

# Making a success of Transition Finance

The transition to a carbon-neutral economy is a seismic shift on a global scale, leaving no sector untouched. The urgent strategic, operational and reputational challenges are considerable, but so are the opportunities for growth.

The 2015 Paris climate change agreement recognized the need for specific climate financing in moving the economy on to a more sustainable basis, calling for "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."

In recent years sustainable finance has seen rising investment in green economic activities including into renewables and recyclables. Lenders are now turning, increasingly, to the dynamic process of facilitating the transition of higher emissions and hard-to-abate sectors in the economy to sustainability or net-zero — so called *transition finance*. As governments and industry take more steps to net-zero by 2050, you will need to chart your progress in achieving these goals. Without credible transition plans, lenders offering transition finance risk exposure to significant legal, regulatory and above all reputational risk, especially around greenwashing.

A report by the United Nation's High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities details what businesses should consider as they progress towards achieving net-zero goals. Additionally, the UN backed Glasgow Financial Alliance for Net Zero (GFANZ) has set out its expectations for transition plans including their content and what financial institutions should look for from the businesses they finance to shape their allocation of capital and services, and how to engage. In this respect, the Organization for Economic Cooperation and

Development (OECD) has laid out key elements for a credible corporate transition plan such as:

- Explaining how and for which technologies future operating and capital expenditure will be used to achieve targets.
- Using KPIs that are measurable and independently verifiable.
- Supporting a "Just transition" — mitigating negative impacts on workers, suppliers, local communities and consumers that arise from transition.
- Making sure that progress on targets is regularly disclosed with third-party verification.

At Baker McKenzie, a global leader in the climate change sphere, we are familiar with the risks inherent with transition finance and can help lenders to manage and mitigate them, thereby supporting successful outcomes. We can guide you not only through specific transactions, but help you as lenders to establish robust governance, effective procedures and processes and aligned reporting and disclosures to optimise transition financing generally. In this context, we are at the forefront of market-leading deals in the renewable energy and clean technology sector, helping energy producers, investors and users on their transition journey in an increasingly complex regulatory environment enabling them to transform. We can advise on what practical actions to expect from your customers' transition plans to reduce the carbon footprint of their businesses, and as importantly, of your financed emissions - the emissions being financed by the allocation your capital.

## ESG Loans Experience

### International Bank

Acting for an international commercial bank in connection with facilities totalling more than EUR one billion in sub-Saharan Africa to finance a rural solar electrification project.

### Investment bank and Syndicate

Acting for an investment bank and other syndicate banks on the refinancing of a listed multinational construction and real estate provider. The financing consisted of EUR 800 million equivalent credit facilities for which the applicable credit spread was partially linked to its sustainability performance.

### Syndicate of Banks

Acting for a syndicate including banks acting as Sustainability Coordinators and as Facility Agent on a EUR 600 million equivalent sustainability-linked term loan facility agreement for an international bank, being its first ever sustainability-linked syndicated loan.

### Commercial Bank

Acting for a commercial bank in Turkey in relation to a dual currency sustainability-linked term loan facilities agreement, the first ever such ESG linked loan by the bank.

### Hydrogen financing

Advised the sponsors on the US Department of Energy's USD 504.4 million loan commitment to develop the world's largest industrial green hydrogen facility in the United States.

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**Baker  
McKenzie.**

## Supporting sustainable lending and investment

Financial institutions face increasing commercial and competitive pressure to prefer sustainable lending and investments including promoting energy transition. Market, board, financial institution, and investor expectations and commitments around sustainable finance and ESG considerations have greatly changed the way global businesses operate and the very heart of decision making.

### Act now - We can help you:

- Navigate the shifting regulatory framework globally and in your regions.
- Plan transition finance including identifying and utilizing decarbonizing strategies, as well as structuring innovative financial instruments.
- Ensure the compliance of transition plans with industry and other applicable standards.
- Undertake due diligence into the sustainability attributes of contemplated transactions.
- Define and disclose ESG criteria and methodology for responsible transition finance.
- Prepare and manage transactional and regulatory documentation and notifications, as well as advise on transparency and reporting under customer transition plans.
- Provide practical and commercial advice on the best energy transition paths.



The only Band 1 ranked Firm for Climate Change for 14 consecutive years Chambers Global 2008–2022



Winner, Renewables & Energy Transition Award for JBIC / FirstElement Fuel hydrogen equity investment, IJInvestor Awards 2021



In-House Community Firm of the Year: Environmental in four countries Asian-MENA Counsel 2018–2019



Tier 1 – Risk Advisory: Corporate Governance, Legal 500 UK 2019, 2021-2022



Best Law Firm in five categories at Environmental Finance 2021



Climate Change Firm of the Year Who's Who Legal Awards 2020



Band 1 – Investment Funds: Private Equity Chambers Asia Pacific 2021-2022



Perfect score on the Corporate Equality Index, Human Rights Campaign Foundation, 2018-2022



Gold Award, Stonewall Top Global Employers, 2022

## Contacts



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## Resources

### COP27 Hub: STEPS to Net Zero

With a long-standing history of participation and involvement at COP events, Baker McKenzie is at the cutting edge of climate change law and climate finance developments.

### Energy Transition Hub

Visit our hub for all our latest thinking and resources. Includes guidance on policy developments, legal issues and commentary on Energy Transition.

### Demystifying ESG Webinar Series

Insights and practical guidance for businesses considering what ESG means for them in the context of the current crisis and beyond.