KEYNOTE INTERVIEW

Building a finance hub for the global green transition

As sustainable finance continues to reshape global markets, Tokyo is positioning itself as a leader in the field, says FinCity.Tokyo's Tokio Morita

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Responsible Investor recently caught up with Tokio Morita, executive director of FinCity.Tokyo, which is taking a lead role in raising the Japanese capital city's profile as a financial hub on the world stage. On the agenda for discussion was the country's progress on sustainability, Tokyo's ambitions as a green finance hub and how international collaboration is key to driving the global transition toward a net-zero economy.

Q Some observers say the current geopolitical climate has slowed momentum for responsible investment, especially in the US. How do you see sustainable finance developing in Japan and globally?

Responsible investment has hit some political headwinds in the US and there has been a knock-on effect worldwide. But if you look at Japan, the picture is very different. The mood in Tokyo is closer to that of Europe: steady progress, with a genuine sense of momentum. Rather than being pessimistic, Tokyo is leaning into the idea that sustainable finance can shape the future and that the city can play a bigger role in driving that change.

At the policy level, green transformation is a central pillar of Japan's growth strategy and there have been some major achievements in recent years. In 2017, Tokyo was the first local government in Japan to issue green bonds, with a ¥20 billion ($130 million; €120 million at today's exchange rate) launch. It has continued every year since.

Nationally, the Japanese government has also been busy. In fiscal year 2024, it issued around ¥1.6 trillion in Japan Climate Transition Bonds and it plans to issue a total of ¥20 trillion over the next decade. Meanwhile, the Financial Services Agency has set up an Expert Panel on Sustainable Finance, and the Ministry of Economy, Trade and Industry rolled out a Green Growth Strategy through Achieving Carbon Neutrality by 2050. So yes, there may be setbacks elsewhere, but here the government, regulators and financial institutions remain committed. Enthusiasm is still very strong.

Q Tokyo has ambitions to be a global green finance hub. What makes it well-suited for that role, and how can it contribute to the transition in Asia and worldwide?

Tokyo enjoys all the fundamentals of a top international financial centre: political stability, strong infrastructure and a high standard of living. But what sets us apart from Hong Kong or Singapore is our stock exchange is the "mother market" of Japan's large high-growth corporations.

For decades, Japanese companies have had to innovate to stay competitive, especially when it comes to energy efficiency. That legacy means Tokyo is not just talking about green finance in theory – companies here already have the advanced technologies that the world needs to scale decarbonisation.

Tokyo is also uniquely placed as a bridge between the G7 and Asia's large emerging economies. Decarbonisation cannot succeed without countries such as China, India or Indonesia, which are some of the world's biggest emitters. Tokyo can connect international regulatory standards with the realities of Asian markets. That 'middle power' role is something only Japan can play.

Q What is Tokyo doing to build its green finance ecosystem and what needs to happen for it to remain attractive in the long run?

On the financial side, the city has been innovative. In 2024, the Tokyo Metropolitan Government upgraded the Tokyo Green Bonds to Tokyo Green and Blue Bonds, expanding the scope of designated projects to include initiatives that contribute to the conservation of the marine environment and other related efforts. In addition, to financially support the realisation of a sustainable and resilient world, Tokyo also aims to become a leading city for sustainable and resilient finance.

Beyond bonds, Japan was one of the first to advocate transition finance. Back in 2020, when many in Europe were debating binary taxonomies of green versus brown, we argued for more nuance. Divestment alone won't work in Asia. We need credible transition pathways.

To convince the region, we must show not only the concept but also practical roadmaps for sustainability. That means engaging other Asian markets and demonstrating workable models of transition finance. To that end, one of the city's showcase initiatives is Tokyo Sustainable Finance Week, held every year by FinCity.Tokyo. It's a chance to bring together global investors, regulators and thought leaders, and to spark conversations around environment, social and governance, and sustainable finance.

Japan's emissions trading scheme (GX-ETS) is moving towards full operation in 2026 and this is a very significant step. Until now, the global approach to net zero has mainly relied on commitments, disclosures and peer pressure. With GX-ETS, we are going further: embedding a commercial business framework into sustainability.

For Tokyo, the scheme could be transformative. By creating an ecosystem where finance and environmental investment are tightly linked, the city is positioning itself as a genuine international green finance hub.

Q What do you see as the main opportunities and challenges for investors in transition finance?

Transition finance is still in its early stages, but the concept is now widely accepted. When investors put money into transition projects, they are funding companies that are actively trying to shift their business models in a sustainable direction. That creates a virtuous cycle: solving social and environmental problems fuels economic growth and that growth creates new opportunities.

> *"Green transformation is a central pillar of Japan's growth strategy"*

For investors, this also means early exposure to new industries and business models that could dominate the future market. Supporting companies in transition isn't just good for the planet – it is potentially very profitable.

But yes, there are hurdles. Greenwashing is one of the biggest. Without strong systems to detect and eliminate it, transition finance risks losing credibility. Another issue is access for small and medium-sized enterprises. In Japan, many SMEs rely heavily on bank loans, so existing frameworks don't always fit. If transition finance is to scale inclusively, there needs to be a new framework tailored to SMEs' realities.

Q How can Tokyo work with other global financial centres to contribute to a global green transition?

Achieving a successful global transition will take time, patience and a lot of collaboration. That means ongoing dialogue and building trust. Recently we began discussions with the City of London, which has launched the UK-Japan Transition Plan Dialogue, and we see it as a valuable partner.

Looking ahead, Tokyo is keen to link with big global events, from London Climate Action Week to City Week in the UK and Climate Week NYC. Connecting these dots could create a powerful network of knowledge and momentum that helps speed up the global green transition. ■