

# TMG's "Tokyo Green Finance Initiative" (TGFI)

Toward the expansion of green finance in Tokyo, in February 2021, the Tokyo Metropolitan Government (TMG) launched a committee for the realization of the "Tokyo Green Finance Market". With several discussions, the committee introduced "[Tokyo Green Finance Initiative \(TGFI\) : Proposals for Developing Green Finance](#)" in June 2021. This report summarises the main points of the Committee's proposals and identifies areas which may create opportunities for outside organizations to be involved.

(Table of Contents)

1. The state of green finance
  - 1-a. The state of green finance in Japan
  - 1-b. Issues for the development of green finance
2. The purpose and ideal state of the TGFI
  - 2-a. The purpose of the TGFI
  - 2-b. The ideal state of the TGFI
3. Policy direction of the TGFI
4. How to proceed with the TGFI
5. Potential areas for involvement by outside organizations

Looking at ESG bonds as a whole, the issuance amount increased about 47 times and the number of issues increased about 49 times between 2016 and 2020, with major growth in the issuance amount of not only green bonds but also social bonds and sustainability bonds. However, the issuance amount of green bonds was 775.4 billion yen in 2020, which is still low compared to the global issuance amount of 290 billion USD (about 30 trillion yen) in the same year.

The movement toward decarbonization is accelerating, and demand for green finance is expected to increase significantly in Japan. ESG finance is becoming a major trend in global finance, and further development is expected in the future. Amidst this, in order to catch up with Europe and the U.S., Japan needs to majorly develop green finance under cooperation among the government, private businesses, and others.

## 1. The state of green finance

### 1-a. The state of green finance in Japan

#### ESG bonds in Japan:

The issuance of ESG bonds in Japan has been on an upward trend in recent years, driven by growing interest in ESG investment and the national government's initiatives.

Growth in the amount and number of ESG bond issues in Japan (2016-2020)

Bond type	Item	2016	2020	Growth in 2016-2020
Green bonds	Amount of issues (100 million yen)	100	7,754	78 times
	Number of issues (cases)	1	74	74 times
Social bonds	Amount of issues (100 million yen)	350	9,150	26 times
	Number of issues (cases)	2	47	24 times
Sustainability bonds	Amount of issues (100 million yen)	—	4,435	—
	Number of issues (cases)	—	25	—
Total	Amount of issues (100 million yen)	450	21,339	47 times
	Number of issues (cases)	3	146	49 times

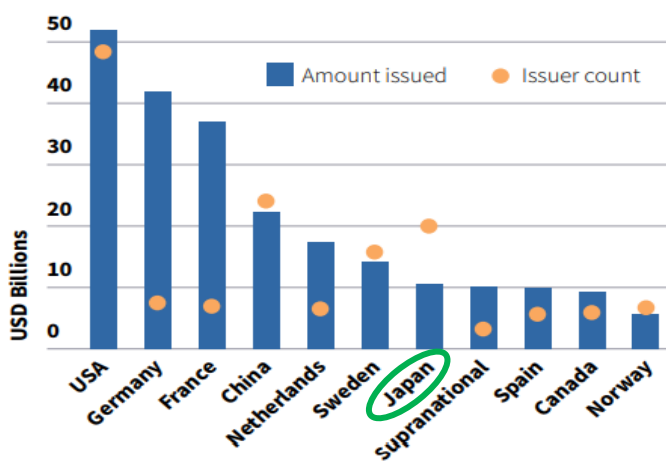
Reference: Prepared by the TMG from materials prepared by the Japan Securities Dealers Association

## TMG's "Tokyo Green Finance Initiative" (TGFI)

### Japan's position in global ESG investment and green finance :

The amount of green bond issuance and the scale of ESG investment are rapidly increasing in Japan. However, as shown in the figures below, compared to Europe, the U.S., China, and others, Japan's green finance and ESG investment are still not sufficiently advanced, and there is major room for growth.

Green bond issuance amount by country (2020)



### Initiatives by the government and others:

In implementing measures that will contribute to the development of green finance, the national government, private sector entities, and the TMG need to closely coordinate, cooperate, and collaborate.

It is also important to clarify the role of the TGFI as much as possible, while fully taking into account the responsibilities and mandate (delegated authority) of each entity.

Source:

Climate Bonds Initiative, *Sustainable Debt: Global State of the Market 2020*, Uploaded on April, 2021  
[https://www.climatebonds.net/files/reports/cbi\\_sd\\_sotm\\_2020\\_04d.pdf](https://www.climatebonds.net/files/reports/cbi_sd_sotm_2020_04d.pdf)

### 1-b. Issues for the development of green finance

TGFI has been designed for the development of a green society. However, there are still many issues in developing green finance. The term "green finance" encompasses a wide range of stakeholders. It goes without saying that there are companies, local governments, individuals, institutional investors, and other end-investors who raise funds. The following is a list of representative issues for the development of green finance.

#### Issues surrounding information disclosure and evaluation:

At present, there is no uniform, rules-based disclosure standard for ESG-related information like there is for financial information, nor is there a uniform disclosure medium or platform.

#### Costs of green finance:

Compared to conventional finance, green finance requires additional costs, such as for disclosure of information through the preparation of reports and other documents and obtaining reviews from external organizations

#### Intensifying international inter-market competition:

Competition has intensified for the development of various platforms, the attraction of fundraisers, managers, and related players, the acquisition of human resources, and other such matters.

#### Narrow range of the corporate bond market and restrictions on financing methods:

The scale of the Japanese corporate bond market is small compared to other major markets, and issuers are limited to a few large corporations. In addition, the secondary market is not very deep.

## TMG's "Tokyo Green Finance Initiative" (TGFI)

### Structure of deposits and savings in the financial assets of Japanese households:

Japan has about 1.9 quadrillion yen in personal financial assets, of which more than one quadrillion yen is held in cash and deposits.

### Lack of human resources:

Japan does not yet have sufficient human resources to handle a variety of tasks related to ESG and green finance, including information disclosure and project evaluation.

## 2. The purpose and ideal state of the TGFI

### 2-a. The purpose of the TGFI

The TGFI will support corporate investment in decarbonization, the development of environmentally friendly technologies, and more. At the same time, it will provide promising investment options to individuals and investors. Through this, it will connect the financial assets of individuals with investments for environmental measures. Furthermore, investment funds will be attracted from abroad, as well as influential players and human resources in ESG finance, to develop the Tokyo financial market.

Such initiatives will promote the transformation of Tokyo into a green city and improve the safety and lives of its residents. At the same time, the TGFI will contribute to the sustainable development of the post-COVID-19 economy. In this way, the TGFI will contribute to the greenifying of both the "urban system" and the "financial system". It will strongly support green strategies, growth strategies, and the use of technology not only in Tokyo but also throughout Japan.

### 2-b. The ideal state of the TGFI

#### (1) Positioning of the "Global Financial City: Tokyo" project in the "Future Tokyo: Tokyo's Long-Term Strategy"

One of the project's goals for 2030 is to lead the world in green finance and achieve a 15% share of the global ESG investment balance\*1.

#### (2) Ideal state: The TGFI will create the future of green finance in Tokyo

- A digital platform for information on green finance and other ESG-related corporate initiatives has been established
- The number of players participating in green finance is increasing, and the scope of the market is expanding
- Tokyo's decarbonization initiatives and the exceptional environmental technologies of its companies have been communicated to the world, creating a market that attracts green finance funds from around the world
- Individuals and investors are being provided with profitable investment opportunities, and the trend of shifting "from savings to investment" is progressing in a healthy way

#### (3) Consideration of KPIs

For the targets of FY2025, it is desirable to set indicators that can be measured quantitatively, continuously, and at low cost such as:

- The amount of issuance of Japanese green bonds, social bonds, etc., and the issuance support by the TMG
- The number of overseas finance companies (asset management companies active in ESG investment, fintech companies, certification bodies, etc.) attracted
- The number of joint events/seminars held with the national government and private sector

\*1 ESG investment balances include bonds, equities, loans, real estate and other ESG investment assets. Japan's ESG investment balance includes domestic and foreign equities, bonds, and loans, and the investors are located in Japan.

## TMG's "Tokyo Green Finance Initiative" (TGFI)

### 3. Policy direction of the TGFI

The following is a summary of the basic concepts and policy directions of the TGFI to address the current status of Japan's green finance market and the issues arising from it.

#### Direction 1. Accelerate the development of Tokyo's green finance market

- Make open data of ESG-related information on companies held by the Tokyo Metropolitan Government to evaluate companies that are proactively working on ESG
- Take measures to reduce the burden of external reviews, etc., that are required when issuing green bonds
- Continue the issuance of green bonds by the Tokyo Metropolitan Government as an anchor issuance and share issuance knowledge with other local governments

#### Direction 2. Attract market players and support business development

- Attract foreign companies working on green finance, and support business development
- Provide information on ESG trends to SMEs and promote green loans in collaboration with regional financial institutions
- Incorporate the ESG index into the reference index of *Tsumitate* NISA\* (Dollar-Cost Averaging NISA) to promote ESG investment by individual investors

\*NISA: Nippon (Japan) Individual Savings Account

For Source and View full text of the TGFI:

#### Direction 3. Share information and nurture ESG expertise

- Develop advanced environmental measures and projects that generate demand for green funds and strengthen the communication of information overseas
- Strengthen information dissemination on companies with advanced environmental technology through exhibitions and trade fairs
- Improve business and living environments in Tokyo to attract highly-skilled international finance human resources and implement human resources development programs together with universities

### 4. How to proceed with the TGFI

The TGFI urges TMG to promptly put into practice various measures in the green field, especially those related to green bonds, toward resolving environmental problems that threaten the sustainability of the Earth. And given the wide range of issues that need to be addressed and the need to respond quickly, the TGFI proposes TMG to take concrete measures should be launched immediately in fields where there is already know-how, and at the same time, other fields should be addressed in a speedy manner.

### 5. Potential areas for involvement by outside organizations

As TGFI gathers momentum, we hope to see more areas for involvement by outside players including:

- supporting audit and disclosure of green/ESG behaviour by companies
- monitoring/simulating/forecasting of environmental impact by companies
- communication with investors and stakeholders
- development of talent
- VC investment in Japanese companies with environmental technologies