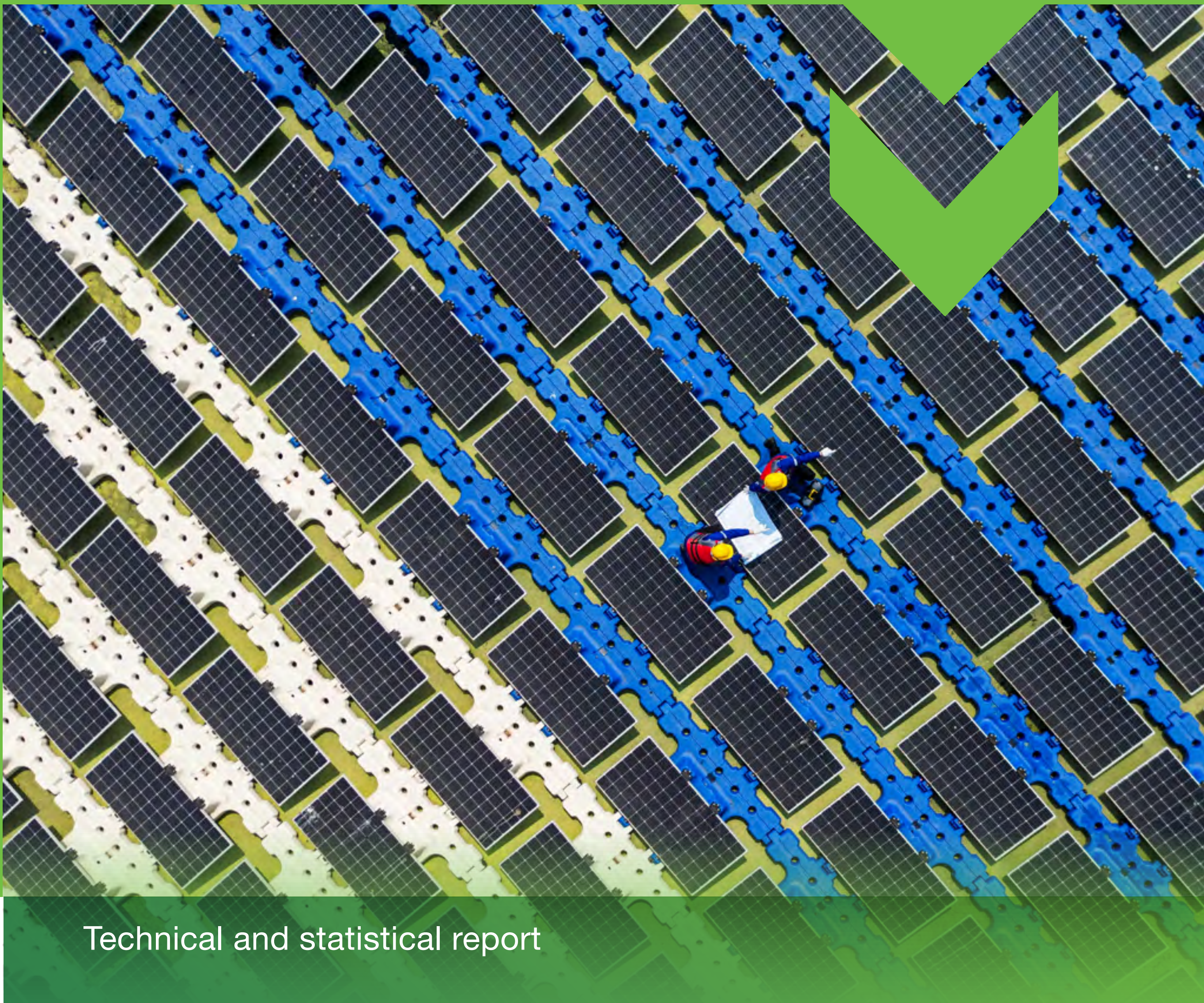
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT



Technical and statistical report

Sustainable Finance Policy Monitor 2026

Expansion and Divergence

United Nations

Geneva, 2026

The designations employed and the presentation of material on any map in this work do not imply the expression of any opinion whatsoever on the part of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Mention of any firm or licensed process does not imply the endorsement of the United Nations.

This publication has not been formally edited.

United Nations publication issued by the United Nations
Conference on Trade and Development

UNCTAD/DIAE/2026/1

eISBN: 978-92-1-158765-4

Acknowledgements

The present report was prepared by a team led by Yongfu Ouyang, comprising Joseph Clements, Isabel Dathe, Jainaba Kolley and Wenchuan Zhang, under the overall guidance of Nan Li Collins, Director of the Division on Investment and Enterprise of UNCTAD.

The report has benefited from comments provided by Stephania Bonilla, Isabel Garza Rodriquez, Guoyong Liang, Jason Munyan and Hussein Ali Ghandour.

Abbreviations

ACMF	ASEAN Capital Markets Forum
AMF	Autorité des Marchés Financiers
AMMC	Autorité Marocaine du Marché des Capitaux
ASEAN	Association of Southeast Asian Nations
BCBS	Basel Committee on Banking Supervision
BRICS	Brazil, Russia, India, China, South Africa
CBK	Central Bank of Kenya
COP	Conference of the Parties
CRMSA	Climate Risk Management and Scenario Analysis
CSRD	Corporate Sustainability Reporting Directive
EFRAG	European Financial Reporting Advisory Group
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ETS	Emissions Trading System
FCA	Financial Conduct Authority (United Kingdom)
FINMA	Swiss Financial Market Supervisory Authority (Switzerland)
FRA	Financial Regulatory Authority (Egypt)
FRC	Financial Reporting Council (Nigeria)
FRFI	Federally Regulated Financial Institutions
FSA	Financial Services Agency (Japan)
FSCA	Financial Sector Conduct Authority (South Africa)
GRI	Global Reporting Initiative
ICAP	International Carbon Action Partnership
IFRS	International Financial Reporting Standards
IFRS S1	International Financial Reporting Standards Sustainability (Standard) 1: General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	International Financial Reporting Standards Sustainability (Standard) 2: Climate-related Disclosures
ISSB	International Sustainability Standards Board
K-ETS	Korean Emissions Trading Scheme
MRV	Monitoring, Reporting and Verification
PFRS	Philippine Financial Reporting Standards
SBCE	Sistema Brasileiro de Comércio de Emissões de Gases de Efeito Estufa
SMEs	Small and Medium-sized Enterprises
TKBI	Taxonomy for Indonesian Sustainable Finance
UNCTAD	United Nations Conference on Trade and Development

Table of contents

Executive Summary

Sustainable finance policymaking continued to expand rapidly in 2025, even as some major jurisdictions scaled back elements of their regulatory frameworks. Across 35 economies representing 93 per cent of global GDP, **a total of 143 new policies were introduced** (up from 99 in 2024), bringing **the global total to over 800 measures**. This confirms that, despite signs of retrenchment in some regions, the overall trajectory remains one of expansion and deepening policy engagement.

A key development in 2025 is the growing prominence of carbon pricing and market-based mechanisms. **Carbon pricing policies accounted for more than 12 per cent of new measures**, with notable acceleration in emerging markets including Brazil and Mexico. At the same time, carbon markets are maturing globally, shifting from pilot phases to more operational and economy-wide systems, particularly in Asia-Pacific. This marks a broader transition toward using pricing mechanisms as core tools for decarbonization.

Sustainability disclosure frameworks remain the cornerstone of regulation, **accounting for over 40 per cent of all new policies**. However, the emphasis is shifting to alignment and implementation, with increasing convergence around international standards (notably IFRS/ISSB). This reflects a global push for comparability and credibility, even as jurisdictions adopt different pathways.

At the regional level, divergence in regulatory approaches is becoming more pronounced:

- **Europe**, while still the most developed regulatory ecosystem, saw a clear shift toward simplification and reduced scope, particularly in the European Union. This narrowing of scope contrasts with stronger enforcement, especially on greenwashing, and continued leadership in product regulation.
- **North America** remains fragmented, with Canada advancing steadily while the United States exhibits a widening gap between federal rollbacks and state-level innovation, alongside a pivot toward carbon pricing tools.
- **Asia-Pacific** is moving into a phase of system consolidation, with fewer new policies but more integrated, scalable frameworks, including expanded emissions trading systems and transition-focused taxonomies.
- **Africa** stands out for its rapid expansion, with countries building foundational frameworks (disclosure, taxonomies, and carbon markets) often in parallel and increasingly aligned with global standards.
- **Latin America** is consolidating around practical instruments, particularly taxonomies, product regulation, and carbon markets.

Three overarching trends define the current landscape: **(1)** continued global expansion of sustainable finance regulation addressing jurisdictional demands and systemic economic and environmental risks; **(2)** a shift toward implementation and operational effectiveness; and **(3)** the consolidation of carbon pricing and transition finance as innovative policy tools. At the same time, a more complex picture is emerging, with global convergence on core principles but increasing divergence in regulatory design and ambition.

Overall, the latest developments suggest that sustainable finance policymaking is no longer just expanding; even as regional regulatory differences shape its trajectory, **it is entering a new phase characterized by a greater emphasis on implementation, integration, and economic alignment**, as concerns over the economic materiality of sustainability risks deepen.

1

The current landscape for sustainable finance policymaking: expansion and divergence

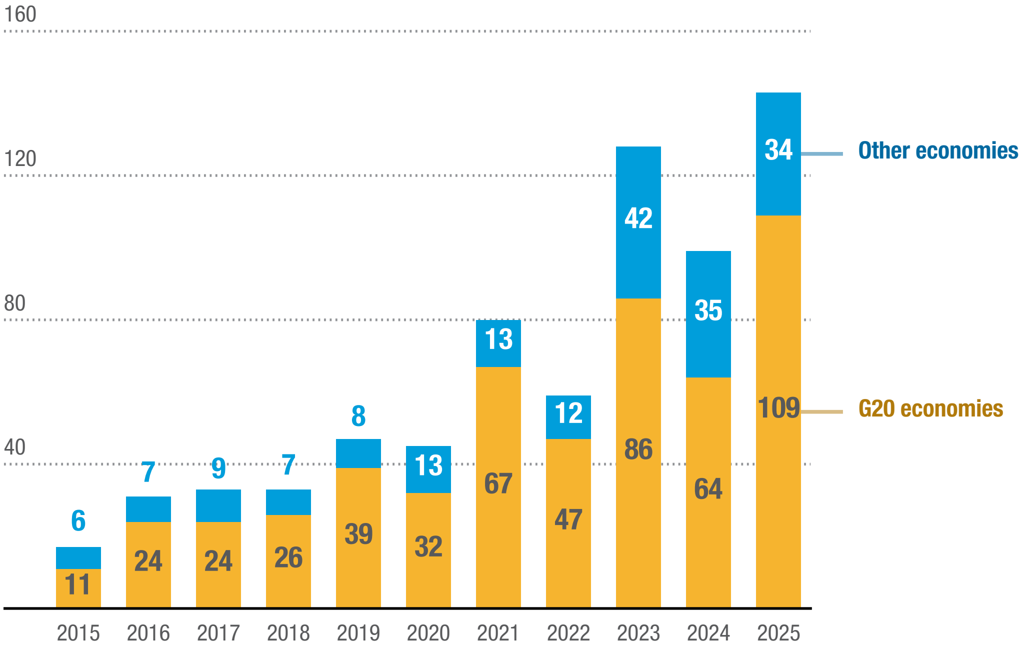
1.1 A record 140+ policies were adopted in 2025

The latest developments indicate a strengthened commitment to sustainable finance policymaking at both national and regional levels. A total of 143 policies were adopted in 2025, compared to 99 in 2024, bringing the cumulative total to 804 policies adopted to date (figure 1).[1] G20 countries adopted 109 policies out of the 143 policies rolled out in 2025, accounting for 75 per cent of all measures.

Developing economies account for 22 of the 35 economies monitored by the database, or 33 per cent by GDP. These economies adopted 72 new policies in 2025, or 50 per cent of the total. This is up from the 61 policies adopted by developing economies in 2024, but which represents a decrease in their share of the total (down from 62 per cent).

[1] UNCTAD's sustainable finance policy monitoring covers 35 economies, representing 93% of global GDP. Regulations and policy measures encompass six key policy areas for sustainable finance: national strategies and frameworks, taxonomies, product standards, sustainability disclosure, sector-specific regulations, and carbon pricing.

Figure 1
Global sustainable finance policymaking, 2015-2025
(Number of measures)



Source: UNCTAD Global Sustainable Finance Observatory (GSFO.org), based on UNCTAD, PRI and World Bank data.

Note: Regulations and policy measures encompass six key policy areas for sustainable finance: national strategies, frameworks and guidelines, taxonomies, product standards, sustainability disclosure, sector-specific regulations, and carbon pricing. Other selected economies and territories include Switzerland, as well as 13 developing economies (Chile, Colombia, Egypt, Kenya, Malaysia, Nigeria, the Philippines, Singapore, Thailand, United Arab Emirates and Viet Nam, as well as Hong Kong, China), and ASEAN. Relevant measures of the European Union are included in the number for the G20. The number of policy measures may be retroactively updated.

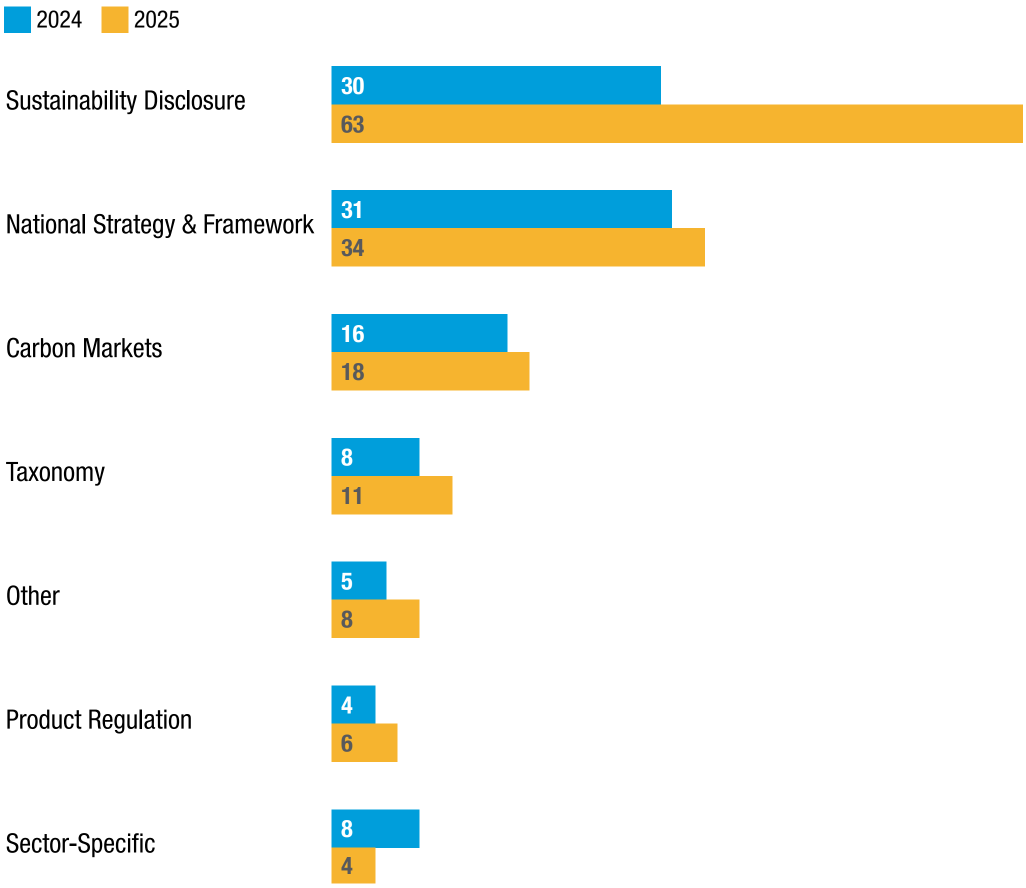
1.2 Sustainability disclosure measures remained dominant

Sustainability disclosure remains the dominant area of sustainable finance regulation, accounting for 44 per cent of all measures. In 2025, a total of 63 sustainability disclosure policies were adopted in 2025, more than double the number adopted in 2024 (figure 2). Recent developments witness a growing alignment of sustainability disclosure with international standards to enhance standardisation and harmonisation. More than five of the jurisdictions tracked in the UNCTAD database, including Brazil, Chile, and Kenya, have adopted both IFRS S1 and S2.[2] Several others, among them Canada, China, Switzerland, and the United Kingdom, have taken steps toward adopting or otherwise incorporating ISSB standards.[3] This regional diversity in the adoption and application of the ISSB framework reflects a strengthened global commitment to reporting standardization and cross-border interoperability.

[2] Brazil recently revoked the mandatory requirement to implement ISSB standards and now companies can apply voluntarily. Mexico adopted IFRS S1 and S2 for listed companies in 2025: https://www.dof.gob.mx/nota_detalle.php?codigo=5747872&fecha=28/01/2025#gsc.tab=0

[3] IFRS: https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/use-by-jurisdiction/

Figure 2
Sustainable finance policies by category, 2024 and 2025



Source: UNCTAD.

The dominance of sustainability disclosure measures in sustainable finance policymaking is partly due to the global focus on this area and the foundational nature of disclosure and reporting systems, which serve as the base for the implementation of other measures. Recent policymaking reveals emerging challenges for governments and regulators, especially in developing regions where the tension between adapting regulation to local contexts and capacities and aligning with global frameworks can stretch resources and uptake. For entities, the costs of compliance can be equally demanding and often difficult to understand or respond to in the absence, for example, of quality data and disclosure tools.

In general, disclosure regulations support effective risk management, which is no less true of sustainability disclosure where threats such as climate change pose material risks for asset-values and wider systemic risk for the financial system.[4] As such, sustainability disclosure is increasingly considered a macroprudential tool for enhancing economic and financial stability.[5]

Countries continued to implement national strategies and frameworks, which remained the second most prominent area of policy focus, accounting for almost a quarter

[4] Bank for International Settlements (2020). Climate-related financial risks: A survey on current initiatives.
[5] Task Force on Climate-related Financial Disclosures (2017) *Recommendations of the Task Force on Climate-related Financial Disclosures*. Financial Stability Board. Available at: https://www.fsb-tcfd.org/publications/final-recommendations-report

of total measures adopted in 2025. Increasingly, governments are introducing finance-related transition and adaptation plans, with 55 per cent of all such plans introduced in the last two years.

Policymaking in the area of carbon pricing remained strong in 2025. A total of 18 carbon pricing policies were adopted, accounting for more than one in 8 policy measures, consistent with their share in 2024. Strengthened commitments from national and subnational governments to implement market-based mechanisms for effective decarbonization contributed to the activity in this area. Voluntary carbon market regulation is also gaining traction in many jurisdictions.

Sustainable finance taxonomies, product-specific regulations for bonds and funds and sector-specific regulations around banking, insurance and asset management, accounted for eight per cent, four per cent, and three per cent of total measures adopted, respectively.

2

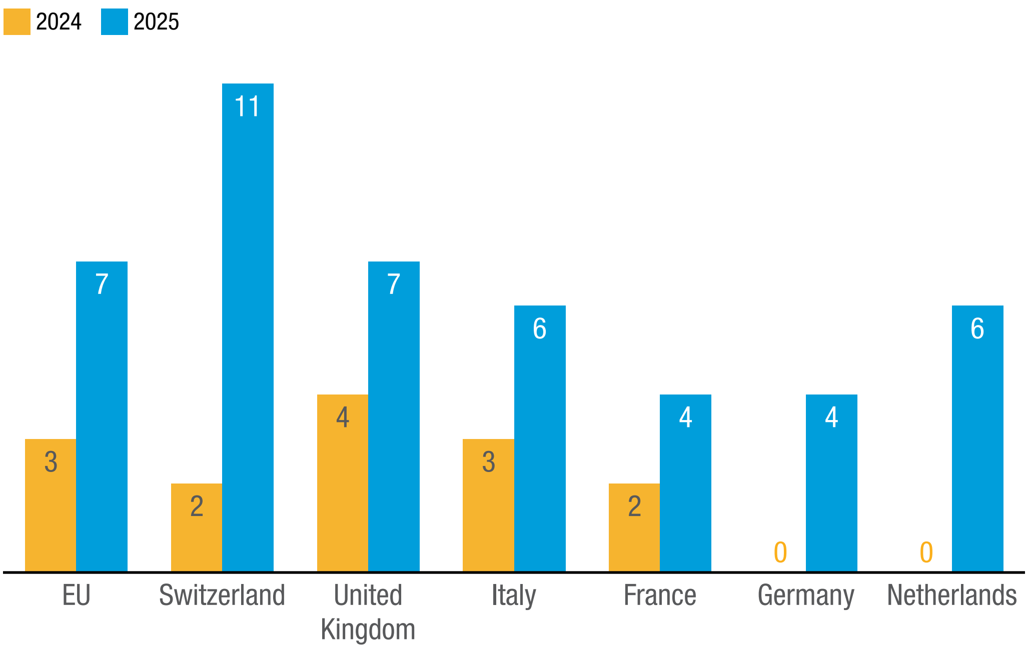
Europe: a focus on simplification without abandoning sustainability ambitions

Across the eight European jurisdictions tracked in the database (including the EU), 52 new sustainable finance measures were introduced in 2025 (figure 3). This brought Europe's cumulative total to 233 measures, accounting for nearly 30 per cent of all global sustainable finance related policies.

The dominant European narrative in 2024–2025 has been one of simplification, with the net effect of recent EU action to streamline rather than widen the scope of regulation. The EU's Omnibus package, designed to simplify its CSRD reporting obligations, removed roughly 80 per cent of companies from its scope (approximately 40,000 of the 50,000 originally in scope). Meanwhile, an effort to calibrate the implementation of sustainability reporting and due diligence timelines, under the Stop-the-Clock directive, delayed reporting implementation deadlines by two years, from 2026 to 2028, for Wave 2 companies (large entities with over 1,000 employees and with either €450 million in turnover or at least €200 million in assets) and Wave 3 companies (listed small and medium-sized enterprises, and small and non-complex credit institutions, and captive insurers - in-house insurers set up by non-financial groups to cover their own risks) from 2027 to 2029.

France, Germany, Italy, and the Netherlands[6] navigated complex processes to transpose EU-level directives into national law, each facing distinct political and administrative challenges. Switzerland introduced measures around climate disclosures and began consulting on ISSB alignment. The UK has tried to align its disclosure framework with ISSB with some minor amendments for application to the UK context.[7] Russia continued developing domestic instruments, primarily motivated by the EU's Carbon Border Adjustment Mechanism. Across all jurisdictions, anti-greenwashing enforcement intensified markedly.

Figure 3
Sustainable finance measures in selected European countries, 2024 and 2025



Source: UNCTAD.

2.1 European Union

The EU accounts for the largest share of sustainable finance regulation in the database, with 71 total tracked policies, or roughly 1 in 11 policies. The period 2024–2025 was characterised by a deliberate streamlining of the scope and reduction of the reporting burden of its flagship disclosure regime rather than a retreat from its underlying climate ambitions. Under the Stop-the-Clock Directive, in force from April 2025, only Wave 1 companies, previously subject to the Non-Financial Reporting Directive, reported on schedule for the financial year 2024.[8]

The Omnibus Simplification Package, finalized in December 2025, substantially reduced the volume of mandatory ESRS datapoints, from 1,178 in the original

[6] As G20 members, France, Germany, and Italy are individually covered by the UNCTAD database; the Netherlands is included as an additional major EU investment hub. Any regulation adopted at the national level, in addition to EU-wide policy, is captured for these countries.
[7] https://www.gov.uk/guidance/uk-sustainability-reporting-standards
[8] Directive (EU) 2025/794 (the "Stop-the-Clock" Directive). Official Journal of the European Union. https://eur-lex.europa.eu/eli/dir/2025/794/oj

October 2023 standards, to a significantly smaller set. For example, the European Financial Reporting Advisory Group (EFRAG) reports a 57 per cent reduction in mandatory datapoints (EFRAG, 2025). Projected administrative savings amount to about €4.4 billion annually, accruing to reporting companies through reduced obligations rather than to the EU administration (European Commission, 2025). The new package also limits the assurance requirements for sustainability reporting and postpones implementation to 2027. The Corporate Sustainability Due Diligence Directive entered into force in July 2024, though its transition plan mandates were subsequently removed under the Omnibus reforms. [9]

However, this simplification drive has not been universally welcomed: a coalition of major corporations, including Mars, Nestlé and Unilever, publicly urged the EU to maintain its sustainability reporting standards, arguing that having devoted significant resources to compliance, they now view robust regulation as a competitive advantage and fear that rollbacks would undermine a level playing field. [10]

On the product side, the EU Green Bond Standard became operational in December 2024, requiring full alignment of proceeds with the EU Taxonomy.[11] The Commission proposed a fundamental overhaul of the Sustainable Finance Disclosure Regulation in November 2025, shifting from disclosure obligations to simplified product categories: Sustainable, Transition, and ESG Basics.[12]

Taken together, these measures reflect a deliberate recalibration that seeks to maintain ambition while responding to political and industry pushback against the burden of compliance.

With regard to major EU jurisdictions covered by the database, France initiated the transposition of CSRD into national law from 1 January 2025 but faced political resistance, with senators proposing a four-year delay. France subsequently aligned with the Stop-the-Clock timeline. The Autorité des Marchés Financiers (AMF) updated its ESG fund naming doctrine in December 2024, establishing stricter thresholds in line with European Securities and Markets Authority (ESMA) guidelines, while consumer protection authorities intensified enforcement against unfounded environmental claims.[13]

Germany approved its CSRD transposition bill through the Federal Cabinet in September 2025, requiring sustainability reporting from financial year 2025 for large, listed entities. Broader obligations were deferred to 2027. Enforcement of the existing supply chain due diligence law was suspended, except for severe human rights violations, pending a comprehensive replacement act expected in 2027–2028.[14]

Italy transposed the CSRD in September 2024, with its securities regulator (CONSOB) receiving oversight and sanctioning authority. CONSOB issued greenwashing-related notices, while the competition authority intensified scrutiny of environmental marketing claims. The Council of Ministers approved

9 Directive (EU) 2024/1760 (Corporate Sustainability Due Diligence Directive). Official Journal of the European Union. https://eur-lex.europa.eu/eli/dir/2024/1760/oj/eng
10 ESG Today. (2025). Nestlé, Unilever, Mars warn against revisiting EU sustainability reporting and due diligence laws. https://www.esgtoday.com/nestle-unilever-mars-warn-against-revisiting-eu-sustainability-reporting-and-due-diligence-laws/
11 Regulation (EU) 2023/2631 on European Green Bonds (applicable from 21 December 2024). https://eur-lex.europa.eu/eli/reg/2023/2631/oj/eng
12 European Commission. (2025). Commission proposes improvements to the Sustainable Finance Disclosure Regulation. https://finance.ec.europa.eu/news/commission-proposes-improvements-sfdr-2025-11-21_en
13 Autorité des marchés financiers. (2024). The AMF decides to apply ESMA's guidelines on funds' names. https://www.amf-france.org/en/news-publications/news/autorite-des-marches-finances-decides-apply-esmas-guidelines-funds-names
14 Noerr. (2025). Federal cabinet resolves reforms to the German Supply Chain Act and implementation of the CSRD. https://www.noerr.com/en/insights/federal-cabinet-resolves-reforms-to-the-german-supply-chain-act-and-implementation-of-the-csrd

the transposition of the Empowering Consumers Directive in November 2025. All three economies illustrate the tension between EU-level ambition and national implementation capacity.[15]

The Netherlands proceeded with CSRD transposition through parliamentary discussion, incorporating Stop-the-Clock and Omnibus provisions. The central bank (DNB) published an updated guide for managing climate and nature-related risks in 2025, emphasizing the double materiality of the reporting firm's impact on sustainability risks and the impact of sustainability risks for the financial health of the firm (in line with CSRD). It also provided practical tools for financial institutions. The Dutch approach is notable for its reliance on supervisory expectations (formal supervisory guidance that is not legally binding) regarding soft law instruments that drive compliance without formal mandates.[16]

2.2 Switzerland and the United Kingdom

Switzerland and the UK are the two most active non-EU European regulators, and both maintained regulatory momentum while carefully calibrating alignment with EU and ISSB standards. Both countries are for now pursuing a mixed approach of both statutory regulation and voluntary self-regulation, whilst closely aligning with regional and international frameworks. Both countries nevertheless signal an intentional effort to remain internationally competitive in sustainable finance governance.

Switzerland's Climate Disclosure Ordinance entered into force in January 2025, requiring banks with over 500 employees to publish transition plans aligned with Paris Agreement goals.[17] The Federal Council paused planned revisions in mid-2025 due to uncertainty around the EU Omnibus package.

Separately, Switzerland adopted a distinctive self-regulatory approach to greenwashing. In September 2024, industry associations (the Asset Management Association, Swiss Bankers Association, and Swiss Insurance Association) introduced binding provisions on sustainable investment labelling, with a broader greenwashing provision taking effect in January 2025.[18] This self-regulatory model reflects Switzerland's long-standing preference for market-based governance and subsidiarity of government action. The provisions are not directly aligned with the EU's CSRD, and Switzerland has not implemented CSRD-equivalent legislation. However, the revised CO_2 Act assigned responsibility for assessing climate risks across supervised entities to the financial regulator (FINMA), providing a formal backstop. The effectiveness of self-regulation remains debated: a 2024 study found that Switzerland recorded a 17.3 per cent increase in greenwashing cases, the highest among 13 markets analysed, suggesting that voluntary frameworks alone may not be sufficient to ensure disclosure compliance.[19]

[15] Legislative Decree No. 125/2024 transposing the CSRD (in force 25 September 2024). See National Law Review, EU CSRD – A focus on the recent transposition in Italy. https://natlawreview.com/article/eu-csrd-focus-recent-transposition-italy

[16] De Nederlandsche Bank. (2025). Guide to managing climate and nature-related risks. https://www.dnb.nl/media/fbjjzf1o/guide-to-managing-climate-and-nature-related-risks-update-september-2025.pdf

[17] Swiss Bankers Association. (2025). Climate regulations for Swiss banks. https://www.swissbanking.ch/en/topics/sustainable-finance/climate-regulations-for-swiss-banks

[18] ESG Today. (2024). Swiss government allows financial sector to self-regulate greenwashing prevention. https://www.esgtoday.com/swiss-government-allows-financial-sector-to-self-regulate-greenwashing-prevention/

[19] RepRisk. (2024). On the rise: Navigating the wave of greenwashing and social washing. https://www.reprisk.com/insights/reports/on-the-rise-navigating-the-wave-of-greenwashing-and-social-washing

The UK's financial regulator (FCA) established a comprehensive sustainability disclosure and labelling framework in 2024–2025 and published its version of IFRS S1 and S2 (UK SRS S1 and S2). For now, the standards remain voluntary for use by any entity but the government and FCA is consulting on whether to introduce requirements for certain UK entities to report against these standards. An anti-greenwashing rule took effect in May 2024, and a voluntary investment labelling regime (with categories for 'Sustainable Focus', 'Sustainable Improvers', and 'ESG Factors') became effective by April 2025. The government consulted on broader transition plan requirements, closing in September 2025.[20]

2.3 Russian Federation

Russia has developed a domestic Green Finance Taxonomy and national standard for green finance instruments. Draft taxonomy updates expanding beyond climate categories are also under development. The central bank issued ESG disclosure recommendations and coordinated with BRICS partners on comparable disclosure standards. The Sakhalin carbon trading pilot, covering 50 entities emitting at least 20,000 tonnes CO_2 annually, issued its first carbon credits in March 2025.[21] The pilot is strategically motivated by the EU's Carbon Border Adjustment Mechanism. Russia's trajectory reflects a pragmatic, domestically focused approach shaped more by trade policy than by convergence with international standards.

© Shutterstock

[20] Financial Conduct Authority. (2024). Sustainability Disclosure Requirements (SDR) and investment labels (PS23/16); Anti-greenwashing rule (FG24/3). https://www.fca.org.uk/firms/climate-change-and-sustainable-finance/sustainability-disclosure-requirements-sdr-regime

[21] International Carbon Action Partnership. (2025). Russian Federation – Sakhalin. https://icapcarbonaction.com/en/ets/russian-federation-sakhalin

3

North America: policymaking is uneven, but progress driven at the sub-national level

3.1 Canada

Sustainable finance policymaking in Canada has evolved progressively, supported by both strong federal and provincial commitments. Recent developments saw a shift in policy making priorities toward strengthening carbon market regulations in support of industrial decarbonization. This phase emphasised market-based mechanisms, including carbon pricing and crediting systems, designed to increase policy flexibility while maintaining fair industrial competition Canada announced a planned policy shift in 2025 toward a more stringent carbon market framework. The proposed reform aims to lower the emissions coverage threshold for large industrial emitters from the current 50,000 metric tons of CO_2eq to either 25,000 or potentially 10,000 metric tons, thereby expanding regulatory coverage and strengthening emissions accountability.[22]

[22] Driving effective carbon markets:https://www.canada.ca/content/dam/eccc/documents/pdf/climate-change/carbon-pricing-benchmark-consultation/Discussion-Paper-Driving-Effective-Carbon-Markets-Canada.pdf

In parallel, the federal government reaffirmed its commitment in 2025 to developing a "Made-in-Canada" sustainable finance taxonomy. The Canadian Climate Institute has been selected to lead the development of these science-based taxonomy guidelines, which are intended to provide clarity, credibility, and consistency in defining environmentally sustainable economic activities.

Additionally, the federal government has introduced climate risk management guidelines applicable to all federally regulated financial institutions (FRFIs), except foreign bank branches. This mandatory framework is designed to strengthen the identification, assessment, disclosure, and management of climate-related financial risks, thereby enhancing the resilience and stability of Canada's financial system.

A notable recent development in Canada's sustainable finance policy landscape is the introduction of anti-greenwashing provisions under competition law. Rather than relying on securities regulation, Canada has integrated sustainability-related enforcement into its broader consumer protection and competition framework. This approach reflects a comprehensive regulatory strategy for addressing misleading environmental claims and enhancing market integrity.

3.2 United States

In 2025, the United States' sustainable finance landscape was characterised by both setbacks and advances. One major challenge has been the growing divergence between federal and state-level initiatives. Under the current administration, federal authorities have moved to scale back certain climate-related disclosure initiatives, contributing to legal disputes. At the same time, several states implemented climate finance measures. Notably, California and New York implemented climate-related disclosure rules and other sustainable finance initiatives, illustrating the fragmented nature of U.S. climate governance.

The initial phase (2015–2020) of sustainable finance regulation in the United States was primarily centred on disclosure requirements and sector-specific regulations, which together accounted for approximately 88 per cent of the policies adopted during this period. Disclosure remained a dominant regulatory measure between 2021 and 2024, accounting for 46 per cent of policies adopted.

In 2025, however, carbon pricing regulations accounted for four out of five new policies. This change has been driven not by federal initiatives but primarily by regulatory activity at the state level. A recent development includes the proposal of a foreign emissions fee bill designed to impose a charge on emission-intensive goods imported into the United States. This measure aims to reduce carbon leakage, protect domestic industries, and promote fair competition by aligning trade policy with climate objectives but remains under discussion.[23]

The United States has not yet developed a comprehensive sustainable finance taxonomy or implemented specific sustainable finance product regulations.

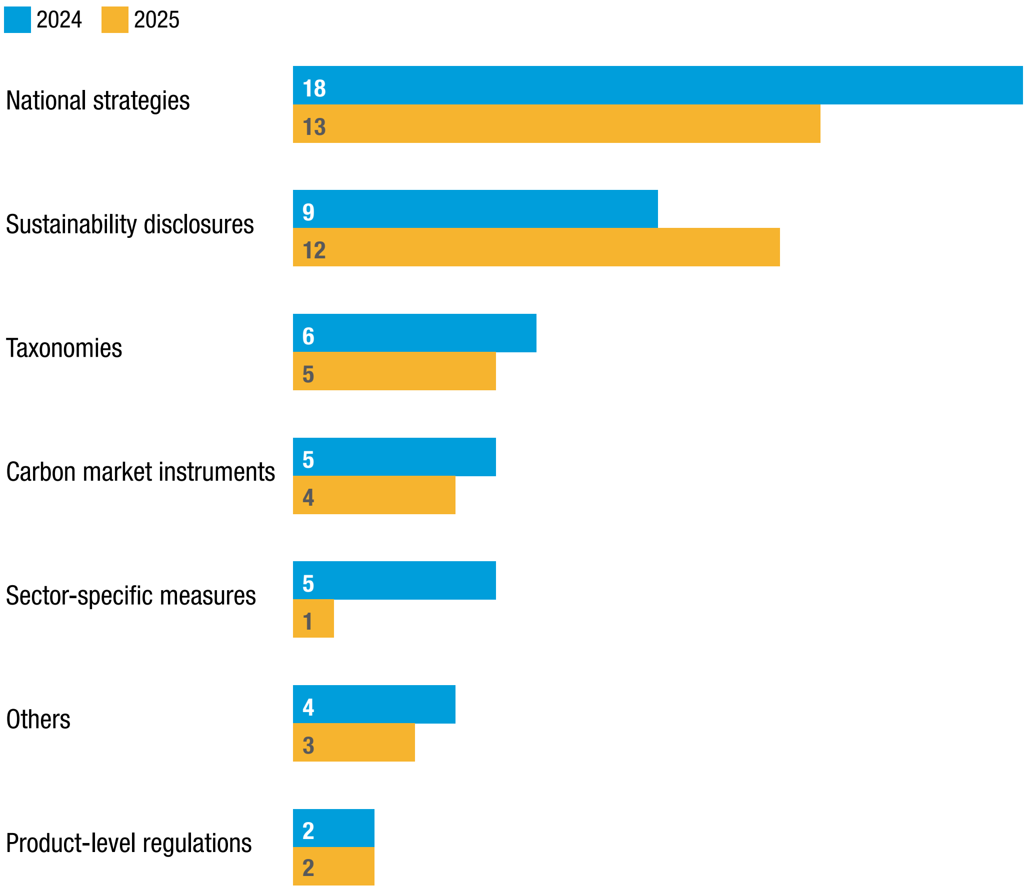
[23] Foreign Pollution Fee Act of 2025; https://www.congress.gov/bill/119th-congress/senate-bill/1325/text/is

Asia-Pacific: policymaking is focussed on integration, alignment, and implementation

In 2025, 40 new sustainable finance regulations were introduced in the Asia-Pacific region, down from 49 in 2024 (figure 4). The combined share of national strategies and sustainability disclosure frameworks increased significantly, accounting for almost 63 per cent of all new measures in 2025, compared with 53 per cent in 2024. Product-level and sector-specific interventions declined sharply, from a combined 20 measures in 2023 to just 3 in 2025. Regulators in Asia appear to be prioritizing coherence, scalability and system integration.

In contrast to other regions, there was a slight decline in the number of newly introduced carbon market instruments (4 in 2025 down from 5 in 2024). This decline does not necessarily indicate a weakening of carbon pricing momentum, but rather a transition from a phase of rapid policy announcements and framework design to one focused on implementation and system refinement.

Figure 4
Sustainable finance measures in the Asia-Pacific region, 2024 and 2025



Source: UNCTAD.

Evidence from recent assessments shows that emissions trading systems (ETS) in Asia-Pacific are advancing in scope and operational depth: China expanded its ETS beyond the power sector in March 2025 to cover cement, steel and aluminium. Indonesia's intensity-based ETS which sets benchmarks based on emissions per unit of output rather than absolute emissions caps, is expected to move towards a hybrid "cap–tax–and–trade" model, under which firms may combine allowance trading with tax-based compliance obligations. Thailand, Malaysia and the Philippines are actively considering ETS adoption as part of their climate policy mix.[24] Taken together, these developments suggest that although fewer new instruments are being introduced, carbon markets in the region are becoming more mature, with increasing emphasis on functionality, coverage and regulatory design.

While the emphasis of policymaking differs across jurisdictions, three overarching trends define the regional trajectory: international convergence on disclosure, expansion of transition finance beyond sectors, and the growing centrality of carbon markets as allocative mechanisms (table 1):

i. **Accelerated Convergence:** A growing number of jurisdictions (notably China, Hong Kong (China), Japan, the Philippines and Thailand) are aligning sustainability disclosure

[24] International Carbon Action Partnership. (2025). Emissions Trading Worldwide: ICAP Status Report 2026. https://icapcarbonaction.com/en/publications/emissions-trading-worldwide-icap-status-report-2026

frameworks with IFRS/ISSB standards. This reflects a strategic priority to enhance international comparability, strengthen market credibility and facilitate cross-border capital flows.

ii. Transition-oriented Frameworks: Taxonomies are evolving from "green-only" classifications into comprehensive transition frameworks (particularly in China and ASEAN). This reflects an acknowledgement that net zero ambitions and long-term economic resilience require the decarbonizing hard-to-abate sectors as well as financing the build out of renewables.

iii. Institutionalized Carbon Pricing: Carbon markets are transitioning from fragmented pilot schemes to centralized allocative mechanisms. With the introduction of absolute caps and expanded sectoral coverage (notably in China and Vietnam), carbon is becoming a more realistically priced core cost of production.

Table 1
Key sustainable finance policy trends in Asian economies, 2025

Jurisdiction	Key developments (2025)
ASEAN	Taxonomy version 3/4 and ESG guidance strengthen regional harmonization Focus on interoperability across member States
China	Unified green finance classification framework ETS expanded to hard to abate industries Gradual rollout of disclosure standards
India	Draft national green taxonomy Expansion of ESG debt instruments
Indonesia	Updated taxonomy with transition categories
Japan	ISSB-aligned disclosure standards introduced Transition finance integrated with industrial strategy (GX2040)
Malaysia	Focus on financial sector resilience, risk management and supervisory expectations
Philippines	Introduction of ISSB-aligned disclosure standards but not yet mandatory
Republic of Korea	Continued strengthening of K-ETS Focus on implementation over new policy expansion
Singapore	Positioning itself as a regional hub for voluntary carbon markets and climate finance
Thailand	Introduced a range of measures covering taxonomy development, carbon credits and disclosure, including ISSB alignment.
Viet Nam	Development of national taxonomy and ETS Moving toward operational carbon pricing

Source: UNCTAD.

4.1 Developed Asia-Pacific: Japan, the Republic of Korea, Australia

In 2025, developed Asia-Pacific economies moved from broad framework development toward more operational regulation, with greater emphasis on disclosure alignment, market credibility and investable transition finance.

Japan represents a distinctive model among Asian economies. In 2025, the country introduced policies targeting disclosure reform, transition-finance guidance, supervisory work on climate-related risk management, and the GX2040 Vision approved by Cabinet in February 2025.[25] The issuance of the Sustainability Standards Board of Japan's inaugural disclosure standards, in March 2025, including application, general and climate-related standards, has been developed with the explicit objective of aligning with ISSB standards and ensuring international comparability.[26] The latter GX2040 Vision explicitly positions green transformation as a whole-of-economy strategy linking decarbonization with industrial restructuring and investment planning, while the Financial Services Agency's 2025 report on climate-related risk management aimed at turning supervisory guidance into better institutional practice.[27]

In 2025, Australia released the Australian Sustainable Finance Taxonomy, the Sustainable Finance Action Plan 2025–2027 and the National Adaptation Plan, which all underpin a move towards a systematic treatment of climate risk, including transition, resilience and nature-related objectives.[28] The Action Plan explicitly links sustainable finance to emissions reduction, climate resilience, nature protection, First Nations economic self-determination and financial inclusion, while the taxonomy provides a common language for both green and transition finance.[29]

The Republic of Korea did not introduce any major new sustainable finance policies in 2025, but continued to strengthen the Korean Emissions Trading Scheme (K-ETS), reinforcing the carbon market as a central instrument of climate governance, including approval of the Phase 4 allocation plan for 2026–2030 in late 2025 (International Carbon Action Partnership, 2025). According to the IFRS Foundation's 2025 jurisdictional snapshot, authorities have agreed to adopt sustainability disclosure standards from after 2026 and to ensure domestic standards are aligned and interoperable with global standards. [30]

4.2 China

China's 2025 sustainable finance policy package reflects comprehensive system-building, combining macro-level strategic direction with detailed implementation rules. Consistent with its dual-carbon goals (peaking carbon emissions before 2030 and achieving carbon neutrality before 2060), the measures recorded by UNCTAD cluster around three concrete areas: classification reform, carbon-

[25] Note: The GX2040 Vision is a national strategy approved by the Japanese Cabinet in February 2025 to guide Japan's medium- to long-term "Green Transformation" (GX), which aims to combine energy security, economic growth and decarbonization by shifting Japan's fossil fuel-centered industrial structure toward cleaner energy and low-carbon technologies. (Source: Japan's Ministry of Economy, Trade and Industry. https://www.meti.go.jp/english/press/2025/0218_001.html)

[26] IFRS Foundation. Jurisdictional Snapshot: Japan 2025. https://www.ifrs.org/content/dam/ifrs/publications/sustainability-jurisdictions/pdf-snapshots/japan-ifrs-snapshot.pdf

[27] Financial Services Agency of Japan. 2025. Practices and Issues on Climate-related Risk Management. https://www.fsa.go.jp/en/news/2025/20250620_2/02.pdf

[28] Australian Sustainable Finance Institute. 2025. https://www.asfi.org.au/publications/australian-sustainable-finance-action-plan.

[29] Australian Sustainable Finance Institute. 2025. Australian Sustainable Finance Action Plan 2025–2027.

[30] IFRS. Jurisdictional Snapshot, South Korea. https://www.ifrs.org/content/dam/ifrs/publications/sustainability-jurisdictions/pdf-snapshots/south-korea-ifrs-snapshot.pdf

market expansion, and disclosure and product-level reporting rules.[31]

A major structural shift is the expansion and unification of sustainable finance classifications. China's new 2025 Green Finance-Supported Projects Catalogue serves as a common reference or taxonomy for future green loans and green bonds, thereby reducing fragmentation between previously separate standards and lowering project-assessment costs.[32] Rather than simply expanding the number of taxonomies, China has moved toward greater consistency in project identification and regulatory oversight.

Second, China's carbon-market policy became more materially relevant in 2025 through sectoral expansion of the national ETS. The scope of supported activities has broadened beyond traditional renewable sectors to include transition pathways in high-emitting industries. In March 2025, the Ministry of Ecology and Environment moved to extend the national compliance market beyond power generation to cement, steel and aluminum, adding around 1,500 entities and roughly 3 billion tonnes of additional covered emissions. The first compliance cycle for the new sectors was scheduled for the end of 2025.[33]

On disclosure, China is reinforcing regulatory requirements for listed companies, expanding the scope of risk reporting and strengthening enforcement. The 2024 Basic Standards for Corporate Sustainability Disclosure established the foundation of a unified national disclosure system, initially on a voluntary basis.[34] In 2025, this architecture was deepened through the release of application guidelines and then, at the end of the year, the first climate-specific disclosure standard, which provides more detailed expectations on governance, strategy, risk and metrics, while preserving China's phased approach to implementation.[35]

An additional feature of China's 2025 package is that climate governance is extending beyond firm-level disclosure to product-level information. Official reporting in 2025 highlighted progress in product carbon-footprint accounting, carbon-label certification and pilot implementation across key product categories[36]. Importantly, the introduction of product-level carbon footprint labeling demonstrates that climate governance is extending beyond corporate reporting to supply chain transparency and lifecycle accountability.

In parallel, Hong Kong SAR fully aligns its sustainability disclosure regime with IFRS Sustainability Disclosure Standards, reinforcing its role as an international financial centre and bridge between mainland China and global markets.

Overall, the 2025 pattern suggests that China's sustainable finance regime is becoming more internally coherent and more implementation-focused. The strongest signal is not simply that more policies were issued, but that classification systems were unified, the compliance carbon market was expanded into heavy industry, and sustainability disclosure was translated into more operational standards.

31 Ministry of Ecology and Environment of the People's Republic of China. (2025). China's Policies and Actions for Addressing Climate Change 2025 Annual Report. https://english.mee.gov.cn/Resources/Reports/reports/202511/P020251105496730575050.pdf
32 State Council of China. (2025). China unveils catalogue of green finance-supported projects
33 ICAP. China officially expands national ETS to cement, steel and aluminum sectors. https://icapcarbonaction.com/en/news/china-officially-expands-national-ets-cement-steel-and-aluminum-sectors
34 Global Business Consulting. (2024). China Major Stock Exchange Officially Issued Sustainability Disclosure Guidelines
35 CMS. ESG in China-First Corporate Sustainability Disclosure Standards on Climate Released. https://cms.law/en/chn/legal-updates/esg-in-china-first-corporate-sustainability-disclosure-standards-on-climate-released
36 Ministry of Ecology and Environment of the People's Republic of China. (2025). China's Policies and Actions for Addressing Climate Change 2025 Annual Report. https://english.mee.gov.cn/Resources/Reports/reports/202511/P020251105496730575050.pdf

4.3 India

India released its first draft green taxonomy in 2025. The taxonomy aims to facilitate both domestic and foreign investment in climate-related activities, addressing significant financing needs that are estimated at approximately $250 billion annually for energy transition alone[37] Given India's vulnerability to climate change, the taxonomy serves not only as a capital allocation tool but also helps build resilience.

In parallel, India introduced a comprehensive framework for ESG debt securities beyond green bonds, including social bonds, sustainability bonds and sustainability-linked bonds. This represents a broadening of regulatory oversight from environmental to multi-dimensional ESG instruments and enhances transparency and credibility in India's rapidly expanding sustainable debt market.

4.4 Southeast Asia

In 2025, the Southeast Asian countries covered by UNCTAD monitoring collectively present a landscape of gradual institutionalization and regulatory convergence, driven both by regional coordination through ASEAN and increasing alignment with global standards. The measures recorded by UNCTAD show a concentration in four areas: taxonomy development, sustainability disclosure, carbon market preparation, and financial risk management. At the regional level, ASEAN initiatives, including updates to the ASEAN Taxonomy for Sustainable Finance and the launch of simplified ESG disclosure guidance for SMEs, reinforce efforts to harmonize approaches across member States while maintaining flexibility for domestic implementation.[38]

Singapore continues to position itself as a carbon market hub in Southeast Asia. Its Guidance on the Role of Carbon Credits in Corporate Decarbonisation provides clarity on credible use and disclosure of voluntary carbon credits within corporate transition plans. Complemented by the Financial Sector Carbon Market Development Grant, Singapore aims to support financial institutions' participation in high-integrity carbon markets. This is a different regulatory emphasis from Japan's industrial-transition model for example: Singapore is focused less on sectoral transformation at home and more on strengthening the institutional infrastructure for regional carbon services, market intermediation and credible voluntary carbon market use.[39]

Thailand remains the most active jurisdiction in the region in terms of the number and diversity of policy instruments recorded, including the development of Phase 2 of its taxonomy, an ISSB-aligned sustainability disclosure roadmap, and international carbon credit guidelines.

Viet Nam is simultaneously advancing a national taxonomy and establishing an emissions trading system, signalling a shift from preparatory frameworks toward operational carbon pricing. The approval of its national carbon market scheme (Decision 232/QD-TTg) and parallel progress on green taxonomy regulation indicate that both pricing mechanisms and classification systems are being established simultaneously.

[37] Gopalika Arora, Nilanjan Ghosh. Fiscal Federalism for Climate Action in India: Expectations from the 16th Finance Commission. https://www.orfonline.org/research/fiscal-federalism-for-climate-action-in-india-expectations-from-the-16th-finance-commission

[38] ASEAN Taxonomy Board. ASEAN Taxonomy for Sustainable Finance. https://www.theacmf.org/images/downloads/pdf/ASEAN%20Taxonomy%20Sustainable%20Finance%20V4_06Nov25.pdf
ASEAN Simplified ESG Disclosure Guide (ASEDG) for SMEs in Supply Chains. https://www.theacmf.org/images/downloads/pdf/3%20Nov_ASEDG.pdf

[39] Ministry of Trade and Industry Singapore. 2025. Launch of Government initiatives to support the development of high-integrity carbon markets. https://www.mas.gov.sg/news/media-releases/2025/launch-of-government-initiatives-to-support-the-development-of-high-integrity-carbon-markets

The Philippines introduced sustainability disclosure standards under the Philippine Financial Reporting Standards (PFRS), building on its 2024 taxonomy and strengthening regulatory clarity for financial reporting. It aligns financial reporting more closely with international sustainability disclosure frameworks, contributing to greater comparability for investors.[40]

Malaysia introduced guidance on Climate Risk Management and Scenario Analysis (CRMSA), focusing on financial sector resilience and supervisory expectations rather than taxonomy expansion.

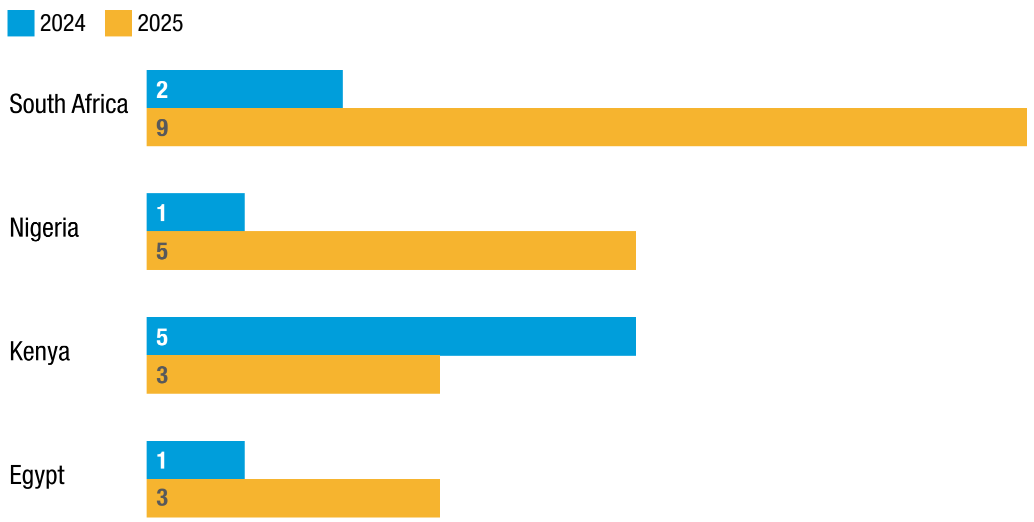
Indonesia released the second edition of its Taxonomy for Indonesian Sustainable Finance (TKBI Version 2), expanding coverage to agriculture and transportation and adopting a traffic-light classification system to differentiate green, transition and non-aligned activities. This mirrors international taxonomy practices while adapting to domestic economic priorities.

[40] IFRS Foundation, Jurisdictional Snapshot: Philippines 2025. https://www.ifrs.org/content/dam/ifrs/publications/sustainability-jurisdictions/pdf-snapshots/philippines-ifrs-snapshot.pdf

Africa: a rapid build-out of regulatory systems, with notable global alignment and regional convergence

Africa's sustainable finance regulatory landscape underwent a step-change in the period 2024–2025. The four countries covered by the UNCTAD database (Egypt, Kenya, Nigeria and South Africa) collectively introduced 20 new measures last year, bringing their combined total to 71 tracked policies (figure 5).

Figure 5
Sustainable finance measures in selected African countries, 2024 and 2025



Source: UNCTAD.

The most active policy area was climate disclosure, with three of the four countries adopting or aligning with international disclosure standards (IFRS S1/S2 or BCBS), followed closely by carbon pricing regulation, where Egypt and Kenya both strengthened their frameworks. South Africa anchored the region with 31 total policies (nine new in 2025), the most of any African jurisdiction, while Kenya's seven new measures in the past two years represented the fastest pace of regulatory development.

What distinguishes the African policy landscape is the foundational nature of measures that are being designed largely from scratch, rather than simplifying existing rules. Countries are simultaneously establishing green taxonomies, climate disclosure requirements, carbon market regulations, and corporate governance standards, the policy layers that took other jurisdictions decades to develop. A notable cross-cutting trend is the continent's progress on regional interoperability: Kenya's Green Finance Taxonomy was explicitly designed for compatibility with South Africa's framework, and Nigeria's adoption of ISSB standards (in 2024) alongside South Africa's alignment with ISSB and BCBS recommendations points toward a convergence that could help facilitate cross-border sustainable investment.

5.1 South Africa

South Africa is the most advanced African jurisdiction, with 31 total tracked policies, all helping to shape a comprehensive national sustainable finance framework that includes sustainability disclosure, taxonomy and carbon pricing. The Climate Change Act, enacted in July 2024 and proclaimed in March 2025, establishes the legal framework for a green economy and includes provisions for financial mechanisms supporting climate action. It builds on two decades of policy development, from the National Environmental Management Act (1998) through to the Carbon Tax Act (2019).[41]

The Prudential Authority's 2025 guidance introduced a four-pillar disclosure framework (governance, strategy, risk management.) Those metrics should all be aligned with

[41] Republic of South Africa. (2024). Climate Change Act 22 of 2024 (commenced 17 March 2025). https://www.gov.za/sites/default/files/gcis_document/202407/50966climatechangeact222024.pdf

BCBS, IFRS S1, and IFRS S2. Banks must report on transition risk exposures and financed emissions; insurers face requirements around physical risk and warming-scenario impacts. The financial sector regulator (FSCA) reinforced its commitment with a Sustainable Finance Update Report and Regulatory Strategy 2025–2028, while the Green Finance Taxonomy (published 2022) underwent a 2025 review confirming strong interoperability across eight sectors (agriculture, forestry and fisheries; energy; transportation; construction; industry; waste and water; information and communications technology; and land use and biodiversity).[42]

5.2 Nigeria

Nigeria's approach is anchored in disclosure standards adoption. The Financial Reporting Council (FRC) adopted a four-phased IFRS S1/S2 implementation plan in 2024, moving from early voluntary adoption through to mandatory compliance for public interest entities from fiscal year 2028 and SMEs from 2030. All entities must pass a readiness test before mandatory compliance begins. The FRC also released a dedicated sustainability reporting guideline in 2025 and was recognized by the IFRS Foundation as a leader in African sustainability regulation.[43]

The Nigerian Exchange Group's disclosure guidelines impose mandatory ESG reporting for listed companies aligned with the Global Reporting Initiative. Earlier policy layers, including the SEC's sustainable financial principles (2021), the Sustainable Banking Principles (2012), and the Climate Change Act (2021), remain operative. Nigeria's architecture is notable for layering ISSB-aligned requirements on top of existing GRI-based frameworks, creating a multi-standard ecosystem that reflects both global alignment ambitions and domestic constraints. Full ISSB adoption is complicated by several factors, including the dominance of SMEs in the Nigerian economy, many of which lack the data infrastructure and systems to track sustainability metrics; chronic infrastructure deficits, including power supply challenges; limited access to finance for smaller firms (SMEs receive approximately one per cent of total banking sector loans); and capacity gaps among preparers and auditors. The phased, proportionality-based approach is designed to address these realities, beginning with larger listed entities before broadening coverage.

5.3 Egypt

Egypt has positioned itself as a carbon market pioneer. The Financial Regulatory Authority (FRA) launched Africa's first regulated voluntary carbon market on 13 August 2024, covering accreditation, issuance, listing, and trading of Carbon Emission Reduction Certificates. The first significant trade on 28 November 2024 established Egypt as a regional leader in carbon trading infrastructure.[44]In 2025, the FRA operationalized a dedicated oversight committee for the carbon market, supported by an advisory group.

Beyond carbon markets, the FRA issued binding governance rules for insurance and reinsurance companies in 2025, mandating board composition requirements including majority non-executive representation, independent directors, and female representation. Egypt's approach focuses on building targeted institutional capacity,

42 South African Reserve Bank, Prudential Authority. (2025). Guidance Note 3 of 2025: Climate-related disclosures for banks and insurers. See Webber Wentzel. https://www.webberwentzel.com/News/Pages/south-africas-prudential-authority-issues-updated-climate-related-disclosure-guidance-for-banks-and-insurers.aspx

43 Financial Reporting Council of Nigeria. (2024). Roadmap report for the adoption of IFRS Sustainability Disclosure Standards in Nigeria. https://frcnigeria.gov.ng/2024/04/22/frc-releases-roadmap-report-for-adoption-of-ifrs-sustainability-disclosure-standards-in-nigeria/

44 Financial Regulatory Authority of Egypt. (2024). FRA launches Egypt's first voluntary carbon market. https://fra.gov.eg/en/fra_news/financial-regulatory-authority-fra-launches-egypts-first-voluntary-carbon-market-with-the-the-participants-of-the-relevant-private-public-and-parliamentarians/

particularly in carbon trading and insurance governance, rather than pursuing broad disclosure frameworks, reflecting its post-COP27 climate finance commitments. At COP27 in Sharm el-Sheikh (November 2022), Egypt championed the establishment of a historic Loss and Damage Fund for vulnerable countries and helped secure over $230 million in pledges for the Adaptation Fund, commitments that have shaped its subsequent domestic regulatory agenda.

5.4 Kenya

Kenya has been active in the sustainable finance space in the period 2024–2025. The Central Bank (CBK) issued both a Green Finance Taxonomy and a Climate Risk Disclosure Framework in April 2025, developed with the European Investment Bank. The taxonomy classifies activities using three principles: Significant Contribution, Do No Significant Harm, and Minimum Social Safeguards. A phased rollout begins with 18 months of voluntary application before transitioning to mandatory compliance. The CBK also designated IFRS S2 as the official climate reporting standard for banks in November 2024, and the taxonomy was designed for interoperability with South Africa's framework to facilitate regional integration.[45]

Separately, Kenya's Carbon Markets Regulations came into force in May 2024, creating a Designated National Authority for overseeing carbon transactions and preventing double counting. All projects require environmental and social impact assessments certified to international standards. The Nairobi City County Climate Change Act 2024 added a subnational dimension, while work on a National Carbon Registry and enhanced disclosure framework signals the country's intent to extend climate reporting beyond banking.[46]

5.5 Developments across the wider continent

Although not covered by UNCTAD monitoring, sustainable finance regulation is advancing rapidly across the wider African continent, suggesting that Africa's sustainable finance ecosystem is broadening well beyond the jurisdictions tracked in UNCTAD's database.

Morocco has made significant strides with its Roadmap for Aligning the Financial Sector with Sustainable Development and is developing a Green Finance Taxonomy with environmental priorities centred on climate change adaptation, mitigation, sustainable water and marine resource management, and biodiversity protection. In the area of carbon pricing, Morocco has signed several bilateral agreements with Norway, the Republic of Korea, Singapore and Switzerland under Article 6.2, and has, through these mechanisms, mobilized international capital for the development of carbon-crediting projects in waste-to-electricity, solar energy and other sectors. The Central Bank (Bank Al-Maghrib) and the Capital Markets Authority (AMMC) have strengthened climate risk governance through directives mandating banking institutions to establish governance mechanisms and implement climate risk management.[47]

In East Africa, Ethiopia launched a transformative Greening Financial Systems Programme in 2025, working with the European Investment Bank and the National Bank of Ethiopia to develop its first National Green Taxonomy, while the

[45] Central Bank of Kenya. (2025). Issuance of the Kenya Green Finance Taxonomy and Climate Risk Disclosure Framework. https://www.centralbank.go.ke/2025/04/04/11193/

[46] Republic of Kenya. (2024). Climate Change (Carbon Markets) Regulations, 2024. Kenya Law. https://new.kenyalaw.org/akn/ke/act/ln/2024/84/eng@2024-06-07

[47] Green Finance Platform. (n.d.). Roadmap for aligning the Moroccan financial sector with sustainable development. https://www.greenfinanceplatform.org/policies-and-regulations/roadmap-aligning-moroccan-financial-sector-sustainable-development

Ethiopian Bankers Association released the country's first national ESG framework for financial institutions in early 2026.[48] Tanzania achieved a milestone with East Africa's first subnational green bond for water infrastructure. Mauritius introduced a Corporate Climate Responsibility Levy in 2024, a two per cent charge on companies with turnover exceeding MUR 50 million, and the Mauritius market has seen the issuance of sustainability-linked bonds targeting women's empowerment and carbon footprint reduction.

In West Africa, Côte d'Ivoire issued a $1.1 billion sustainability bond in 2024 and launched a Sustainability-Linked Finance Framework in 2025 with World Bank support that ties government borrowing costs directly to environmental and climate targets, including increasing non-hydropower renewables from one per cent to 11 per cent by 2030.[49] Ghana launched Phase 1 of its Green Finance Taxonomy in October 2024, and the Bank of Ghana issued a Climate-Related Financial Risk Directive in May 2024.[50]

Taken together, these developments indicate that the African sustainable finance ecosystem is broadening well beyond the four jurisdictions tracked in the database, with green taxonomies, sustainability-linked debt, and carbon market mechanisms proliferating across the continent.

48 European Investment Bank. (2025). Ethiopia unveils strategic initiative to green its financial system and drive sustainable investment. https://www.eib.org/en/press/all/2025-211-ethiopia-unveils-strategic-initiative-to-green-its-financial-system-and-drive-sustainable-investment

49 World Bank. (2025). Côte d'Ivoire launches innovative financing linking millions to ambitious sustainability goals. https://www.worldbank.org/en/news/press-release/2025/07/02/cote-ivoire-launches-innovative-financing-linking-millions-to-ambitious-sustainability-goals

50 Bank of Ghana. (2024). Climate-Related Financial Risk Directive. https://www.bog.gov.gh/news/climate-related-financial-risk-directive/

© Shutterstock / Carina Furlanetto

6

Latin America: from instrument-specific approaches to comprehensive ecosystems

6.1 Argentina

Product-specific regulation, particularly for thematic bonds, has been the central policy anchor of Argentina's sustainable finance framework. The country has implemented a series of public policies to streamline thematic bond issuance in alignment with international standards, notably through the adoption of *Resolución General 788/2019*, which introduced Green, Social, and Sustainable Bond Guidelines in 2019.

Beyond bond markets, Argentina continues to develop national strategies and frameworks to strengthen its sustainable finance architecture. Recent initiatives include the implementation of a National Biodiversity Action Plan 2025–2030, which defines the strategic actions that promote the sustainable use and conservation of ecoregions and the equitable sharing of the ecosystem services they provide. This is supported by biodiversity financing guidelines to improve access to financial resources for environmental conservation and the sustainable use of biodiversity.

6.2 Brazil

In 2025, Brazil adopted the Sustainable Finance Taxonomy Law through *Sustainable Finance Taxonomy Decree No. 12.705/2025*. This development marks a major milestone in the country's sustainable finance trajectory. Signalling a clear move toward greater standardisation and clarity in defining environmentally sustainable economic activities. The taxonomy is expected to reduce greenwashing risks, guide capital allocation, and align financial flows with national climate objectives.

In addition, Brazil is advancing efforts to establish a carbon market instrument. Regulation No. 15.042 formally introduced the Brazilian Greenhouse Gas Emissions Trading System (SBCE), laying the groundwork for a national emissions trading framework. The implementation of the SBCE reflects Brazil's broader strategy to combine transparency-based measures with market-based mechanisms to support decarbonization.

6.3 Chile

Chile is advancing strategies to leverage sustainable bonds to foster sustainable investment. In 2023, the country implemented sustainable bond regulations to strengthen its thematic bond framework. In 2025, Chile updated its green bond regulation to include additional key performance indicators (KPIs), including biodiversity metrics.

Chile's broader strategy has focused on expanding the scope of its financial regulation to better integrate sustainability considerations. The country is further advancing its sustainable finance agenda by developing and launching a national sustainable finance taxonomy to enhance clarity and consistency in sustainable investment classification.

Additionally, Chile has aligned its sustainability disclosure requirements with global standards by adopting the International Financial Reporting Standards Foundation (IFRS) framework, thereby reinforcing transparency and comparability in climate- and sustainability-related reporting.

6.4 Colombia

Colombia has advanced sector-specific regulation with the adoption of the Green Bonds Regulation in 2024. The regulatory framework is still evolving, and standardisation remains ongoing. A key milestone in March 2025 was the issuance of a circular setting guidelines for non-financial reporting, including Sustainability Reports, signalling a move to integrate climate risk into the financial system. Colombia's sustainable finance ecosystem is increasingly focused on establishing operational standards for sustainable finance.

6.5 Mexico

Mexico's sustainable finance regulation is increasingly shifting toward carbon market mechanisms. Between 2021 and 2024, carbon market policies accounted for approximately 20 per cent of the total sustainable finance measures adopted. By 2025, carbon market regulations represent half of all newly introduced policy measures, indicating a clear strategic pivot toward market-based decarbonization instruments.

Mexico stands out for having one of the most active subnational carbon policy landscapes among Latin American countries. Four states have adopted state-level carbon taxes, reflecting a decentralised approach to climate governance. Notably, Querétaro city advanced regulatory measures in 2025 to support the development of a voluntary carbon market, further strengthening the country's carbon pricing and crediting infrastructure.

Additionally, Mexico also adopted IFRS S1 and S2 for listed companies and the Mexican Financial Reporting and Sustainability Standards Board (CINIF) issued standards for sustainability reporting for non-listed companies including SMEs.

© Shutterstock

Conclusion: from rule-setting to alignment and market transformation

Sustainable finance policymaking is entering a more mature and differentiated phase of development. This is partly the result of successful emulation and the spread of good practice at the national level and partly the positive impact of increasing standardisation and harmonisation at the international level.

Over the past decade, sustainable finance has also moved from framework-building, with the introduction of foundational tools such as taxonomies, disclosure standards, and voluntary principles to a greater emphasis on implementation, integration, and economic alignment. At the same, recognition of the importance of sustainable finance and related polices and regulations has expanded geographically with most countries engaged at varying levels with the process of sustainability standards implementation, taxonomic issues, or carbon pricing.

The evidence from 2025 suggests the focus is continuing to shift from rule-setting to operationalisation, enforcement, and the use of market-based instruments, including in carbon pricing and transition finance. This evolution raises important implications for policymakers and markets:

1. First, in terms of capital allocation, the growing sophistication and credibility of frameworks has the potential to more effectively channel finance towards sustainable activities, particularly where disclosure, taxonomies and pricing mechanisms are aligned.

2. Second, for financial stability, the integration of climate-related risks into regulatory and supervisory frameworks marks a significant step toward embedding sustainability within core financial system oversight at the entity level, national level and, systemically, at the global level.
3. Third, with respect to the sustainability transition in the real economy, the increasing focus on transition finance and economy-wide instruments signals a shift from niche treatment of 'green finance' toward broader structural transformation, including in hard-to-abate sectors.

At the same time, these implications create both challenges and opportunities: the need to navigate an increasingly complex global landscape, but also the possibility to design frameworks that are both internationally credible and locally relevant. More specifically, developing countries face a set of common challenges that will often require intervention to address them, either from the financial sector or international organisations:

- *High compliance costs:* Adopting ISSB-aligned disclosure standards, obtaining external assurance, implementing taxonomy classification, and preparing transition plans can be costly for smaller firms and economies with limited institutional capacity. Incentives, such as preferential interest rates for green investments and loans, together with de-risking instruments, may be needed to encourage compliance and investment.
- *Data and reporting gaps:* Many firms, particularly SMEs, do not yet have reliable sustainability data, greenhouse gas emissions inventories, or adequate internal control systems. Digital and AI-enabled tools that automate data collection, measurement and reporting could help reduce compliance costs and improve reporting quality.
- *Limited access to sustainable finance:* Policymaking should increasingly be complemented by a greater focus on product-specific measures to support the development of sustainable finance instruments, such as green bonds, sustainability-linked loans, transition finance and carbon credits, to facilitate financing for green projects.
- *Regulatory fragmentation:* As the paper notes, global convergence around core principles is occurring alongside increasing divergence in regulatory design and implementation. This creates additional complexity for developing economies, which must balance alignment with international standards with the need for regulatory frameworks that reflect domestic priorities and institutional capacities.
- *Implementation capacity:* Regulators, companies, auditors and financial institutions often lack the technical expertise, systems, data and institutional capacity needed to implement disclosure requirements, taxonomies and carbon market regulations effectively. Capacity-building support, including through partnerships with development finance institutions (DFIs) and other international organizations, will be essential.

The defining challenge for the next phase of sustainable finance policymaking will not be whether jurisdictions regulate sustainability risks, but whether increasingly diverse national frameworks remain sufficiently interoperable to support efficient global capital allocation and sustainable development. In this context, UNCTAD will continue to monitor developments in sustainable finance markets, policymaking, and regulatory frameworks, and where possible, provide technical assistance and capacity building to help countries overcome challenges. This ongoing work aims to support developing countries in strengthening their policy architecture, enhancing alignment with international standards where appropriate, and ultimately positioning themselves to attract sustainable capital flows that can support long-term development objectives.

unctad.org

Printed at United Nations, Geneva – 2612676 **(E)** – September 2026 – 136 – **UNCTAD/DIAE/2026/1**