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# Turning Plans into Pipelines: How disclosures, taxonomy, and incentives can mobilise climate and nature finance

## Summary

- Climate and nature are increasingly being addressed together in governance, risk, strategy and capital allocation.
- ISSB (IFRS S1/S2) and TNFD are being used to organise disclosures, with a ‘use available data now, improve over time’ approach that makes information more usable for capital and risk decisions.
- Transition plans are being used to connect climate and nature objectives to capex, lending and underwriting, procurement and board oversight, reducing siloed treatment of issues like decarbonisation, water and biodiversity.
- A phased, use-case-driven UAE taxonomy or equivalent classification approach was discussed, especially for high-emitting and nature-dependent sectors and distinguishing between “green” and credible “transition” activities, supported by safeguards and crosswalks to major taxonomies.
- Financing tools under discussion include blended finance, performance-linked instruments (including possible sukuk formats) and the use of insurance in bankability assessments.
- Shared spatial-data infrastructure and targeted support for SMEs are being explored to lower diligence costs and improve readiness.
- Proportionate regulatory and supervisory signals are viewed as potential enablers where voluntary action alone may not be sufficient.

## Purpose and Basis

The UAE Sustainable Finance Working Group has issued principles on the effective management of climate-related financial risks and on sustainability-related disclosures. These set supervisory expectations and minimum disclosure baselines for reporting entities across the financial system. They sit alongside national strategies that aim to mobilise capital toward net-zero objectives and resilience, and are designed to remain interoperable with global investor expectations and widely referenced standards such as the International Sustainability Standards Board (ISSB) IFRS S1 and IFRS S2.

Within this policy setting, climate and nature are being considered together in governance, risk, strategy and capital allocation. Nature-related issues such as water stress, coastal vulnerability and ecosystem change are increasingly framed in financial terms, including their implications for business continuity, insurability and access to finance.

Climate and nature, however, are at different stages of methodological maturity. Climate assessment often relies on greenhouse gas emissions as a common denominator, which supports comparability across sectors. Nature-related assessment typically draws on multiple indicators that are location-specific and context-dependent, for example water stress, coastal vulnerability or ecosystem condition. As a result, nature-related data, governance and incentives are more complex and less standardised. This difference in maturity is influencing how transition planning, disclosure and investment are developing in practice.

In collaboration with

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## Purpose and Basis

This synthesis paper consolidates insights from a closed-door UAE workshop held under the Chatham House Rule, co-organised by GCFC, Hub71 and NatureAlpha, and is further informed by wider consultations and GCFC’s ongoing market engagement. The session convened UAE public authorities and financial supervisors; banks, insurers, asset owners and managers; corporates in high-emitting and nature-dependent sectors; market infrastructure and professional services; technology and data providers; and civil society. All inputs were recorded on an anonymised, aggregated basis and no individual views are attributed.

This synthesis paper is not legal, supervisory or regulatory advice.

## Disclosures and Transition Planning

Disclosure frameworks are being used both for external reporting and to organise internal decision-making on climate and nature. ISSB's IFRS S1 and IFRS S2 provide structures for governance, strategy, risk management and metrics/targets in relation to sustainability- and climate-related disclosures. The Taskforce on Nature-related Financial Disclosures (TNFD) is being applied in a complementary way for nature-related issues, including through the LEAP approach (Locate, Evaluate, Assess, Prepare), which supports the identification and assessment of nature-related dependencies, impacts, risks and opportunities.

A practical working model is emerging. Institutions are starting with available datasets (for example, water, waste, land use and physical risk); mapping portfolio exposure and incorporating nature-related questions into client assessment; and then improving coverage and data quality over time rather than delaying action until information is complete. This is often described as "act now, improve over time." A key aspect of this approach is translating environmental information into financial language that boards and Chief Financial Officers can use. For example, nature-related exposure is being expressed in terms such as "revenue-at-risk" over a five to ten year horizon, sometimes described as making the invisible visible.

A key aim is to make disclosures decision-useful for capital and risk processes; participants noted that disclosures enable, rather than by themselves determine, those decisions. Climate- and nature-related insights are informing capex plans, lending and underwriting criteria, procurement requirements and board oversight milestones. Transition plans sit at the centre of this process. A credible transition plan connects climate and nature objectives to financing, operations and supply chains in one view. This helps avoid a siloed model in which decarbonisation, water, waste and biodiversity are treated separately, and supports more structured engagement between firms, financiers and insurers.

## Taxonomy

Participants explored that a phased, use-case-driven UAE taxonomy or equivalent approach could help, if pursued to, create a more consistent way to classify and finance real-economy activity, provided it remains interoperable and proportionate. Early efforts may naturally focus on high-emitting and nature-dependent sectors, given their materiality in the UAE context. Within those sectors, it is helpful to distinguish between activities that are already "green" and activities that represent a credible "transition," meaning they are not yet fully aligned today but are on a pathway toward alignment.

Setting clear criteria for both types, supported by appropriate safeguards, can provide a practical common reference point for the market. This would allow loans, capex and, where appropriate, opex and projects to be tagged in a more consistent way, rather than recognising only activities that are already fully green.

Crosswalks to major taxonomies, were identified as important. Such crosswalks can reduce friction for cross-border capital, make UAE activity easier to interpret for international investors and lower transaction costs for institutions that raise or deploy capital internationally. Over time, this approach can also reflect nature-positive activity, such as restoration, water efficiency and coastal resilience, alongside climate mitigation and adaptation.

"improving coverage and data quality over time rather than delaying action until information is complete"

### What are Taxonomies?

Taxonomies are classification systems that define which economic activities may be treated as "green" or as part of a credible "transition." They are used to create a common reference point for markets by setting criteria for activities in priority sectors, and can help institutions identify, tag and report financing for those activities in a consistent way. Crosswalks between taxonomies in different jurisdictions are often developed to reduce friction for cross-border capital and improve comparability for international investors.

## Incentives and Enabling Conditions

Discussions highlighted that scaling climate- and nature-aligned projects in the UAE depends on two things working together: (i) instruments that make projects financeable and insurable, and (ii) enabling systems that make those instruments usable in practice.

On the financing side, several tools are already in focus. Blended-finance structures, including first-loss tranches, guarantees and similar forms of credit enhancement, are viewed as useful where revenue models are not yet mature. This is particularly relevant for nature-positive and resilience-oriented projects, where standalone commercial returns may not yet be sufficient to attract private capital.

Alongside blended finance, there is growing interest in instruments that link financing terms directly to verified performance. Examples include biodiversity- or restoration-linked bonds. Sukuk could be adapted to a similar structure in which coupon features are tied to pre-agreed KPIs and independently verified outcomes. External pilots were referenced as emerging proof points for this model. Taken together, these approaches are designed to reward actual implementation and verified delivery, rather than only forward-looking commitments.

Insurance is also central to bankability. Insurance is both a major user of data and, effectively, a gatekeeper for access to finance. Where nature-related risks are unmanaged or unclear, assets can be harder to insure and therefore harder to finance. Bringing nature-related considerations into underwriting and forward-looking balance-sheet planning is therefore an important component of making assets financeable over time.

All of these instruments depend on trusted information. Technology solutions, including AI, geospatial modelling and robotics, are already being used to locate assets, assess dependencies and physical risks such as flooding, and overlay publicly available conservation layers (for example, mangrove restoration zones). This enables development of asset-level baselines, ongoing monitoring of outcomes, and quantification of financial materiality through metrics such as revenue-at-risk over five to ten years. In other words, these tools help convert environmental change into CFO-relevant inputs.

To support this at scale, one recurring idea was the creation of shared spatial-data infrastructure. A public–private platform or utility that geocodes assets and overlays hazards, protected areas and restoration opportunities, under agreed data-quality protocols and access rules, could help lower diligence costs, improve comparability and support verification.

Finally, several enabling conditions cut across all of the above. Integrating nature more systematically into enterprise governance processes can reduce the current fragmentation between decarbonisation, water, waste and biodiversity. A data pragmatism approach – act now and improve steadily – is seen as more practical than waiting for perfect information. Localising baselines to UAE ecosystems and hazards can increase relevance. Smaller firms face capacity constraints, so simplified templates, playbooks and voucher-style technical assistance for audits, metering and baseline assessments can shorten time to bankability across supply chains. It was also noted that voluntary measures alone are unlikely to deliver market-wide readiness; proportionate regulatory and supervisory signals, including clarity on transition plans, governance review and the prudent use of scenarios, are viewed as accelerators.



## Direction

Taken together, the themes set out in this synthesis paper point to a common trajectory for climate- and nature-related finance in the UAE. First, disclosures are being used as more than a reporting exercise. Frameworks such as ISSB's IFRS S1 and IFRS S2, alongside TNFD, are being applied to link governance, risk and strategy to financial decision-making. The working model is gradual and practical: use the data that already exists, including in areas such as water, waste and land use, and then improve coverage and quality over time rather than delay action until information is complete.

Second, transition planning is emerging as the organising spine. Bringing climate and nature into a single plan creates a clearer link between stated targets and what this means for capital expenditure, lending and underwriting criteria, procurement expectations and board oversight. This helps move away from fragmented workstreams and supports more consistent engagement between firms, financiers and insurers.

Third, some participants noted that exploring a phased, use-case-driven UAE taxonomy or equivalent classification approach could provide a common reference point for activity in priority sectors, while keeping alignment with international taxonomies. Distinguishing between green activities and credible transition activities, supported by appropriate safeguards and crosswalks to major taxonomies, can help classify projects, reduce frictions for cross-border capital and create space for nature-positive investment (for example in restoration, water efficiency and coastal resilience) alongside climate mitigation and adaptation.

Fourth, incentives and enabling conditions are critical to moving from pilot activity to a scalable pipeline. Blended finance, implementation-linked instruments (including potential sukuk formats), insurance's role in bankability, the development of shared spatial data and proportionate supervisory signals all play a part in turning plans into financeable and insurable projects.



### The Global Climate Finance Centre

*Making Climate Finance Available, Affordable and Accessible*

*Maqam Tower, ADGM, Abu Dhabi, United Arab Emirates*

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