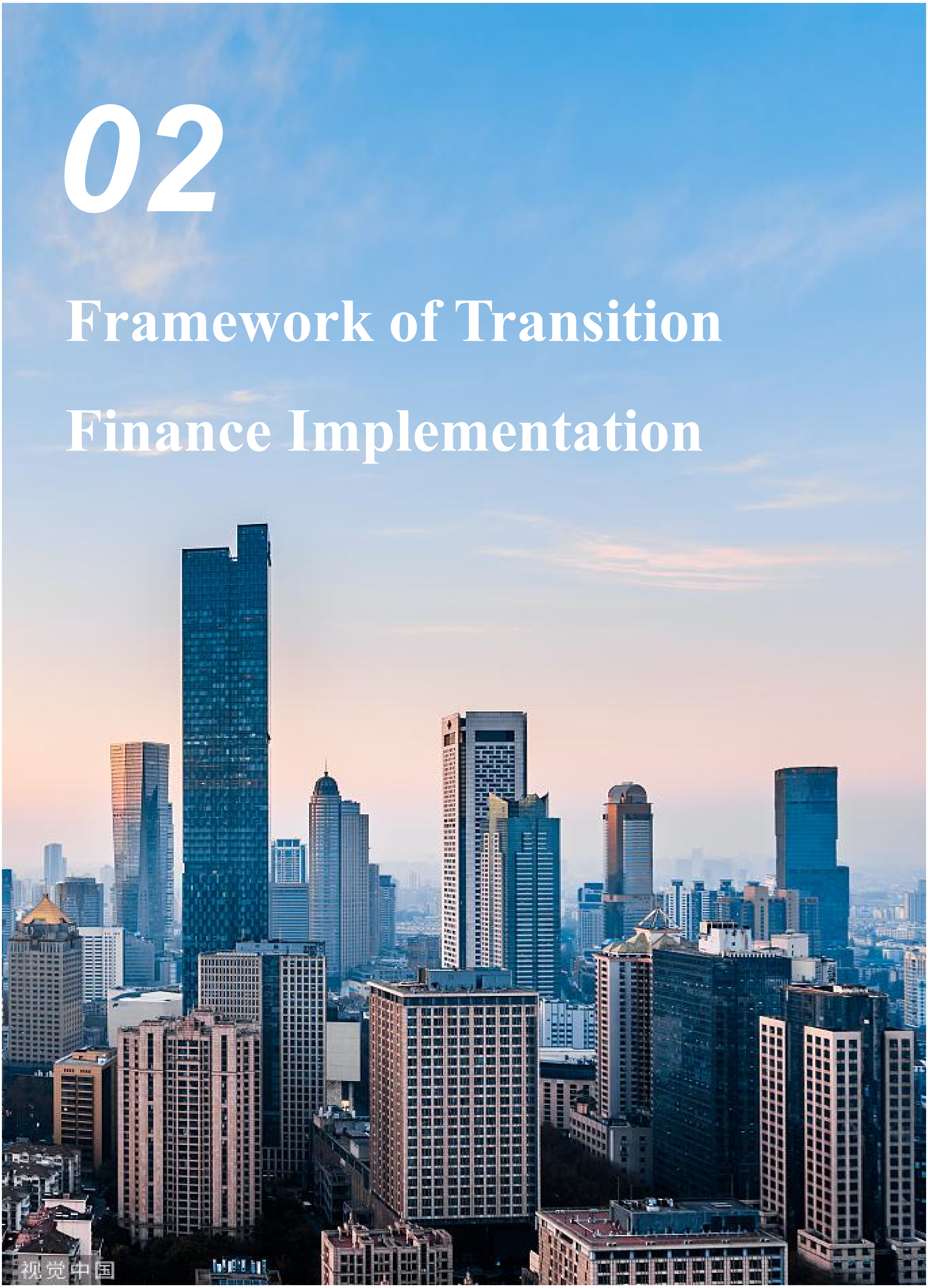
Second, the Transition Finance Implementation Guide - Local governments. From the perspective of government departments, this part puts forward the main path of transition finance practices in local areas, and decomposes all work points and main methods step by step to provide reference for local transition finance innovation practice.

Third, the Transition Finance Implementation Guide - Financial institutions. From the perspective of financial institutions, this part puts forward the main path for financial institutions to carry out transition finance practice, and decomposes all work points and main methods step by step to provide reference for financial institutions' transition finance innovation practice.

Fourth, the Transition Finance Implementation Guide - Enterprises. From the perspective of enterprises, this part puts forward the main methods for enterprises to formulate transition goals and strategies, design transition action plans, carry out process management of transition activities and disclose transition information, in order to provide reference for enterprises to obtain transition finance support and promote sustainable development through scientific, feasible and credible transition actions.

02

Framework of Transition Finance Implementation



II. Framework of Transition Finance Implementation

1.Anchore the common goal of combating climate change

Transition finance needs clear carbon reduction benefits. According to *G20 Framework for Transition Finance*, transition finance refers to financial services that support the whole economic transition under the background of Sustainable Development Goals (SDGs) and are consistent with the objectives of *Paris Agreement*[4]. The *G20 Framework for Transition Finance* takes consistency with the climate objectives under the *Paris Agreement* as an important judgment criterion for testing transition activities or investments.

In the process of promoting transition finance, it is necessary to:

- Base on the schedule and roadmap requirements of emission peak and carbon neutrality planning in the country/region. Taking China as an example, the definition of transition activities shall be coordinated with the path and time limit for China to reach the carbon dioxide emission peak by 2030 and strive to achieve carbon neutrality by 2060;
- Focus on the current key issues under the long-term goal. Taking China as an example, given that the "Fourteenth Five-Year Plan" is a critical period for emission peak, the development of transition finance needs to fully grasp the characteristics of industrial structure and energy structure in combination with the requirements of the "Fourteenth Five-Year Plan" and other relevant policies, so as to promote carbon reduction in an orderly manner.

[4] G20 sustainable finance working group. 2022 G20 Sustainable Finance Report. 2022

2. Collaborate with the three main bodies

Government departments (including industrial competent departments and financial management departments), financial institutions and transition enterprises, as the three key bodies of transition finance, need to open up process nodes and cooperate efficiently.

Government departments (including industrial competent departments and financial management departments): empower market entities and guide the development of transition finance through policy measures.

- Participate in the definition of standards;
- Introduce incentive mechanisms;
- Share information to support market entities;
- Establish a docking platform and provide tools to empower market entities

Financial institutions: pay attention to climate objectives and fully consider the operating objectives of institutions, and increase the innovation and market supply of financial products related to transition finance from the perspective of controllable risks and sustainable business.

- Participate in the definition of standards;
- Innovate financial products and services;
- Establish the risk management and process management mechanism of transition finance;
- Actively carry out information disclosure in transition finance

Enterprises: Actively practice low-carbon transformation, contribute to the implementation of national climate objectives, and actively obtain transition finance support by formulating scientifically feasible transition plans and objectives.

- Take the initiative to formulate the transition objectives and plans;
- Actively pay attention to and actively use transition finance products and services;
- Actively carry out information disclosure in transition finance

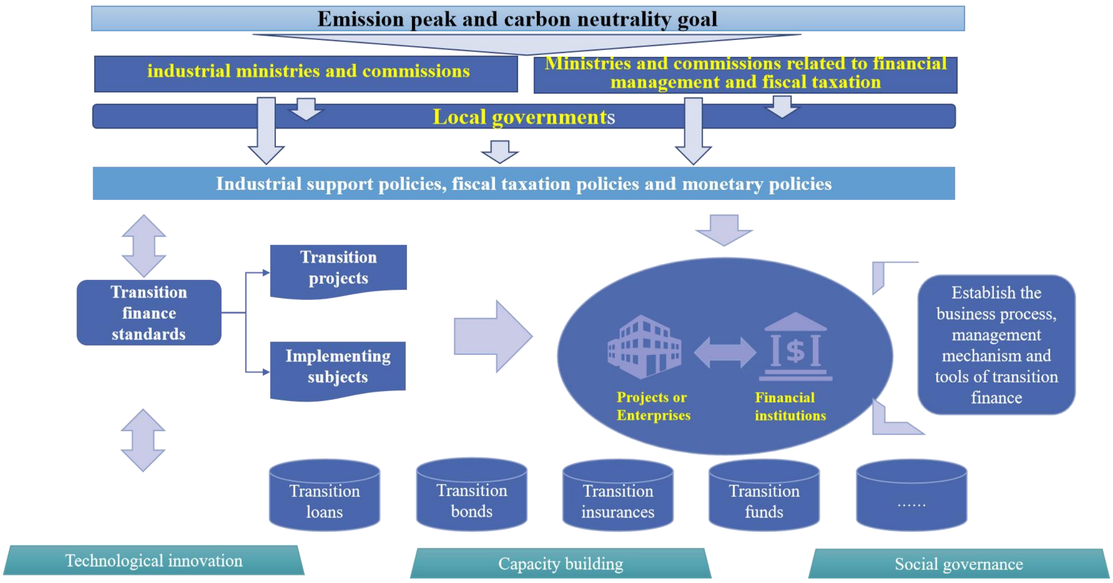


Figure 1 Coordination Mechanism of Transition Finance Among the Three Key Entities.
Source: Institute of Finance and Sustainability

3.Focus on six key tasks

- Determine the definition standard of transition finance: industrial competent departments and financial management departments are supposed to focus on selecting high-carbon industries with high climate and environmental risks and transition needs under the goal of emission peak and carbon neutrality, and define the scope of transition finance support.

- Increase the innovation and supply of transition finance products: financial institutions shall increase the innovation of transition finance products and services based on the transition activities under the global consensus to cope with climate change and the specific needs of transition enterprises.
- Establish transition finance policy tools: The industrial competent departments and financial management departments ought to work together to form a policy toolkit to support low-carbon transition activities, including but not limited to monetary support tools, financial investments, industrial policies, etc., to enhance the financing of transition activities.
- Strengthen professional support and capacity building for transition finance: The industrial competent departments and financial management departments should provide information sharing systems, supportive tools, and capacity suggestions for the development of transition finance, such as guiding enterprises to formulate transition plans, establishing transition project libraries in key areas, digital docking platforms and carbon data sharing platforms.
- Improve the process management of transition finance: Financial institutions shall establish the internal management process to support the development of transition finance, and enhance the ability of risk identification and prevention of transition finance.
- Carry out information disclosure in transition finance: Industrial competent departments and financial management departments shall guide financial institutions and transition enterprises to

disclose information on transition activities and transition investment and financing.

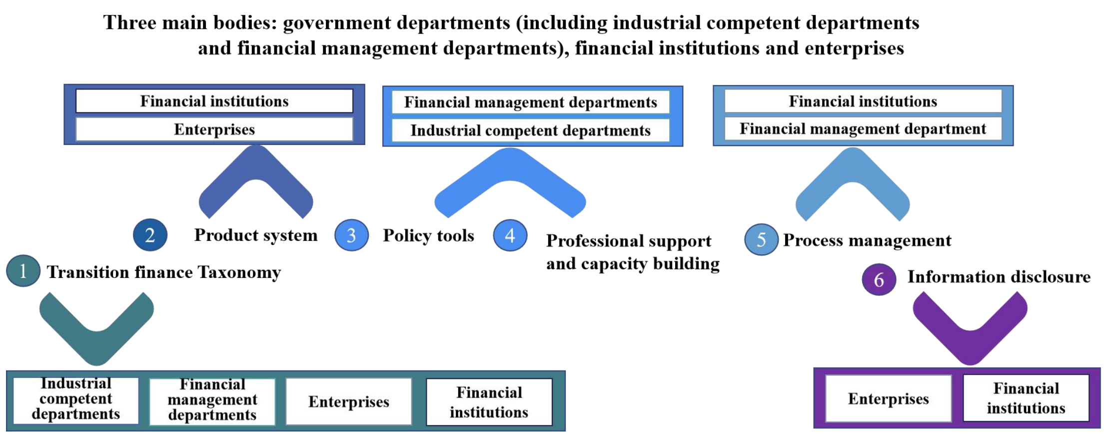


Figure 2 Six Key Tasks of Transition Finance.
Source: Institute of Finance and Sustainability

03

Transition Finance Implementation Guide - Local

III. Transition Finance Implementation Guide - Local Governments

1. Select key industries

Necessity of selecting key industries:

- It is helpful to focus on resources to solve key problems, and can be replicated and extended to more high-carbon industries and fields after implementation practice;

Methods for determining key industries:

- In order to effectively serve the goal of emission peak and carbon neutrality and follow the principle of "urgent need first", we shall select key industries with high emissions, low-carbon transition needs and suitable for financial support.

Carbon reduction needs

Focus on industries with high regional energy consumption or high carbon emissions and urgent transition needs, which are facing chanlleges of low-carbon transition and industrial upgrading.

Scale aggregation

Select the industries representative of the local economy, prioritizing the key concentrated pillar industries of regional characteristics

Financial participation

Prefer the industries suitable for allocating resources through financial support, accounting for a certain proportion of the existing customers of financial institutions within its jurisdiction, and able to be guided and promoted by financial products.

Figure 3 Methods to Identify Key Industries for Transition Finance.
Source: Institute of Finance and Sustainability

2. Establish industrial and financial synergy mechanism

At least the following key issues need to be coordinated by the industrial sector and the financial sector:

- Coordinate the formulation of transition finance standards;
- Coordinate to improve the transition willingness and performance of financial institutions and enterprises by providing professional tools and capacity building.
- Coordinate to introduce diversified incentive mechanisms to deal with externalities and support just transition.

Establish the coordination mechanism between industrial sector and financial sector：

- A joint working group can be established by financial management departments, industrial competent departments and related industry associations;
- Form a regular consultation mechanism to jointly promote the transition finance framework.

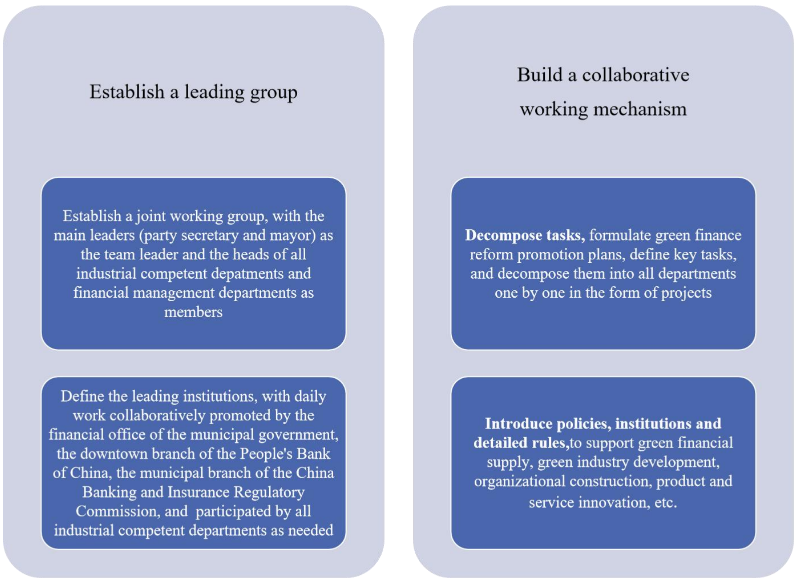


Figure 4 Coordination Mechanism Between Industrial Sector and Financial Sector.
Source: Based on the summary of the work experience of China Pilot Zone for Green Finance Reform and Innovation

3.Define identification standards for transition finance

Necessity of establishing the definition standards for transition finance:

- Solve the problem of identifying "transition", and reduce the risk of "false transition" caused by lack of standards;
- Effectively combine the actual development of local industries and guide market entities to support key areas to cope with climate change.

Methods of defining standards for transition finance[5]:

- Based on the goal of coping with climate change, fully combine the reality of local green and low-carbon development and industrial characteristics;
- Learn from the practical experience of G20 and related multilateral platforms, international organizations, governments and institutions in transition finance standards;
- Combined with the dynamic needs of policy, market and technology development, establish transition finance standards for key industries.

[5]The identification of transition activities and investment can be roughly divided into "Taxonomy-based Approaches" and "Principle-based Approaches": "Taxonomy-based Approaches" provides a transition taxonomy with a list of specific activities; The "Principle-based Approaches" usually requires the transition activities to meet certain conditions in principle, which is more general than the "Taxonomy-based Approaches". Here, we take the "Taxonomy-based Approaches" as an example to analyze the formulation method of transition finance standards.

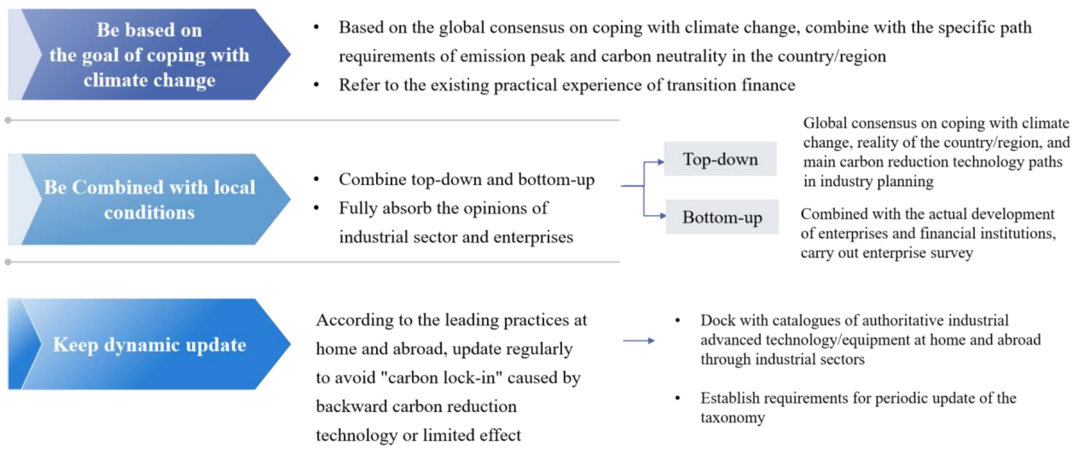


Figure 5 Essentials of Transition Finance Standards.
Source: Institute of Finance and Sustainability

4.Make transition finance policy measures

The industrial competent departments and the financial management departments cooperate to establish a policy toolkit:

- Industry-related guidance policy: consider setting differentiated policies to guide enterprise transition, such as preferential energy and land policies for transition enterprises;
- Finance-related incentive and restraint mechanisms: for example, refinancing and other monetary policy tools support transition enterprises first if other conditions are the same; incorporating the related work of transition finance into the evaluation and assessment mechanism of financial institutions;
- Leverage of financial funds: provide discount support for transition enterprises and projects, establish mechanisms such as risk sharing and guarantee, and set up transition guidance funds.

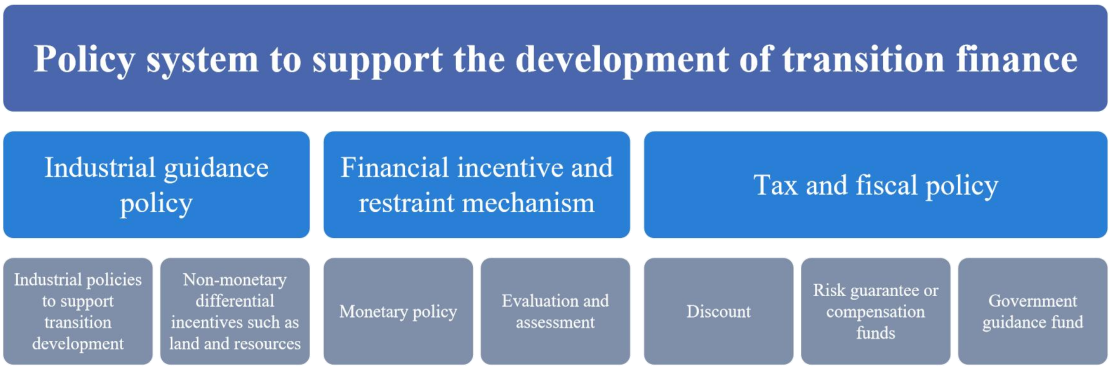


Figure 6 Transition Finance Policy Tools.
Source: Institute of Finance and Sustainability

5.Provide support platforms and tools for market entities

Government departments can at least provide support for market entities from the following key issues:

- Share government data and other information data;
- Establish a transition project/enterprise library;
- Establish a digital industrial and financial docking platform to solve the problems of asymmetric transition finance information and financing inefficiency.

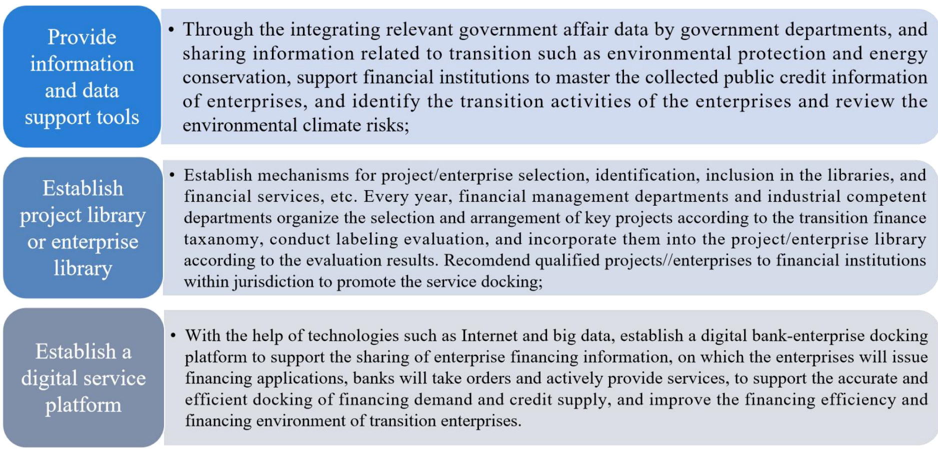


Figure 7 Transition Finance Supporting Platform and Tools.
Source: Based on the summary of the work experience of the Pilot Zone for Green Finance Reform and Innovation promoted by China

6.Carry out capacity building in transition finance

Government departments can at least support the capacity building in transition finance from the following perspectives:

- Support the capacity building of financial institutions: organize training and seminars on carbon accounting for investment and financing, industry transition pathways, sustainability-linked products, ESG evaluation and application;
- Support enterprise capacity building: carry out training on the preparation of transition plans, guide enterprises with the ability and willingness to take the lead in creating transition demonstration cases and promote more small and medium-sized enterprises through training and seminars.

Ability dimension	Financial institution	Enterprise
Financial professional ability (such as innovation of financial products and tools)	——	**Lack** need to understand the basic framework of financial products
Industrial professional ability (such as low-carbon transition pathways and professional techniques)	**Lack** need to understand the main pathways of industry transition	**Lack** need capacity building (especially for small and medium-sized enterprises)
Green and ESG professional ability (such as carbon accounting for investment and financing, ESG evaluation)	**Lack** need capacity building	**Lack** need to understand the basic framework of financial institutions' requirements for transition finance

Figure 8 Transition Finance Capacity Building.
Source: Institute of Finance and Sustainability

7.Guide the just transition

Necessity of guiding just transition:

- Disorderly transition, including campaign-style carbon mitigation, may lead to unemployment, inflation and other negative socioeconomic effects;
- In order to effectively prevent transition risks and promote sustainable transition, government departments need to guide financial institutions and enterprises to carry out just transition from the perspective of coordinated economic and social development.

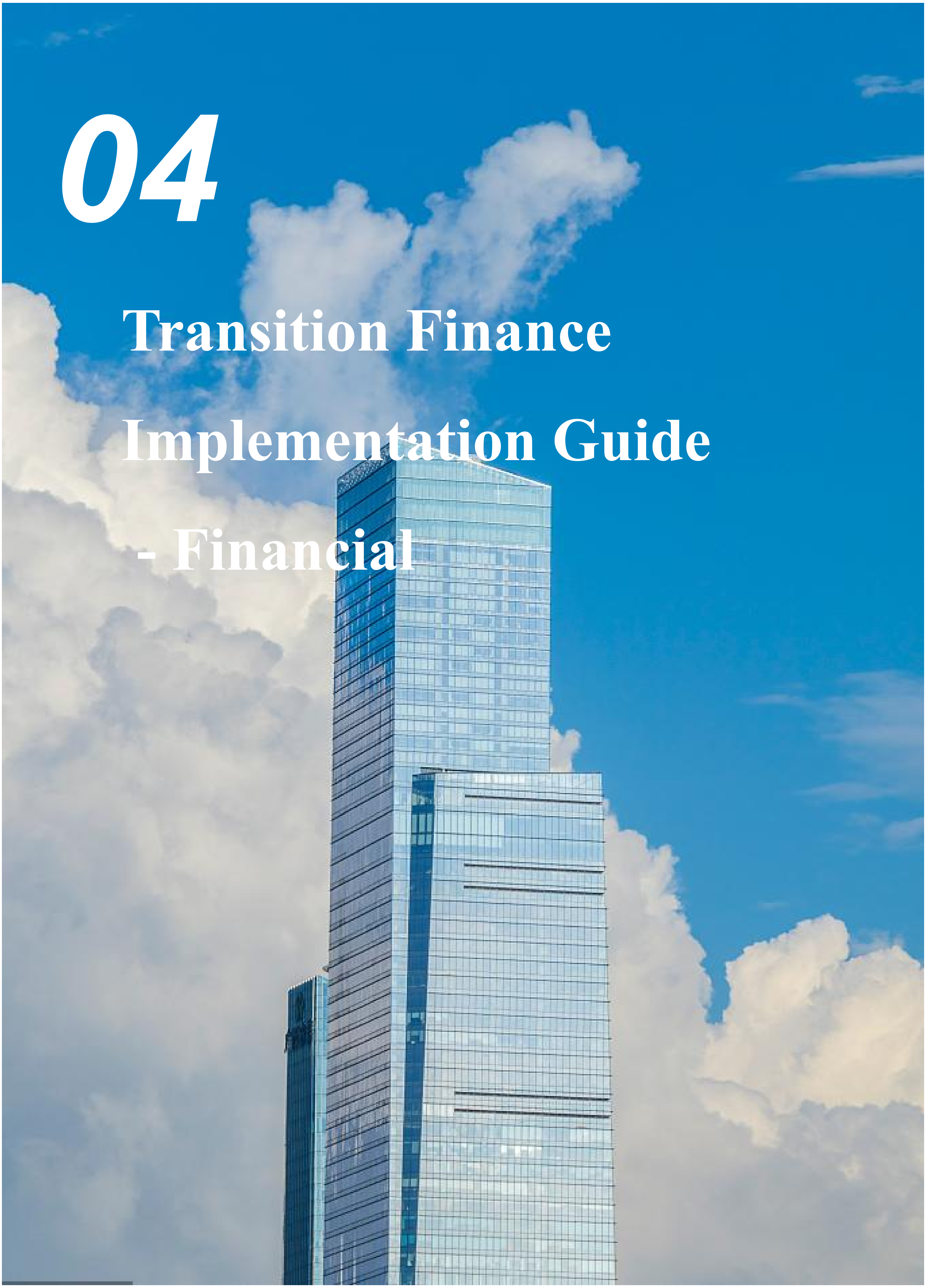
Government departments can at least guide just transition from the following perspectives:

- Study the social impact of transition finance within its jurisdiction and formulate the evaluation dimension of just transition and the inter-departmental coordination mechanism;
- Guide and encourage enterprises within their jurisdiction to evaluate the possible social impacts of transition activities, disclose these impacts, and take measures to alleviate these impacts;
- Measure and monitor the comprehensive development performance of transition finance within its jurisdiction, including but not limited to tracking the carbon reduction effect of investment and financing (such as the change of carbon emissions per unit of industrial added value), the implementation of the principle of "no significant harm"[6] and its impact on sustainable development goals[7].

[6]It refers that projects or financing entities that are included in the scope of sustainable financial support do not cause significant harm to any sustainable goal such as environment, climate and biodiversity.
[7]Sustainable Development Goals (SDGs) refer to the 17 sustainable development goals adopted by the United Nations in 2015, also known as "global goals", including issues such as eliminating poverty, realizing equality and coping with climate change.

04

Transition Finance Implementation Guide - Financial



IV. Transition Finance Implementation Guide - Financial Institutions

1.Define the transition finance identification standards within the institution

- Closely follow the progress of relevant standards at the national/regional level and actively participate in the formulation of definition standards;
- When there is no relevant reference standard for the time being, formulate the institution's own transition finance standard or activity taxonomy according to the institution's own business status and strategic objectives, and dynamically adjust them according to the changes of policies, regulations and technical environment.

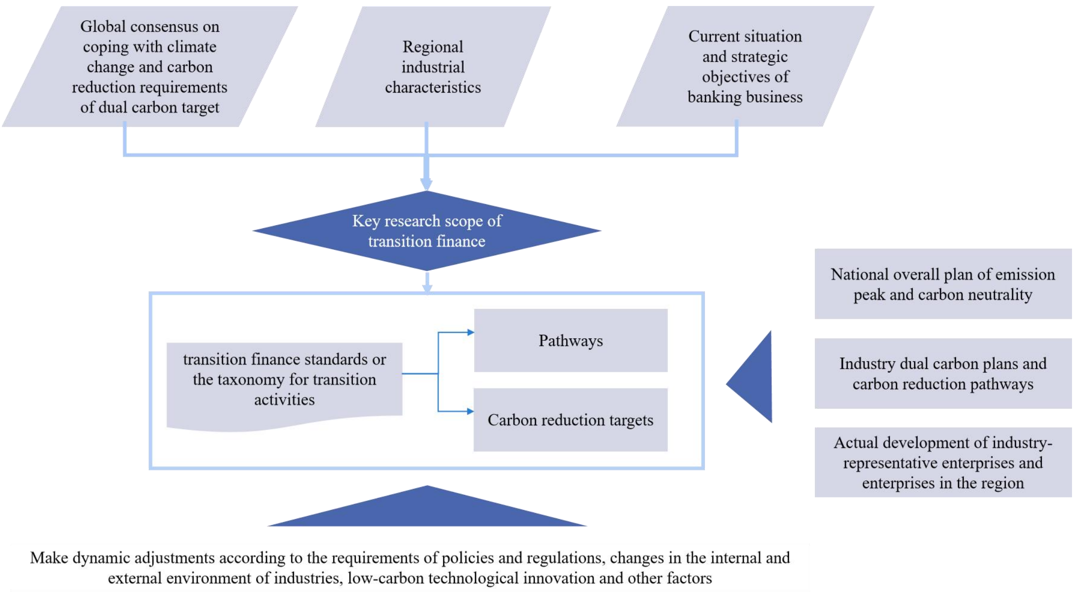


Figure 9 The Way for Financial Institutions to Clarify Specialized Transition Finance Standards.

Source: Institute of Finance and Sustainability

2.Actively carry out product innovation and service expansion of transition finance

- Grasp the two principles of "serving the needs of national and local development" and "serving the market needs";
- Unleash innovation of transition finance products through various ways such as overall planning of headquarters, active innovation of branches and international cooperation;
- Coordinate the headquarters and branches of financial institutions to actively expand transition finance services through the introduction of marketing policies for transition finance by the headquarters, the establishment of a list of key customers for transition finance, and the establishment of specialized personnel in branches to support the innovation of transition finance service plans.

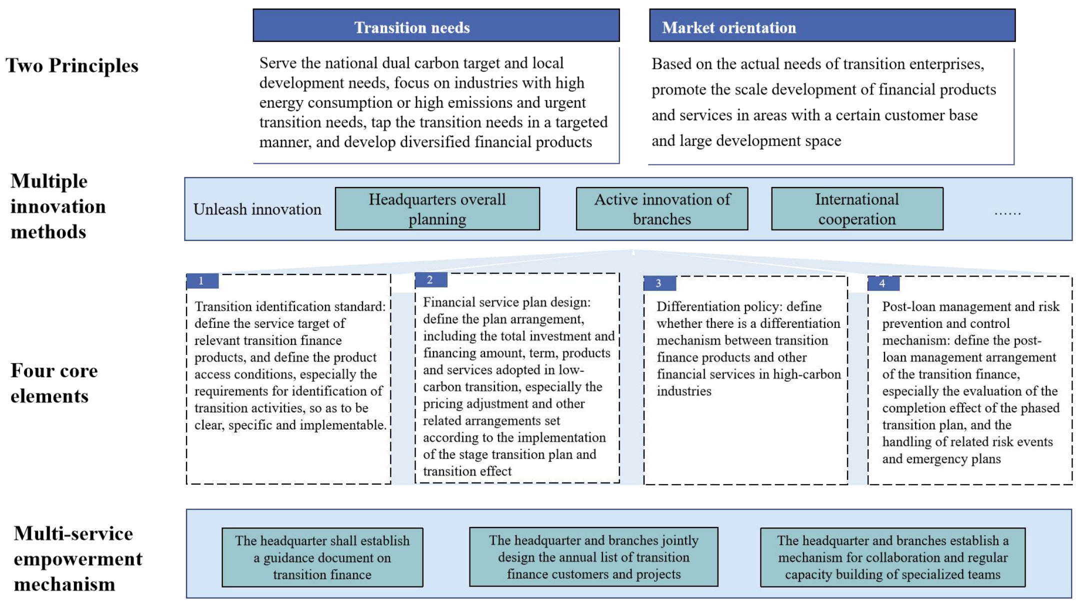


Figure 10 Key Ideas for Financial Institutions to Expand Transition Finance Service.
Source: Institute of Finance and Sustainability

3. Establish transition finance process management tools

- Make full use of new technologies such as big data analysis and artificial intelligence to establish process management tools, so as to strengthen business process management for transition finance;
- In the due diligence stage, focus on the information related to low-carbon transition of enterprises, and screen out qualified transition finance customers and projects;
- In the program design stage, support enterprises to set transition goals based on factors such as customer demands, transition plans and industry practices;
- In the stage of compliance review and credit approval, verify whether enterprises and projects meet the identification requirements of transition finance, and reduce the risks of "greenwashing" and "false transition";
- In the stage of fund disbursement and post-loan management, strengthen the verification of enterprise transition performance and goal realization during the duration.

Figure 11 Key Points of Transition Finance Management.
Source: Institute of Finance and Sustainability

4.Strengthen risk management of transition finance

At least three types of risks need to be guarded:

- Policy, technology and market risks brought by the long period of transition activities;
- Climate-related risks;
- "False transition" risks

Main risks	Examples of countermeasures
Policy, technology and market risks related to transition For example: project withdrawal or environmental punishment accompanied by changes in industry and regulatory policies; New technology leads to the inapplicability of the original transition path or the high transition cost; Changes in customer needs or product prices, etc.	➢ Carry out targeted training to strengthen the recognition of the board of directors, management and executive on key issues of transition ➢ Cultivate professionals who can skillfully handle transition finance ➢ Develop diversified financial instruments, such as insurance/guarantee products and pledge products ➢ … …
Physical risks related to climate For example: extreme weather and natural disasters such as frequent and high-intensity rainstorms and typhoons; Heat waves and intense heat; Ecological environment pollution; Deforestation and land desertification, etc.	➢ Improve the climate-related risk model ➢ Reasonably evaluate the asset value and risk exposure ➢ Develop countermeasures to avoid huge direct or indirect losses ➢ ……
"False transition" risks For example, enterprises publicize the zero net emission strategy, but with no substantive plans and significant actions; Enterprises launch green products, but with no evidence to support the green attributes of products or materials, which may even be harmful to the environment	➢ Define the verification methods and processes of the transition subject or project ➢ Promote and strengthen environmental information disclosure ➢ Introduce the authentication procedure of the third-party professional organization ➢ ……

Figure 12 Key Points of Identifying and Managing Transition Finance-Related Risks. *Source*: Institute of Finance and Sustainability

5.Carry out information disclosure in transition finance

Based on summarizing and extracting the international and domestic experience, take as reference the mainstream sustainable financial disclosure framework, explore the construction of an actionable transition finance disclosure methodology of financial institutions.

It is suggested that the transition finance disclosure of financial institutions may specifically include but not be limited to the following:

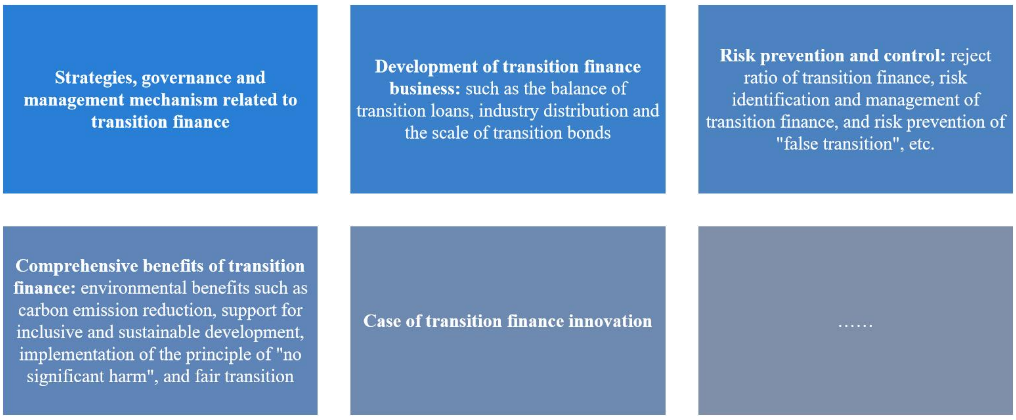


Figure 13 Financial Institutions' Main Disclosure of Transition Finance
Source: Institute of Finance and Sustainability

05

Transition Finance Implementation Guide - Enterprises

V. Transition Finance Implementation Guide - Enterprises

1. Define the transition strategy and objectives

Formulate long-term transition strategies:

- Define the long-term carbon neutrality vision and strategic plan of the enterprise, combined with national or regional emission peak and carbon neutrality plans as well as the development trend of revelant industries.

Define specific transition targets:

- Formulate the quantitative transition goals, which in principle at least meet the climate objective requirements of the United Nations Framework Convention on Climate Change and the relevant national/regional emission peak and carbon neutrality goals;
- The transition target shall cover the carbon emissions of scope 1 and scope 2, and scope 3 if possible. The target setting shall include the annual absolute carbon intensity target and the relative decline compared with the base year, and the absolute carbon intensity target shall be adjusted accordingly with the update of the calculation method of carbon emission.

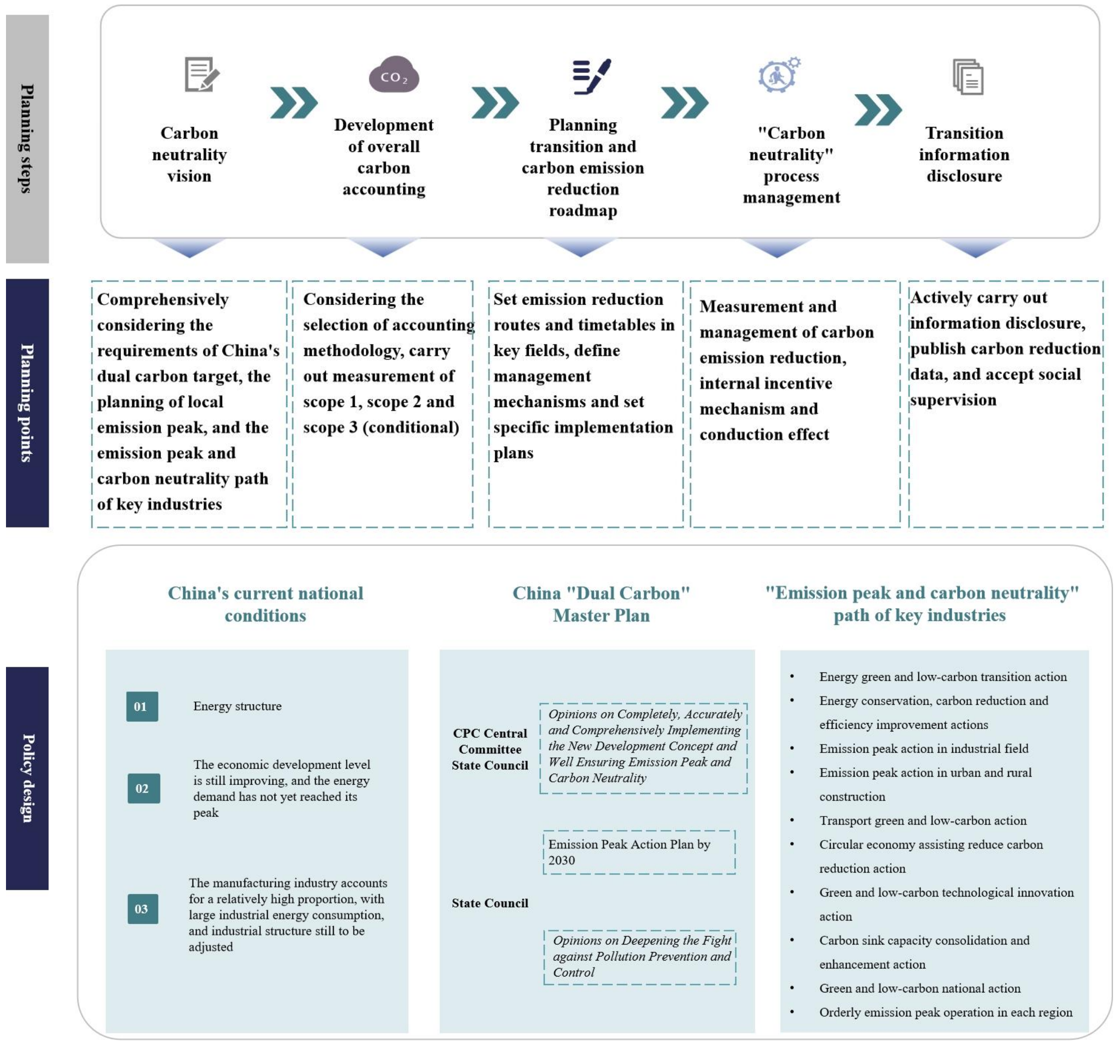


Figure 14 Corporate Transition Strategy and Plan.

Source: Take the enterprises under the jurisdiction of China as an example to show the preparation method of the transition plan

2.Formulate a transition action plan

Low-carbon transition technical approaches and pathways:

- The entity of transition activities (enterprises) must set quantitative milestones and timetables for carbon reduction, including clear transition technical pathways and action plans;
- The relevant transition technical pathways shall be consistent with the transition pathways of relevant industries under the climate objective requirements of the United Nations Framework

Convention on Climate Change and of relevant industries in the country/region.

Low-carbon transition projects and activities:

- Put forward specific, feasible and measurable transition activities, which can be specific projects or broader enterprise economic activities (including a series of investment projects and business transition activities);
- Transition activities shall avoid "carbon lock-in", which will reduce carbon emission only in the short time and result in technique lock-in and pathway dependence.

Transition financing plan:

- Put forward investment and financing plans during the transition period, including equity and debt financing;
- Define the main purpose of raising funds by transition finance instruments and the expected effect of transition.

Just transition plan:

- Formulate plans and measures to ensure just transition;
- Evaluate the potential social impacts on employees, supply chain and other aspects, and make the response plan.

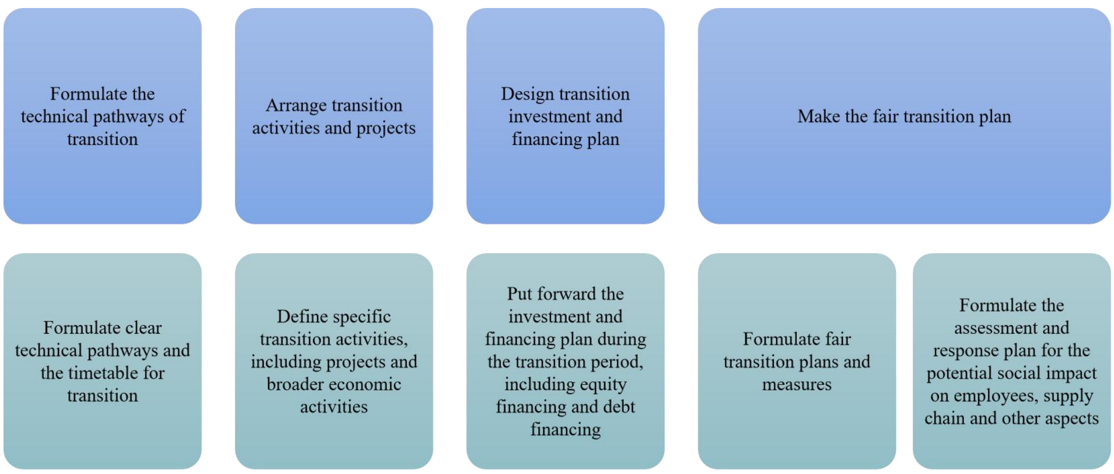


Figure 15 Main Points of Corporate Transition Action Plan.
Source: Institute of Finance and Sustainability

3.Strengthen the transition process management

- Organizational governance: define the organizational plan, human resource allocation plan, employee training plan and governance system optimization to support the transition activities;
- Supervision and management: establish a monitoring and reporting system for transition objectives and carbon emissions and a regular reporting mechanism for transition progress, and follow up and supervise the implementation of transition plans and transition effects at all stages;
- Performance appraisal: study and formulate key performance indicators and performance management plans during the implementation of enterprise transition plans;
- Risk management: identify the main risk factors during the implementation of enterprise transition plan, analyze the possibility of each risk, the degree of loss and the severity of risk consequences, and put forward the main risk prevention and resolution measures.

4. Carry out transition information disclosure

- High-quality information disclosure report can help investors evaluate the credibility of the transition strategy. Enterprises could disclose the transition plan, emission reduction targets, carbon emission data, corporate governance information, indicator measurement methods, use of proceeds, key performance indicators, etc.;

- Enterprises could disclosure to the public or dedicatedly to relevant financial institutions in various forms such as ESG report, sustainable report or columns in the annual report;
- Actively communicate with financial institutions, such as on the implementation of the transition plan as of the current period, the achieved transition effect and target progress, the use of funds raised by the transition finance, and the completion of Key Performance Indicators (KPI) related to the terms of the transition finance instruments.

	Disclosure forms	Disclosure contents
Accounting disclosure	• ESG report • Sustainable development report • Directional disclosure to cooperative financial institutions, etc.	• Historical carbon emission data of enterprises in scope 1&2 (including scope 3 if conditions permit), carbon emission level and intensity prediction under transition planning, and methodology for measuring carbon emission and carbon reduction effect; • The implementation of the transition plan and transition effect in each stage; • The Use of Proceeds; • The implementation of fair transition and the principle of "no significant harm"; • ……
Evaluation	• Evaluation and follow-up by a third-party organization or internal management team • Combined with assessment work	

Figure 16 Corporate Transition Disclosure.
Source: Institute of Finance and Sustainability

5.Focus on the transition of small and medium-sized enterprises

The transition of small and medium-sized enterprises needs more attention and guidance:

- Promoting the green and low-carbon transition of small and medium-sized enterprises is of great significance to global inclusiveness and sustainable economic growth;
- Most small and medium-sized enterprises do not realize the role of green and low-carbon transition in improving their business performance, and at the same time, they cannot carry out effective transition and development due to restriction in capital, talents and technology.

Suggestions on guiding the transition of small and medium-sized enterprises:

- Compared with large enterprises, the transition plan and scheme of small and medium-sized enterprises shall be more simplified on the basis of covering all necessary elements, where local governments can refer to the practice in Huzhou City, Zhejiang Province, China. Huzhou has compiled the Preparation Outline for Transition Plan of Financing Entities, which shows the elements involved in the transition plan in a "table" for enterprises to fill in, so as to achieve a simple and feasible effect;
- It is very necessary to design a convenient carbon accounting tool for transition enterprises, A user-friendly carbon calculator (with built-in industry calculation parameters and formulas) shall be developed to empower small and medium-sized enterprises to conduct carbon emission surveys by themselves, to serve the financial institutions to manage transition risks, and to combine the corporate environmental and climate disclosure level with financial products, so as to promote the development of transition finance.

- The governments and relevant civilian institutions can provide a solid data base for carbon emission reduction and carbon neutrality of enterprises through digital carbon accounts, and support financial institutions to obtain carbon emission data of transition enterprises.

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