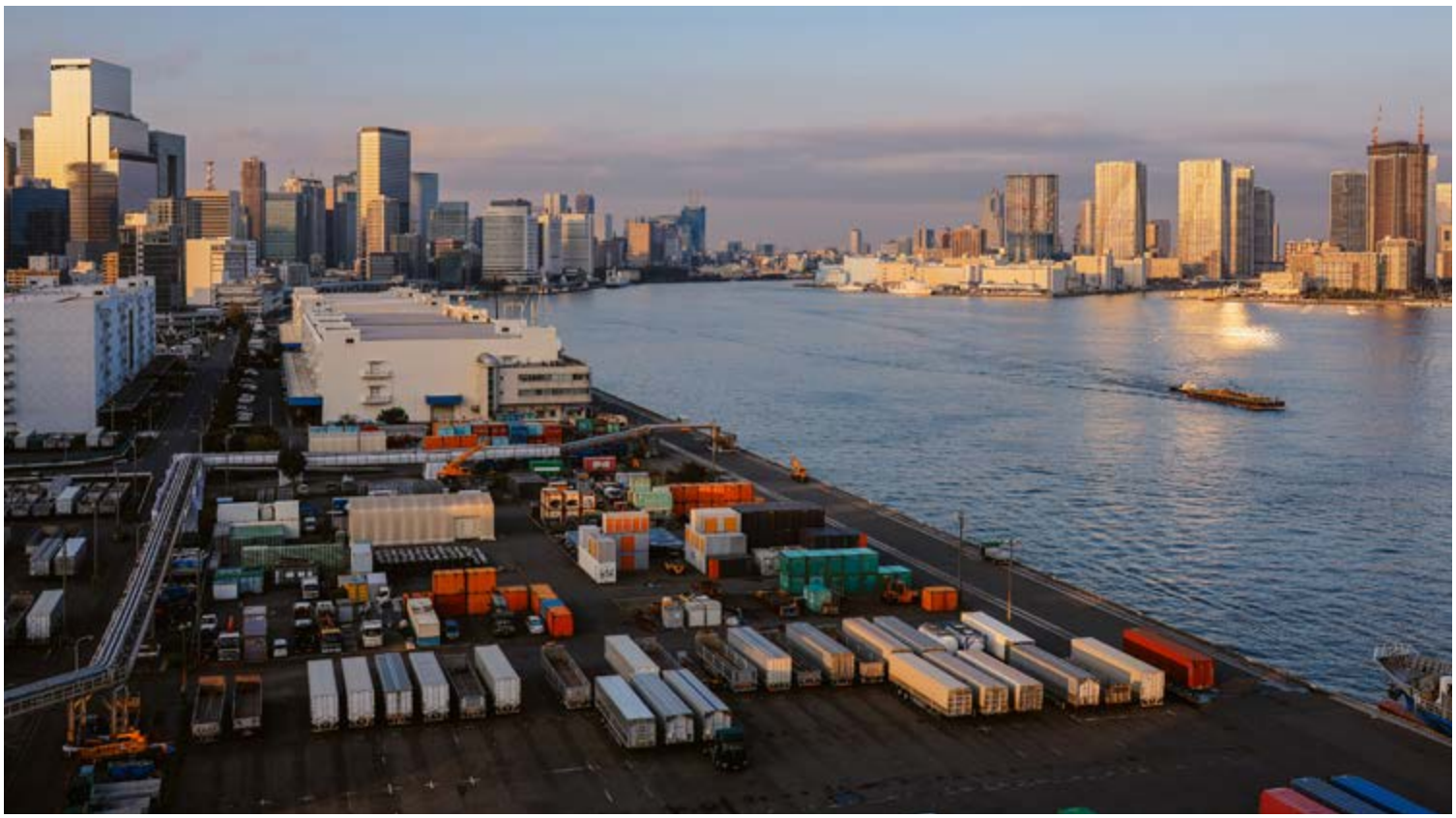
Delivering Credible Transition Planning through Japan's GX Emissions Trading System



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Executive Summary

Japan's Green Transformation Emissions Trading Scheme (GX-ETS) became mandatory in April 2026, requiring an estimated 300 to 400 of Japan's highest-emitting companies to submit transition plan related information, including Scope 1 and 2 emissions targets, investment plan and R&D disclosure. This is a moment of real opportunity in Japan's transition finance landscape and its leadership of the green transformation model globally.

As currently designed, GX-ETS transition plan related requirements capture only a sub-set of the information needed to serve the scheme's own objectives, constraining its ability to assure credibility and mobilise transition finance. This report proposes a set of practical additions to required reporting for policymakers to consider which when publicly reported can give corporates, financial institutions, and government a consistent source of decision-useful transition plan information. Proposed additions explicitly draw on well-established transition plan frameworks and assume publication to minimise overall reporting burdens. Additions include key assumptions, low-carbon CapEx and financing, asset life implications, low-carbon product/service revenue, internal carbon price, and workforce skills.

Implementing these changes can support four key benefits:

1. Improve the ability of the GX Acceleration Agency and other government officials to monitor the transition.
2. Align requirements with national and international good practice on transition plans, supporting adoption across Japan.
3. Simplify corporate reporting so one plan serves many users.
4. Help mobilise transition finance to high-emitting industries in Japan.

These additions can help mobilise the private investment Japan needs to support growth while remaining a global leader in support of the nation's GX2040 vision. GXA and METI should consider adopting them for reporting in FY2027-2028, to maximise available benefits and help companies discharge upcoming transition plan related reporting under SSBJ.

1. Introduction

1.1 GX-ETS in Japan's Transition Finance Landscape

Japan's Green Transformation (GX) 2040 Vision outlines an ambitious long-term roadmap to simultaneously achieve energy security, 73% greenhouse gas emissions reduction by FY2040,[1] and economic growth. The government's strategy to deliver this employs a "Pro-Growth Carbon Pricing Concept," combining ¥20 trillion in targeted public finance with a phased GX Emissions Trading Scheme (GX-ETS) to create a clear price signal for Japan's largest industrial emitters and guide for coordinated private investment. However, the success of the GX 2040 Vision will depend on the degree to which these initiatives mobilise the necessary ¥130 trillion in private investment, with the government aiming to deliver over ¥150 trillion in combined public-private GX investments by 2033.[2]

¥3.9 trillion of Japan's ¥20 trillion innovative sovereign GX Economic Transition Bonds have been issued to date. The proceeds have been allocated in accordance with the Japan Climate Transition Bond Framework, with the highest share of proceeds to date channelled to batteries, nuclear and manufacturing decarbonisation.[3] This reflects the GX programme's goal of building an industrial base by fostering growth in low-carbon technologies where Japan can be internationally competitive. The bond issuance will be financed by revenues from Japan's GX-ETS, as well as a carbon levy on fossil fuel importers and domestic extractors due to take effect from FY2028.

The GX-ETS emerges alongside transition bond issuance as a second pillar of Japan's transition finance landscape. Following the enactment of the GX Promotion Act in 2023 and its subsequent amendment in May 2025, GX-ETS transitioned to its mandatory phase with effect from April 2026. Participation is now required of companies emitting 100,000 tonnes of CO_2 or more annually[4] across the power, industry, transport, and aviation sectors, encompassing an estimated 300 to 400 companies and approximately 60% of Japan's greenhouse gas emissions.[5] GX-ETS allocations and pricing thresholds are determined annually by the Ministry of Economy Trade and Industry (METI), which takes into account the impact on Japanese industry and people's livelihoods, and the state of the transition to a decarbonised growth economy and international competitiveness.

1) From an FY2013 baseline
2) METI, Overview of Japan's GX Policy and Carbon Pricing, 2026
3) Anthropocene Fixed Income Institute, Japan's transition bonds, 2026
4) Taken as an average over the preceding three financial years
5) METI, Industrial Subcommittee on Emission Trading Systems, Draft Interim Summary, 2025

Japan's GX-ETS contains one novel aspect which has the potential to support the annual GX-ETS determination process and further mobilise private investment. Covered companies are required to submit specific information to METI, setting out elements of their transition planning. This is a strong signal for integrating transition planning into credible corporate decarbonisation, given the value transition plans bring in giving investors greater clarity and METI a stronger basis for its annual determinations. It is also a globally leading approach, as no other carbon pricing mechanism requires elements of transition plan disclosure at the entity level and at such scale.

The requirements include:

- previous year direct/indirect emissions and targets to FY2030;
- an investment plan giving the content and scale of each measure together with its location, timing and expected emissions reduction;
- a conditional R&D section, completed where the company is receiving an additional allocation for GX-related R&D and has qualifying GX-related patents, technology classifications, or Green Innovation Fund projects, along with the associated R&D content and costs;
- a cross-reference to any carbon-neutrality strategy the company has already published; and
- an explanation of any changes since the previous year's investment plan.[6]

These are important disclosure areas. However, the requirements exclude areas considered decision-useful under other regulatory and capital market facing frameworks. This report sets out how these requirements could be strengthened by aligning them with international best practice and the disclosure requirements under the new SSBJ standards. Doing so would improve the quality of transition plan information available to support financial institutions and the functioning of the GX-ETS, while helping companies navigate an increasingly complex reporting landscape. Better information means transition plans can be assessed, compared, and relied upon with greater confidence, which is where their value lies.

6) METI, GX-ETS Transition Plan Preparation Manual, 2026

1.2 From TCFD to SSBJ: Deep Roots of Corporate Transition Planning in Japan

Japan already has a substantial transition plan policy foundation. Substantial institutional infrastructure has developed in support of credible corporate transition over the last decade, providing a strong foundation on which GX-ETS could build.

The Japanese TCFD Consortium, established in 2019, became the largest body of firms supporting TCFD globally, representing approximately 28% of worldwide TCFD supporters in 2022. This was absorbed into the GX Future Consortium in April 2026, consolidating Japan's climate disclosure ecosystem within the GX policy framework. This Consortium published a transition plan guidebook in 2024 to serve as a reference for companies formulating their own transition plans.[7] This is now being reinforced by Japan's adoption of IFRS S1 and S2 through the Sustainability Standards Board of Japan (SSBJ), which will require mandatory climate transition-plan related information disclosure if and when the company has one from up to 300 listed companies by 2029.[8]

Japan has also encouraged transition finance linked to credible transition plans. METI's Basic Guidelines on Climate Transition Finance, first published in 2021 and refreshed in 2025, requires fundraisers to have science-based transition strategies, supported by eight sector technology roadmaps that fundraisers can refer to.[9] This has helped mobilise real capital: 97 corporate transition bonds were issued in Japan by February 2026, around half of which are from the utility/power sector.[10]

These initiatives are driving growing transition planning by Japanese companies, with CDP analysis showing Japanese companies disclosed more transition plan elements in 2024 than companies in many other major jurisdictions.[11] Plans are showing positive progress, with companies in the chemicals, steel and automotive increasingly disclosing low-carbon capital expenditure plans, internal carbon pricing and executive compensation linked to emission reduction targets.[12]

7) TCFD Consortium, Transition Plan Guidebook, 2024
8) SSBJ issues Inaugural Sustainability Disclosure Standards to be applied in Japan, 2025. Whether to extend this to all companies listed on the Tokyo Stock Exchange Prime market (approximately 1,600 companies) will be considered in 2030 or later.
9) METI, Basic Guidelines on Climate Transition Finance, 2025
10) AFII, Japan's transition bonds, 2026
11) See Figure 3 in CDP, From Plans to Capital: Unlocking Credible Transition Finance at Scale, 2025
12) See: Kamakura Sustainability Institute, Evaluating Transition Plans in Japan's High Emission Sectors: Steel Sector, 2026; Kamakura Sustainability Institute, Evaluating Transition Plans in Japan's High Emission Sectors: Automobile Sector, 2026; Kamakura Sustainability Institute, Evaluating Transition Plans in Japan's High Emission Sectors: Chemical Sector, 2025

1.3 The Opportunity to Strengthen GX-ETS Transition Plan Reporting

There is now an opportunity to build on Japan's strong transition planning foundation and to better support the mobilisation of transition finance by ensuring that GX-ETS reporting provides government with greater insight as it sets future ETS pricing and general policy, while also ensuring that increasing disclosure requirements and guidelines are properly coordinated and managed so they do not place an undue burden on companies and compromise the value of the information derived from the plans. However, as currently designed, GX-ETS transition plan related requirements capture only a sub-set of the information needed to serve the scheme's own objectives, constraining its ability to assure credibility and mobilise transition finance.

This paper shows how Japan can better achieve its goals by consolidating existing transition plan guidance from both national and international frameworks into a single, well-designed requirement under the GX-ETS. By updating the GX-ETS requirements, four major benefits can be achieved for Japan's overall transition:

1. **Improve the ability of the GXA and other government officials to monitor the transition**

   Updating the GX-ETS requirements will provide the GXA, METI and other officials with improved information on how companies are transitioning. This can improve management of the ETS, track progress towards GX targets and support allocation of GX transition bonds.

2. **Derive more decision-useful information by aligning requirements with national and international good practice on transition plans**

   This can improve transition planning across the economy by giving both companies under the GX-ETS and those outside the regime a single, coherent pathway to transition plan credibility that is both interoperable with Japan's existing policy landscape and with frameworks used by international investors and lenders.

3. **Simplify reporting so one plan serves many users**

   Aligning the GX-ETS requirements with new disclosure requirements under the SSBJ, which are based on international ISSB standards, will reduce reporting burdens on companies. One transition plan disclosure can comply with requirements under the GX ETS and SSBJ, as well as a suite of other voluntary transition plan and transition finance guidelines.

4. **Mobilising transition finance to high emitting industries in Japan**

   The proposed additions respond to the information that investors, lenders and insurers are increasingly requesting from companies to support valuations, capital allocation and engagement.

Each of these benefits are analysed in detail in the following section (section 2) to build the case for updating the GX-ETS requirements, followed by a set of technical recommendations for how to achieve them in section 3.

2. The Case for Updating the GX-ETS Transition Plan Disclosures

Japan has built one of the most developed transition finance ecosystems in the world, and in the GX-ETS transition plan it has created something few other jurisdictions possess: a mandatory, annual, forward-looking filing from the companies that are likely to have the largest impact on the national transition. The opportunity now is to make that filing do the work it is capable of doing to support effective delivery of Japan's GX 2040 Vision by updating the GX-ETS requirements. Doing so would bring four major benefits for Japan's transition.

2.1 Improve the ability of the GXA and other government agencies to monitor the transition

Delivering the GX vision of energy security, 73% GHG emissions reduction by 2040, and economic growth will require significant investment, with the government aiming to deliver over ¥150 trillion in combined public-private GX investments by 2033.[13] The GX-ETS is a key policy instrument to deliver this, and through the transition plan reporting officials can monitor progress and make necessary adjustments.

Based on both current and proposed GX-ETS datapoints set out in Section 3, policymakers could derive several policy-relevant insights from this information:

1. GXA & METI: Inform understanding of an effective carbon price trajectory

Unlike many other ETS schemes, the GX-ETS does not set a top-down absolute cap on total allowances. Instead, intensity benchmarks are set by METI for energy-intensive sectors (where cross-industry comparison is feasible) and then allowance allocation is calculated by multiplying each company's production output by the intensity benchmark, with the aim of safeguarding Japan's industrial production capacity. Other sectors are allocated under a grandfathering approach, based on companies' past emissions volumes, with the total shrinking annually. Therefore, setting intensity benchmarks that are appropriately stretching to incentivise decarbonisation investments is key for the ETS to reduce emissions.

13) METI, Overview of Japan's GX Policy and Carbon Pricing, 2026

Transition plan information could help GXA & METI to identify effective intensity trajectories and their implied carbon prices for benchmarked sectors. Stress testing government assumptions on sector decarbonisation rates against company emissions targets could reveal where the ETS is being more or less ambitious than industries' own targets. Internal carbon prices disclosures could help policymakers stress test their assumptions on what carbon price will incentivise increased GX investment. Many companies already disclose use of internal carbon prices: for example, in the chemical sector all five major domestic companies disclosed use of an internal carbon price in investment project analysis, with four disclosing the level used.[14]

Japanese policymakers will also need information on individual companies' emissions and associated activity data, as well as the appropriate sectoral benchmark or historical baseline, on an annual basis to allocate allowances. Disclosure of GHG emissions, split by activity, and corresponding activity data could be part of the transition plan. While policymakers may already have access to this data elsewhere, making it part of the transition plan would also benefit investors who will be able to benchmark company progress more effectively. Making this data public would allow policymakers to track progress alongside financial institutions and civil society. Greater transparency will bolster stakeholder confidence in the allocation approach of the GX-ETS as a whole.[15]

2. METI & Ministry of the Environment: Track progress towards Japan's emissions reduction targets & Japan GX Transformation

Several transition plan datapoints can be used to track progress towards Japan's emissions reduction targets & Japan's GX transformation. Any aggregation of corporate transition data should consider boundaries of corporate reporting, which will typically include overseas operations and may not be disaggregated by domestic vs overseas operations. However, backwards looking emissions data may be used by METI or the MOE to provide an indication of sector progress towards Japan's NDC targets. Additionally, transition plans provide valuable forward-looking metrics that can indicate the pace of decarbonisation and identify sectors requiring specific attention.

Emissions target for FY2030 and FY2035 can be compared with assumed CO_2 reduction pathways underlying Japan's NDC and Sectoral Technology Roadmaps. Requesting a statement on alignment with the relevant Roadmap or Japan's NDC can therefore provide valuable qualitative information to help interpret individual company emissions trajectories relative to the benchmark. Capital expenditure targets, if broken down by technology type and highlighting financing sources, can help indicate likely corporate contributions towards the investment targets identified in Japan's Sectoral Technology Roadmaps and the Public-Private Investment Roadmaps that sit in Japan's Growth Strategy.

14) Kamakura Sustainability Institute, Evaluating Transition Plans in Japan's Chemical Sector, 2025
15) Climate Integrate, GX-ETS: Benchmark Transparency Matters, 2026

3. GXA & METI: Help evaluate public GX financing allocation and impact

GXA & METI also have responsibility for allocating the GX transition bond proceeds. Enhanced transition plan information may help enable them to allocate entity-level financing, e.g. through a transition loan, based on a better understanding of company and sector transition plans. For example, data on asset implications and low-carbon product and service revenue will guide policymakers on how a company's transition plan will support GX goals, particularly compared to other investment opportunities. Information on dependencies may help identify any over- or under-provision of key technologies or infrastructure which may create bottlenecks or support a more rapid transition. Policymakers will also be able to use transition plan information to assess the relative impact of GX financing by understanding how investee companies have performed compared to wider sector or cohort benchmarks.

2.2 Derive more decision-useful information through alignment with national and international good practice on transition plans

The GX-ETS will provide a standardised set of transition plan disclosures from the highest-emitting sectors. In general, these sectors will need to implement the most material changes of any part of Japan's economy. They are likely to be asset-rich compared to lower emitting sectors of the economy and face greater risks to their business models, with demand for many products such as refined oil or internal combustion engine vehicles expected to fall through the transition. GX-ETS transition plan requirements should therefore capture both decarbonisation plans and changes to business models needed to realise GX opportunities. Aligning with national and international good practice would give policymakers and financial institutions more decision-useful information, support international comparisons and capture how business models are transforming.

Current GX-ETS transition plan requirements cover a limited set of transition plan elements from specific corporate entities (see 1.1), which help GXA monitor Scope 1 and 2 emissions trajectories and planned decarbonisation measures. As part of a carbon pricing instrument rather than as a capital markets disclosure standard (such as SSBJ S2), this limited approach is intentional and understandable. However, several disclosures that may support policymakers' and financial institutions' understanding of transition plan credibility are not requested. **Comparing the GX-ETS requirements to transition plan-related guidance from Japan and internationally reveals that it excludes some transition plan disclosures considered decision-useful under other regulatory and capital market facing frameworks.**

While companies are obliged under the GX-ETS to provide a link and page reference to a carbon-neutrality strategy they have published elsewhere (generally with reference to their wider corporate group), what that document must contain is not specified. Although certain disclosures may be expected under SSBJ guidance, there may be significant differences in the populations covered by the two regimes and reporting under SSBJ will ultimately depend on each group's assessment of materiality and understanding of the new standards, potentially creating gaps in data and difficulties in comparability, particularly in the early years of implementation.

Without a specified minimum, the GX-ETS misses the chance to set a common baseline for what a credible transition plan contains. By replacing this broad requirement with a more specific request, the GX-ETS could drive good reporting practice across key high-emitting companies and act as a guide for transition plan reporting more broadly in Japan. ITPN research with 35 investors found that creating more decision-useful, standardised transition plan disclosure would support comparisons across diversified global portfolios and deployment of transition finance through products like indices and funds.[16]

To illustrate the possible divergence, Table 1 maps how GX-ETS requirements and other frameworks compare against the Transition Plan Taskforce (TPT) Disclosure Framework. The TPT Framework was selected as the point of comparison because it provides a comprehensive set of transition plan disclosures and was adopted by the IFRS Foundation in 2023 as guidance to support compliance with IFRS S1 and S2. The TPT five-element and 19 sub-element structure is widely used by global and industry initiatives,[17] and this structure informs regulatory guidance from the Australian Treasury, Hong Kong Monetary Authority and the European Banking Authority.[18]

Other international ETS rules were not compared because Japan's GX-ETS is novel in having a transition plan requirement. The closest parallel can be seen in the EU ETS, where operators of installations above the 80th percentile of emissions intensity must have a compliant Climate Neutrality Plan ("CNP") in place in order to receive their full free allocation.[19] However, the EU ETS requirements request plans only at the installation level rather than at the entity-wide level.

16) ITPN, Enhancing long-term value and resilience: A study of how global investors are using transition plans, 2026
17) The TPT five-element and sub-element structure draws on the work of the Glasgow Financial Alliance for Net Zero which is widely understood and used by Financial institutions globally. It has been used by international initiatives such as the UN Sustainable Stock Exchanges initiative, Network for Greening the Financial System, the Taskforce on Nature-related Financial Disclosures; as well as industry-led transition plan guidance for insurance, telecommunications and real estate.
18) See: EBA, Guidelines on the management of environmental, social and governance (ESG) risks, 2025; HKMA, Annex: Good practices on transition planning, 2024; Australian Government, Climate-related transition planning guidance, 2026
19) The current mandatory minimum content includes measures and investments for each five-year period to 2050, quantified in euros invested in a given year and annualised across each period, the enabling conditions and infrastructure on which those measures depend, and the estimated impact of each measure on emissions. Proposed revisions introduced in July 2026 will require all operators of ETS installations to submit "invest in EU decarbonisation plans" to become eligible for 80% of free allowance allocation and evidence they are implementing plans and reducing emissions to become eligible for the other 20% of free allocation from 2031.

Table 1: GX-ETS transition plan requirements compared to national and international transition plan guidance. Source: Authors' own analysis, with comparison supported by AI (Microsoft Co-Pilot).

	Japan — mandatory		Japan — guidance		Transition finance		International	
TPT Sub-element	GX-ETS	SSBJ S2	TP Guide-book	Basic Guide-lines on TF	ASEAN TFG	ICMA CTFH	ESRS E1	CDP
1.1 Strategic ambition								
1.2 Business model and value chain								
1.3 Key assumptions and external factors								
2.1 Business operations								
2.2 Products and services								
2.3 Policies and conditions								
2.4 Financial planning								
3.1 Engagement with value chain								
3.2 Engagement with industry								
3.3 Engagement with government, public sector, communities, and civil society								
4.1 Governance, business and operational metrics and targets								
4.2 Financial metrics and targets								
4.3 GHG metrics and targets								
4.4 Carbon credits								
5.1 Board oversight and reporting								
5.2 Management roles, responsibility and accountability								
5.3 Culture								
5.4 Incentives and remuneration								
5.5 Skills, competencies and training								

Rating	Colour	Definition
Very High Alignment		Explicit requirement or disclosure expectation directly addressing the TPT sub-element. Intent and specificity substantially equivalent.
Strong Alignment		Clearly addresses the topic with meaningful requirements but less detail or scope than the TPT sub-element.
Partial Alignment		Topic is mentioned or indirectly covered but contains little detail compared to the TPT sub-element.
Limited/No Alignment		Very little or no meaningful coverage of the TPT sub-element.

2.2.1 International good practice disclosures with limited coverage in GX-ETS

Extending GX-ETS to cover the transition plan elements below would make it easier to assess and compare the credibility of company plans and the business model transformation behind them, supporting better decisions by investors and other users. Most other frameworks treat these elements as decision-useful because they show whether a plan is comprehensive (covering relevant emissions sources and business activities) and robust (for example, underpinned by strategies with reasonable assumptions that are appropriately resourced). They do not prescribe an ambition level, which can be highly sector and geography specific, but give users the transparency to judge ambition and viability themselves. Many of these elements also build on disclosure preparations already underway at Japanese companies.

Strategic ambition

Transition plans require a clear strategic ambition to orient company actions and engagement towards. This may include objectives for emissions, improved physical resilience, nature or social impact, or business model transformation. An additional common requirement is that companies are expected to disclose the degree to which their transition plan aligns with a particular scenario or pathway consistent with the Paris Agreement and/or national climate objectives. In the Japanese context, Japan's Basic Guidelines on Climate Transition Finance recommend that fundraisers refer to Japan's Sectoral Technology Roadmaps.[20]

Business model and value chain

This short narrative disclosure describes how implementing a transition plan ambition is anticipated to affect the company's business model and value chain. For some companies, the transition may involve a shift in assets, e.g. in the utility sector this may involve increasing low-carbon generation, transmission and energy storage assets.

20) METI, Sectoral Technology Roadmaps for Promoting Transition Finance, 2025

For others, the transition may involve shifts in products and services, such as a food manufacturer growing production and sales of new lower-carbon, sustainable protein sources.

Key assumptions and external factors

This datapoint enables assessment of whether company emissions targets and planned actions are feasible, based on whether the assumptions about supporting infrastructure and technology readiness levels are credible. This datapoint is captured within the SSBJ, so Japanese companies to be covered by the SSBJ standards will already be preparing disclosures on it.

Products, services and operations

Understanding company plans to transition their portfolio of products, services and fixed assets helps assess how companies are mitigating risks to their revenue streams and growing new low-carbon revenues. For example, an automotive components manufacturer may have to manage declining sales of internal combustion engine components such as fuel injectors, alongside growing sales of battery-based powertrain components, requiring new factory lines.

Engagement with value chain

Engaging with the value chain – suppliers, customers or clients – is essential for almost all companies to transition and remain profitable. For high-emitting companies subject to the GX-ETS, engaging with suppliers to secure affordable, low-carbon energy and inputs will be essential. Similarly, engaging with customers to grow demand for low-carbon products and services will be important to secure offtake agreements and make capital-intensive investments in new production assets bankable.

GHG metrics and targets

Disclosing Scope 1 and 2 emissions, as well as any targets, is necessary to baseline a transition plan and to enable financial institutions to measure progress. Most reporting frameworks require Scope 1 and 2 emissions to be reported on a gross basis, but the GX-ETS allows them to be reported net of J-Credits, JCM credits and non-fossil certificates, as well as removing the 10% cap that applies under compliance reporting for the transition plan. Additionally, unlike other global ETS systems and emissions reporting systems, the GX-ETS only covers CO_2 emissions and does not include non-CO_2 greenhouse gases like methane and nitrous oxide which will be very material for some companies such as refineries and chemicals. Scope 3 emissions reporting is also typically required where material given for many sectors such as automotive manufacturing their exposure to transition risk may be in their product rather than their plant. Some frameworks such as ICMA provide flexibility enabling firms to disclose a timeline for evolving internal systems to report on Scope 3.

Financial metrics and targets

The most appropriate financial metrics and targets – CapEx, OpEx, R&D, revenue – will vary by sector and transition strategy, but typically investors compare low-carbon financial metrics to totals, along with clear definitions on how the company defines low-carbon. Low-carbon CapEx is particularly relevant to understanding how high-emitting sectors are shifting their asset base by deploying commercially viable technologies, whereas R&D is relevant to more immature technologies.

Board oversight and reporting, and Management roles, responsibility and accountability

Demonstrating there is board-level oversight, with a responsible board member or committee, demonstrates that a transition plan is truly integrated into business strategy. Disclosing the management body or individual responsible for the transition plan clarifies that there is senior executive who is accountable and able to work cross-functionally to deliver the transition plan. In contrast, the GX-ETS requirement states expressly that submission requires neither third-party confirmation nor an internal organ decision by the company. Requiring board sign-off would therefore mean removing an existing disclaimer rather than adding a new obligation and would support alignment between GX-ETS and Japan's updated Corporate Governance Code and SSBJ.[21]

Skills, competencies and training

Taking actions to build a skilled workforce is as critical as investing in new low-carbon assets, with the IEA noting a particular shortage in applied technical workers able to build and maintain new energy infrastructure.[22] This is particularly relevant in Japan where length of service is longer and job mobility remain low by international standards.[23]

2.3 Simplify reporting so one plan serves many users

Larger Japanese corporates face a growing set of overlapping reporting obligations, including mandatory SSBJ reporting, voluntary reporting under TCFD, CDP and TPT, green and transition finance issuance, foreign regulatory regimes such as EU Carbon Border Adjustment Mechanism (CBAM), and bespoke investor and customer queries. Left unmanaged, these increasing disclosure requirements risk materially increasing the reporting burden on companies, which will raise costs and reduce ease of information access to investors, the government and other stakeholders.

21) FSA, Japan's Corporate Governance Code, 2026
22) IEA, World Energy Employment 2025, 2025
23) OECD, Economic Surveys: Japan, 2026

GX-ETS reporting can expand so it explicitly meets many of these third-party requirements. The gaps identified in current GX-ETS reporting substantially overlap with what SSBJ-adopting groups will need to consider disclosing from the fiscal year ending March 2027, with TCFD Consortium good practice, and with international frameworks such as TPT — meaning a single, well-specified GX-ETS plan could discharge a substantial part of all three at once. By aligning its requirements with these frameworks, GX-ETS would ensure that one plan serves several regimes, spare companies preparing the disclosure additional effort, and improve comparability for stakeholders relying on the information.

This carries one firm precondition: companies must be able to publish their GX-ETS plan, or its material parts. A plan that exists only as a ministerial filing cannot satisfy a disclosure standard or be cited to a lender; alignment of content without alignment of publication would increase the burden rather than reduce it.

For preparers, most of this data already exists internally, at company or group-wide levels: capital expenditure profiles, power and feedstock contract positions, grant applications and workforce plans are produced for board and budget purposes long before any disclosure obligation applies. The cost is therefore one of extraction and consistency rather than generation. A single specified format reduces duplicated effort across sustainability, finance and investor relations teams, and reduces the volume of bespoke questionnaires and one-off investor and customer requests, which are among the most commonly cited reporting costs for large Japanese emitters.[24] Effectively linking the transition plan to the GX-ETS reporting requirements also drives senior buy-in. The A4S Net Zero Taskforce of global CFO's and senior finance team members is clear that the practical benefit of aligning a company's finance, strategy and operations teams with the transition plan can be material.[25]

For investors and lenders, the result is consistency and comparability. Instead of receiving an emissions trajectory, CapEx figure, financing plan, and governance description from four different documents prepared on different bases, a single plan published on a common template and updated annually allows genuine comparison between companies in the same sector, which is the precondition for differentiating between them in pricing. ITPN research suggests investors reward companies that can demonstrate progress in implementing plans, with companies that disclose having emissions targets on track or higher low-carbon aligned financial metrics seeing stronger year-ahead share price growth relative to the broader market.[26]

24) Based on feedback from A4S series of Early Adopters Forum meetings, Transition Planning Symposiums and a Finance Leaders Summit, across which A4S convened more than 40 of Japan's largest companies and financial institutions to share progress and explore challenges relating to their organisation's transition planning efforts.
25) A4S, Aligning Financial Planning and Transition Planning Guide, 2025
26) ITPN, The Debt Discount: A study evaluating the financial track record of companies with transition plans, 2026 (forthcoming)

2.4 Help mobilise transition finance to high-emitting industries in Japan

Transition plans now inform financing decisions and can affect the price companies pay for capital. Investors and lenders, whether they are providing transition/green finance or broader corporate investment, have a strong interest in corporate transition plans to help assess company risk management and ability to increase corporate value through the transition.

Transition plan information is feeding through into different decision-making processes for investors and lenders alike. Engagement with 35 global investors by ITPN found investors integrate transition plan information into stewardship, fundamental analysis and portfolio monitoring and risk management, as well as limited but growing use in passive investment. For lenders, transition plans are being used in risk management and due diligence, as well as to identify and engage with companies on financing opportunities.[27]

Use of transition plan information is already affecting companies' cost of debt: ITPN analysis of over 3,300 publicly traded companies with one or more elements of a transition plan shows that for every additional 1% increase in transition plan completeness, companies reduce cost of debt by 0.15% on average.[28] For companies that disclosed all elements of transition plans (using a taxonomy of transition plan elements based on CDP), this resulted in an 11.7% relative reduction in the average annual interest rate paid on outstanding cost of debt in 2023. This suggests that lenders view transition plan disclosure favourably, helping them to better price financial risk.

Transition plans are particularly important to enable transition finance to high-emitting companies at scale. Investors and lenders need to be shown that high-emitting companies have a robust and viable strategy to transition and remain profitable through the transition. Demonstrating this credibility through an entity-wide plan is likely to become increasingly important for accessing entity-level general purpose finance, with project finance easier to assess on a project-by-project basis. This is central to Japan's Basic Guidelines on Transition Finance.

The largest lenders and investors in Japan have repeatedly made the case that clear, comparable data, beyond what is currently available, would support decision making and unlock greater investment to drive business transformation in Japan.[29] Without that data being consistently available, financial institutions are left to develop engagement strategies, make capital allocation decisions and price transition risk

27) See Figure 7 Respondents uses for information gathered from a client's transition plan/planning in NGFS, Connecting Transition Plans: Financial and non-financial firms, 2024
28) ITPN, The Debt Discount: A study evaluating the financial track record of companies with transition plans, 2026 (forthcoming)
29) A4S Transition Planning Symposium March 2025, A4S Finance Leaders Summit October 2025, PRI Transition finance in Japan: Turning policy momentum into investment momentum, 2026

using sector averages, which will tend to penalise leaders and cross-subsidise laggards. Better disclosure leads to better differentiated capital and thereby further supports the aims of the GX programme: catalysing green investment, by increasing certainty for investors; fostering industrial competitiveness, by encouraging robust corporate planning; increasing resilience and energy security, with improved understanding of future needs allowing clear policy and investment prioritisation; and, implementing growth-oriented carbon pricing.

Practical example: Steel

Consider a Japanese steelmaker planning to replace a blast furnace with an electric arc furnace. Under the current GX-ETS requirements, a potential investor or lender assessing that company learns its emissions for the previous year, a single emissions target figure for FY2030, and references to existing documents. To distinguish between a coherent and credible plan, and one facing significant implementation risks, financial institutions will need insights on:

1. **Key assumptions and dependencies:** whether the grid connection and industrial power supply chain the furnace depends on are secured or merely assumed and what the assumed electricity cost is; whether the revenue case depends on a premium or specific volume for low-carbon steel, and whether scrap or direct reduced iron of the necessary quality has been secured
2. **Financial planning:** The shape of the CapEx across the years in which the blast furnace comes off-line and the new furnace ramps up; expected OpEx; which elements have passed final investment decision; and how expenditure is funded, distinguishing internal resources, external finance and public support, together with the size of any remaining gap.

These terms could reasonably be requested under an extended GX-ETS, with a carve-out to keep genuinely commercially sensitive material out of published material. With these expanded disclosures, a lender can look across the sector to identify the opportunities which merit further diligence.

3. Recommendations

The GX-ETS transition plan requirement is still in its first year of operation, and there is room to strengthen it further as it matures — improving the GXA's and other government officials' ability to monitor the transition, aligning requirements with national and international good practice, simplifying reporting so one plan serves multiple users, and helping mobilise transition finance to high-emitting industries in Japan. The design should be guided by three questions: what it would take for one plan to serve several regimes; what it would save the companies preparing it; and what it would give the institutions and stakeholders relying on it.

The recommendations below fall into two categories: disclosure content in section 3.1, covering datapoints that would bring GX-ETS requirements closer to SSBJ and international practice without creating a parallel disclosure burden; and policy design and sequencing in section 3.2.

Together, these changes would give Japanese companies an increasingly coherent route to transition plan credibility, interoperable with both Japan's own policy architecture and with the frameworks used by the international investors and partners those companies rely on.

This would support mobilisation of finance to GX goals at scale: credible transition plans already draw favour from financial institutions and have been linked to a lower cost of debt. The changes would also give Japan an evidence base for targeted industrial policy that few other governments possess. Capturing these benefits can be central to mobilising ¥150 trillion in public-private GX investment.

It would also set a standard the rest of the economy can follow. Entities required to report under SSBJ and SMEs are central to Japan's path to meeting its NDC. Therefore, extending the credibility and discipline of GX-ETS transition plans throughout the 300–400 currently in-scope companies will have a positive impact on wider reporting, moving the country closer to the ambition of Japan's GX2040 Vision.

3.1 Proposed additions to GX-ETS Transition Plan disclosures

For policymakers, investors and corporates to derive more value from GX-ETS transition plan disclosures, the requirements should be updated to incorporate several additions. Table 2 proposes a set of datapoints that will allow stakeholders to assess the credibility of a plan in terms of its viability and ambition, and to understand the business transformation delivering stated targets implies, spanning assets, products

and workforce. The suggestions draw on a series of engagements conducted through ITPN and A4S, recognising that further testing with industry & financial institutions may be valuable.[30]

Transition plan information is strategic information, and that is why it has such a wide set of users: the same disclosure that allows a lender to size and price a facility allows a ministry to test whether a sector roadmap is deliverable, a customer to judge the security of a low-carbon supply, a supplier to decide whether to invest in new capacity, and an employee or union to understand what the transition means for a particular site. For each element proposed in Table 2, we therefore consider which stakeholders each transition plan is relevant to.

The GX-ETS also differs from broader corporate reporting standards such as SSBJ by requiring primarily Japan entity-level disclosures (excepted in the case of the requested carbon-neutrality strategy). We have highlighted in the table where information may reasonably be provided on a group-wide, global basis rather than an entity- and Japan-specific basis given the realities of corporate reporting and management.

Table 2: GX-ETS: proposed additional transition plan datapoints

TPT sub-element	Proposed GX-ETS datapoint	Current GX-ETS requirement	File or publish	Primary users	How datapoint can be used:
1.1 Strategic ambition	**Strategy (group)** A short narrative of the transition strategy	Not required. Item II.3 asks only for a URL and page reference to a carbon-neutrality strategy the company has already published elsewhere.[31]	Publish	All users	Gives snapshot of how implementing the green transformation will contribute to the company's long-term value.
1.1 Strategic ambition	**Alignment with technology roadmaps (group)** A short statement explaining how the company's trajectory relates to the sector technology roadmap it falls under – including where it diverges, and why.	Not required.	Publish	FI, policy-makers	**FI:** Helps to assess plan ambition within the sector and national context. **Policymakers:** Understanding the degree of company alignment with national roadmaps and overall reasons for divergence.

30) These engagements included: ITPN research with 35 global investors on which transition plan datapoints they look for and how they use them in decision-making; ITPN's "Policy lab" project, which is exploring relevant transition data for policymakers and regulators in different jurisdictions; and A4S series of Early Adopters Forum meetings, Transition Planning Symposiums and a Finance Leaders Summit, across which A4S convened more than 40 of Japan's largest companies and financial institutions to share progress and explore challenges relating to their organisation's transition planning efforts.

31) METI, Overview of Japan's GX Policy and Carbon Pricing, 2026, pp. 10

TPT sub-element	Proposed GX-ETS datapoint	Current GX-ETS requirement	File or publish	Primary users	How datapoint can be used:
1.3 Key assumptions and external factors	**Key assumptions (group)** The key assumptions used and the external factors on which delivery depends, (e.g. power price and availability, grid connection, hydrogen or feedstock supply, shared infrastructure, workforce skill gaps etc.).	Not required.	Publish	FI, policymakers, suppliers, customers	**FI:** Helps to understand the viability of a plan, including whether assumptions are reasonable. **Policymakers:** Understanding assumptions can help inform policy design and public finance allocation. **Value chain:** Supports assessment of future needs, investment opportunities and availability of supply of low-carbon products / services.
2.1 Business operations	**R&D** R&D contributing to the transition, including cost and the entity's own funded portion. (No suggested change to existing requirement.)	Conditional: required where the company receives additional allocation for GX-related R&D (not required at all for FY2026). Published where required.[32]	Publish	FI, policy-makers	Helps monitor investment in technologies that support GX transformation. For companies with plans dependent on using technologies with lower readiness levels, it will demonstrate they are taking a proactive approach.
2.1 Business operations	**Asset lives implications** Anticipated implications for asset lives, including assets expected to be converted, retired early or repurposed.	Not required.	Publish	FI, policy-makers, suppliers, employees	Understand how business is mitigating stranded asset risk, physical climate risk and ensuring long-term fixed asset value. It will also help understand if emissions reductions are expected to come from closing operations.

32) METI, Overview of Japan's GX Policy and Carbon Pricing, 2026, pp. 8-9

TPT sub-element	Proposed GX-ETS datapoint	Current GX-ETS requirement	File or publish	Primary users	How datapoint can be used:
2.2 Products and services	**Product/service revenue** Low-carbon product and service revenue in the reporting year; any target for low-carbon revenue and its target year; the taxonomy, tools or definitions used to classify them; and whether the revenue case depends on a price premium or on demand yet to materialise. Where necessary, reported on a group basis, noting the entity's share of overall revenue.	Not required.	Publish at portfolio level (specific terms or product details redactable)	Customers, FI, policymakers, suppliers	Helps assess how the business is transforming and developing new low-carbon revenue sources, and indicates to customers where potential supply of low-carbon products may come from. This will also help policymakers assess progress in GX transformation.
2.4 Financial planning	**Current and planned CapEx by technology type** The capital expenditure profile associated with the plan, broken down by types of technology, including its shape over time and which elements have passed final investment decision.	Partly: requires the outline and scale of the investment amount. Filed with ministers, not published per company.[33]	Publish profile and totals; project-level detail may remain filed	FI, policy-makers, suppliers	**FIs:** use CapEx to assess financing needs and opportunities for financing, as well as evidence targets are being translated into action. **Policymakers:** to track planned investment flows towards GX technologies.
2.4 Financial planning	**Financing the plan (group)** How the plan is funded – distinguishing committed internal resources, external finance and public support – and the size of any remaining gap.	Not required. Green Innovation Fund recipients required to record their own funded portion only.[34]	Publish	FI, policy-makers	Helps assess GX funding totals while indicating future investment opportunities or gaps.

33) METI, Overview of Japan's GX Policy and Carbon Pricing, 2026, pp. 9
34) METI, Overview of Japan's GX Policy and Carbon Pricing, 2026, pp. 14

TPT sub-element	Proposed GX-ETS datapoint	Current GX-ETS requirement	File or publish	Primary users	How datapoint can be used:
3.1 Engagement with value chain	**Value chain engagement (group)** Description of current and planned engagement with value chain counterparties to deliver the plan.	Not required.	Publish	Customers, suppliers, FI, policymakers	Assess whether companies are taking a proactive approach to managing dependencies by working with suppliers to secure affordable and low-carbon materials or with customers / clients to grow demand.
3.3 Engagement with government and public sector	**Public sector engagement (group)** Public support secured or applied for, including grants, GX Economic Transition Bond-funded support and Green Innovation Fund awards.	Partly, for R&D only.[35]	Publish	FI, policymakers	Assess whether companies are taking a proactive approach to managing dependencies, particularly on immature technologies, by securing public finance support.
4.1 Governance, business and operational metrics and targets	**Comparison with the previous year's investment plans** Details of plans that have been amended or deleted. Relevant factories, etc. or means of transport. Changes or deletions. Reasons for the changes or deletions etc.	Required.[36]	File	Policymakers	Helps policymakers track project changes over time to inform monitoring of progress towards GX goals, impact of GX-related subsidies and dependencies to further action.
4.2 Financial metrics and targets	**Internal carbon price** Whether and how an internal carbon price is applied in decision-making, and the price per tonne used.	Not required.	Publish	FI, policymakers	**FI:** Helps assess future transition resilience, the credibility of internal planning and informs engagement. **Policymakers:** Helps inform GX-ETS price setting and ongoing monitoring.

35) METI, Overview of Japan's GX Policy and Carbon Pricing, 2026, pp. 9
36) METI, Overview of Japan's GX Policy and Carbon Pricing, 2026, pp. 10-11

TPT sub-element	Proposed GX-ETS datapoint	Current GX-ETS requirement	File or publish	Primary users	How datapoint can be used:
4.3 GHG metrics and targets	**Emissions metrics and targets** Current CO_2 and non-CO_2 emissions, and targets for FY 2030 and targeted emissions in FY2035.	FY 2030 is currently required and filed annually. FY 2035 not currently included.[37]	Publish	All users	FY 2035 would give a medium-term perspective which will be relevant to many asset retirement and investment decisions. FIs tracking emissions reductions in their portfolio will also want to be able to track non-CO_2 greenhouse gas emissions which will be material for many GX-ETS sectors.
4.3 GHG metrics and targets	**Scope 3 emissions** Scope 3 CO_2 emissions for material categories.	Not required.	Publish	FI, customers	Monitor value chain emissions and associated transition risk, including risk associated with products with high-end use emissions.
4.3 GHG metrics and targets	**Gross emissions** Gross GHG emissions shown separately from CO_2 emissions net of credits and certificates, with the volumes relied on.	Not required. Netting is permitted without the 10% cap that applies to compliance reporting.	Publish	All users	Gross emission data provides insight into broader transition risks and consistency with the SSBJ framework, reducing reporting duplication.
5.1 Board oversight and reporting	**Board governance (group)** The governance body responsible for oversight of the plan, and confirmation that the plan has been approved by it.	Not required. The GX-ETS expressly notes that submission requires neither third-party confirmation nor an internal organ decision.	Publish	FI, policymakers	Assess corporate commitment to the plan and integration with broader business processes.
5.5 Skills, competencies and training	**Workforce skills (group)** Whether a skills gap has been identified, and the actions being taken to address it.	Not required.	File	FI, policymakers, employees	Understanding if workers can transfer skills from existing professions or plans to train them in new technologies will help consider the viability of transition plans and workforce needs.

37) METI, Overview of Japan's GX Policy and Carbon Pricing, 2026, pp. 5-6

3.2 Proposed policy sequencing and design disclosures

The proposed datapoints in Table 2 would bring GX-ETS requirements closer to SSBJ and international practice without creating a parallel disclosure burden. In policy design and sequencing, policymakers should consider how to provide decision-useful information to users, while giving companies flexibility to adjust to updated transition plan reporting expectations.

We recommend that the GXA and METI consider the following as the transition plan requirement develops beyond its first year:

1. Introduce requirements on a voluntary basis for FY 2027-2028 and mandatory from FY2028-2029

We propose these additions to be introduced on a voluntary basis for the fiscal year ending March 2028, becoming mandatory from the fiscal year ending March 2029. This timing aligns the requirements with the phase-in of SSBJ reporting from the fiscal year ending March 2027 through to the fiscal year ending March 2029, giving companies a transition period to build the necessary data and reporting capability while sending an early signal of the direction of travel.

This approach to phasing requirements also responds to a clear preference expressed by companies taking part in A4S's Early Adopters Forum, who recognise that GX-ETS reporting may need to adapt in its initial years but expressed a clear preference for a smaller number of larger changes over incremental increases in reporting year on year.

2. Coordinate with SSBJ so that one plan discharges both obligations

With SSBJ reporting phasing in from the fiscal year ending March 2027, there is a narrow window in which the GX-ETS transition plan could be specified to satisfy a substantial part of the SSBJ transition plan related-disclosure at the same time, reducing burden for companies navigating both. Creating consistency with SSBJ sends a clear signal that companies can produce a single transition plan disclosure that is decision-useful for capital markets and policymakers alike. It also supports consistent GX-ETS data can benefit from third-party assurance required for SSBJ disclosures without adding additional cost or process to corporate reporters.

3. Distinguish explicitly between what must be filed and what must be published

Not every item in Table 2 needs to be public to serve relevant stakeholders. Table 2 sets out disclosures that could be published and those that could be filed, based on whether their potential users, wider regulatory requirements such as SSBJ disclosure, and potential commercial sensitivity. Items weighted towards government and management — project sequencing, internal prioritisation, granular R&D pipelines

— can remain in ministerial filings. Items weighted towards financial institutions, the value chain and employees — the capital expenditure profile, financing needs and sources, dependencies, product and workforce implications — should be published per company. At present the balance runs the wrong way, with the investment plan filed but not published.

Effectively distinguishing between these two types of data will increase corporate confidence in the requirement while also supporting effective engagement and positive feedback loops across policymakers, companies and financial institutions.

Companies should also make their own judgements on which information is commercially sensitive in line with the laws and regulations they are subject to. Where companies consider information to be genuinely commercially sensitive, operators could apply for it to be removed from the published version where the request is duly justified. Publication by default, with redaction by exception, offers a workable answer to commercial sensitivity while retaining the availability of data that will improve decision making and investment.

4. Use free allocation conditionality as the lever, on a phased basis

Free allocation continues until auctioning is introduced from FY2033. The EU precedent withholds a defined proportion of free allocation where a compliant plan is not in place, providing a proportionate and internationally recognised mechanism for incentivising appropriate disclosure. This can be introduced with sufficient notice for companies to prepare.

About the ITPN

The International Transition Plan Network (ITPN) was launched at COP29 to support the development of global norms for private sector climate transition plans and drive climate policies that leverage the full potential of these plans.

As a growing network, ITPN brings together leaders from over 40 public sector organisations including finance ministries, central banks, and regulators from across Africa, Asia-Pacific, Europe, North America, and Latin America. It is bolstered by a wider global community of practice that includes a large range of stakeholders.

The network supports global consistency in approaches to policies and regulations on transition plans. It is a platform for coordination, thought leadership, and capacity building.

The ITPN is hosted by E3G. E3G is an independent think tank working to deliver a safe climate for all.

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The recommendations proposed in this report for policymakers and regulators do not necessarily represent the views of all policymakers or the ITPN's Members, Advisory Group, or Community of Practice.

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