



Climate Transition Bond Guidelines FAQs

June 2026

Glossary

Acronym	Full name	Link
CTB(s)	Climate Transition Bond(s)	
CTBG	Climate Transition Bond Guidelines	https://www.icmagroup.org/assets/documents/Sustainable-finance/2025-updates/Climate-Transition-Bond-Guidelines-CTBG-November-2025.pdf
CTFH	Climate Transition Finance Handbook	https://www.icmagroup.org/assets/documents/Sustainable-finance/2025-updates/Climate-Transition-Finance-Handbook-November-2025.pdf
CT Projects	Climate Transition Projects (as defined under the CTBG)	
CCS	Carbon Capture and Storage	
CCU	Carbon Capture and Utilisation	
FI(s)	Financial Institution(s) such as commercial banks, public banks, development banks, MDBs, supnationals, agencies	
GBP	Green Bond Principles	https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/
GHG	Greenhouse Gas	https://ghgprotocol.org
GLP	Green Loan Principles	https://www.lma.eu.com/sustainable-lending/resources
GSS Bond(s)	Green, Social and Sustainability Bond(s)	https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/
ISSB	International Sustainability Standards Board	https://www.ifrs.org/groups/international-sustainability-standards-board
MDB(s)	Multilateral Development Bank(s)	

Acronym	Full name	Link
NDC(s)	Nationally Determined Contribution(s)	https://unfccc.int/NDCREG
R&D	Research and Development	
SBG	Sustainability Bond Guidelines	https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/
SBP	Social Bond Principles	https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/
SBTi	Science Based Targets initiative	https://sciencebasedtargets.org
SDG(s)	Sustainable Development Goal(s)	https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/mapping-to-the-sustainable-development-goals/
SLB(s)	Sustainability-Linked Bond(s)	
SLBP	Sustainability-Linked Bond Principles	https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/
SLL(s)	Sustainability-Linked Loan(s)	
SLLB(s)	Sustainability-Linked Loan financing Bond(s)	https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-loans-financing-bonds-guidelines-sllbg/
SLLP	Sustainability-Linked Loan Principles	https://www.lma.eu.com/application/files/2317/4481/8026/Sustainability-Linked_Loan_Principles_-_26_March_2025_.pdf
SPV	Special Purpose Vehicle	
SSA(s)	Supranational, Sovereign and Agency(ies)	
TPI	Transition Pathway Initiative	https://www.transitionpathwayinitiative.org

Q1 How do you differentiate CT Projects from Green Projects?

As per the GBP, Green Projects include assets, investments and activities, as well as other related and supporting expenditures, such as R&D, that provide clear environmental benefits and contribute to environmental objectives, such as, climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control. When related to climate change mitigation and adaptation, Green Projects foster a net-zero emissions economy.

As defined by the CTBG, CT Projects include assets, investments and activities, early phase-out and decommissioning, and other expenditures such as R&D related to high-emission activities that lead to substantial and quantifiable GHG emissions avoidance, reduction, or removal. CT Projects complement and go beyond the scope of Green Projects under the GBP in pursuit of the goals of the Paris Agreement. CT Projects are subject to safeguards listed in the CTBG (including specific safeguards for CT Projects relating to fossil fuel infrastructure or activities), which issuers should meet, or explain how they aim to meet.

The CTBG recognise that it is inherently difficult to draw a line between a CT Project and a Green Project and that understandings can vary by country/region and issuer context. The choice of whether a project classifies as “green” or “transition” ultimately remains with the issuer, based on its own assessment and methodology.

An issuer’s assessment may draw on: (i) the levels of ambition and technical performance thresholds existing in taxonomies (e.g. green vs amber, technical screening criteria and decarbonisation measures), (ii) net zero/decarbonisation pathways and roadmaps, (iii) established market practice and investor expectations, and (iv) relevant contextual and technical factors, including the ambition and credibility of the issuer’s transition strategy and plan. Should regional taxonomies and NDCs diverge, issuers are encouraged to select and transparently reference the approach taken that best fits the geography and sector of the asset/activity.

Q2 How should “best efforts” alignment with the CTFH be understood?

Best efforts alignment with the CTFH should be understood as a practical “comply or explain” approach to its four key elements:

- Comply: Where the issuer can, it provides disclosures that address each of the CTFH’s four key elements for its CTB (or broader sustainable finance) framework.
- Explain: Where an element is not yet fully met, the issuer explains what is currently available, what is missing, and why, and sets out plans on how it intends to strengthen disclosure, wherever feasible.

To avoid duplication, if the relevant information is already published elsewhere (e.g. annual report, sustainability report, transition plan, TCFD/ISSB-aligned disclosures), the bond framework should cross-reference the specific sections and documents, so investors can easily locate the information.

Q3 When a bond finances both Green and CT Projects, can the issuer freely choose the designation of the bond as either Green or Climate Transition Bond?

An issuer may determine the designation of the bond as either Green or Climate Transition based on its assessment of the eligible projects the bond is financing.

The CTBG provide guidance on financing credible CT Projects with a definition and safeguards, as well as a preliminary and non-exhaustive list of CT Project categories in the Appendix. As it is inherently difficult to draw a line between a CT Project and a Green Project, the CTBG do not aim to make any final determination on classification, nor do they imply an automatic (re)classification of projects financed or envisaged under existing sustainable bond issuances or frameworks. The classification therefore remains with the issuer, based on its own assessment and methodology dependent on the local context it operates in, and, irrespective of the designation, should be consistent with the safeguards set out in the CTBG.

The CTBG, nevertheless, encourage the use of the CTB label for use-of-proceeds bonds, when all or a meaningful portion of the bond proceeds, as determined by the issuer, are intended to be allocated to CT Projects. What constitutes “meaningful” can be informed by common materiality thresholds in sustainable finance and broader market practice, as well as in the context of the issuer’s transition strategy and plan. Issuers are encouraged to define their approach clearly, explain the rationale, and provide transparent disclosure of the intended allocation to CT Projects.

It should also be noted that investor expectations and market practice in different jurisdictions may vary in how CT Projects are viewed and classified for eligibility under different bond labels. Issuers are therefore encouraged to consider this when determining the most appropriate label and related disclosures.

Q4 Can CT Projects align with categories other than the ones listed in the Appendix of the CTBG?

Yes. While the Appendix provides an indicative, non-exhaustive list of CT Projects, additional eligible project categories may be eligible if they support substantial and quantifiable GHG emissions avoidance, reduction or removal, and meet the safeguards enumerated in the CTBG. The relevance and specifics of CT Project categories may also vary across different geographic regions. Furthermore, they are likely to evolve over time as low-carbon alternatives become available and feasible through technological progress and innovation, as well as improved economics.

To support their assessment, issuers should also follow the guidance laid out in the CTBG for the “Process for Project Evaluation and Selection”.

In addition, projects falling under the eligible project categories listed in the CTBG Appendix may neither automatically be eligible in all jurisdictions nor necessarily be aligned with the issuer’s own transition strategy and safeguards. Where relevant national or regional taxonomies, pathways or policy frameworks explicitly exclude a given activity or project, or otherwise deem it inconsistent with the local decarbonisation pathway, that activity or project is unlikely to meet the core components, including the safeguards, of the CTBG.

Q5 Does the issuer of a CTB always need to be from a “hard-to-abate” sector?

No, the issuer of a CTB does not need to be from a “hard-to-abate” sector. An issuer from any sector may issue a CTB, provided the bond meets the core components including the safeguards of the CTBG.

For bank, supranational, sovereign, and agency issuers whose exposure to transition is primarily through lending or investment, the “hard-to-abate” dimension is most relevant at the level of the clients’ underlying sectors and/or the projects they finance (e.g. steel, cement, heavy transport), rather than at the level of the issuer itself. CTBs issued by such entities should clearly articulate how the financed portfolio supports the transition of either their clients, the relevant sector and/or the wider economy (see also Q6).

Sovereigns and sub-sovereigns are not usually classified in corporate sector taxonomies, and the notion of “hard-to-abate” may be less directly applicable. For these issuers, the emphasis may instead be on how the CTB supports the jurisdiction’s overall climate transition strategy (e.g. implementation of NDCs or long-term strategies) through budgetary and policy measures, and how those measures contribute to the transition of “hard-to-abate” parts of the national economy where relevant.

Q6 How should the CTBG apply when the issuer is an FI, given the indirect nature of financing and the complexity of portfolio level transition strategies?

In the case of CTBs issued by FIs, it is important to recognise the indirect nature of financing activities and the portfolio-level character of transition strategies. Credibility is assessed through how the FI articulates its own transition strategy and governance, and how this informs the selection, structuring and management of the earmarked transition financed activities. This includes the appropriate expectations, due diligence and engagement at borrower and/or project/SPV level, as relevant, to ensure coherence with the recommendations of the CTFH and the safeguards of the CTBG.

Where the underlying loans are made at a project/SPV level, with ownership linked to multiple sponsors, FI issuers should ensure the coherence between their own entity-level transition objectives, the implementation of portfolio alignment levers and the use of proceeds, given the SPV itself is unlikely to have a dedicated transition strategy.

Q7 Are issuers expected to have externally validated science-based portfolio targets before issuing a CTB?

No, while having an externally validated science-based portfolio target (such as SBTi for FIs) does enhance credibility, it is not a pre-requisite for the issuance of a CTB.

Q8 When issuing a CTB, what level of disclosure detail is required from issuers to disclose the methodologies used to assess carbon lock-in risks?

Issuers should publicly disclose (for example in their bond framework or another suitable location) their approach for assessing carbon lock-in. This could, for example, include a summary of the

criteria used to evaluate projects, such as the asset's expected operational lifetime, its emissions intensity versus available alternatives and sectoral pathways, its compatibility with long-term net-zero goals, and any plans for future retrofitting or abatement (e.g. CCS/CCU readiness) and any methodologies referenced.

Q9 Can CTBs, Green and/or Sustainability Bonds be used in a complementary way to support transition goals?

Green Bonds, Sustainability Bonds, and CTBs can be complementary tools for issuers and investors to achieve the decarbonisation of their portfolios and more widely to support their overall transition planning and systemic role in financing the real economy. Where issuers seek to manage distinct portfolios of eligible projects using different labels, they should ensure a clear articulation of the governance for each portfolio explaining their alignment with the core components of each label and ensuring no double counting of eligible assets between the different instrument types. If some categories are referenced under more than one label (e.g. energy efficiency in both Green Bonds and CTBs) then the distinct thresholds for eligibility for each labelled portfolio (e.g. green or transition) should be clearly defined.

Q10 What type of loans can be financed through a CTB?

A CTB that is used to finance a loan portfolio, requires the underlying loans to meet the eligibility criteria set out in the issuer's CTB framework and to be consistent with the CTBG.

Eligible loans could be any type of drawn loans, provided that they are clearly defined, tracked and demonstrably aligned with the issuer's overall transition strategy, selection criteria and CTB framework, where relevant. Any financed loans should also be assessed as both continuing to make a meaningful impact and meet the safeguards for CT projects enumerated in the CTBG. In most cases, these will be dedicated-purpose loans where the use of proceeds can be assessed against the CTBG and the issuer's eligibility criteria.

Sustainability-Linked Loans (SLLs) are generally better suited to being refinanced via the issuance of SLLBs, rather than CTBs.

Q11 What level of detail is expected in the post-issuance reporting for a CTB that finances a CT loan portfolio?

Best practice would involve aggregated reporting on the portfolio, including the number of loans, sectoral breakdown, examples/case studies of projects financed, and an aggregated estimate of the emissions impact. This would be in addition to confirming that proceeds were allocated to loans that meet the eligibility criteria defined in the CTB framework. External review is also a welcome addition, and for the avoidance of doubt, CTB reporting should be kept distinct from the reporting of other labelled issuance. For additional guidance on post-issuance reporting, the CTBG recommends that issuers refer to and adopt, where possible, the guidance and impact reporting templates provided in the Harmonised Framework for Impact Reporting (Core Principles and Recommendations for Reporting)¹.

¹ <https://www.icmagroup.org/sustainable-finance/impact-reporting/green-projects/>

Q12 For a sovereign issuer, what can serve as the entity-level "climate transition strategy" required by the CTBG? Can a Nationally Determined Contribution (NDC) suffice?

For a sovereign issuer, the entity-level climate transition strategy can be demonstrated through national climate policy frameworks, plans, and commitments that show how the country intends to move toward a low-emissions economy and/or steer and support the overall transition of its economy.

NDCs can be a core component² providing the medium to long term goals, but in addition the sovereign issuer should also have a coherent policy framework operationalising its long-term climate objectives. This includes (while not limited to) a policy framework allowing one to form a view on the implementation roadmap, consistency of fiscal priorities with the declared goals, capital investment roadmap, Long-Term Low Emission Development Strategy (LT-LEDS), other national climate legislation or policy frameworks such as local taxonomies. These elements would also connect the high-level targets and implementation strategy with the projects being financed by the bond, aligning with the four key elements of the CTFH on a best-efforts basis.

² See also Q 7.3 of the Guidance handbook.