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Recent interesting developments in energy finance

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Many readers may be aware of two recent developments in energy finance: the Net Zero Banking Alliance (NZBA) revising its form of activities, and the Asian Development Bank (ADB) initiating discussions on amending its policies.

The NZBA is a group of financial institutions that was established in 2021 with the aim of achieving carbon neutrality in its financing portfolios by 2050. In late August 2025, its members began voting on a review of its activities. In early October, it was reported that the vote had resulted in the decision to cease operations. Instead, it published guidelines reflecting the NZBA's principles and made them freely available to any financial institution wishing to use them.

Between late 2024 and summer 2025, the NZBA saw major member companies from the US, Europe and Canada withdraw in quick succession, a development that was reported with surprise. This coincided with Donald Trump's victory in the presidential election, prompting speculation that the withdrawals were influenced by anti-ESG sentiment or concerns about potential antitrust law violations in the US. While the reasons for this significant policy change remain unclear, it can be thought that, while maintaining their long-term goal of achieving carbon neutrality, financial institutions sought greater operational flexibility to align with the pace of the real-world energy transition.

Global energy demand continues to grow, and despite the rapid expansion of renewable energy sources, fossil fuels still account for around 80% of the energy supply. In light of this, investment in fossil fuels remains indispensable for the foreseeable future. Increased flexibility in financing is a positive change that will help to ensure a stable global energy supply and promote realistic energy transitions tailored to individual circumstances.

Next is the discussion on revising the ADB's lending policies. Although the ADB's current energy policy was formulated in 2021, it is scheduled for review in 2025. According to materials released in August, discussions are underway to permit the financing of low-/de-carbonization retrofits for existing coal- and gas-fired power plants, CCUS utilizing depleted oil and gas fields, and nuclear power generation.

Particular attention should be paid to reviewing the financing policy for nuclear power generation. Previously, the ADB justified its decision not to finance nuclear power by citing risks relating to nuclear non-proliferation, radioactive waste and safety, as well as the enormous investment required. However, this review highlights that nuclear power is a decarbonization technology and emphasizes adherence to the principle of technological neutrality. It also notes the growing expectations for nuclear power generation in Asian countries.

The growing momentum for nuclear power generation in Asian countries is palpable. In several recent discussions with stakeholders in Southeast Asia, the author frequently encountered the view that countries are seriously considering introducing nuclear power for the first time. The underlying factors are that all countries need to constantly add new power sources to meet growing electricity demand and are aiming for carbon neutrality. Discussions are also being driven by the development of SMRs (small modular reactors), which are smaller than conventional large light-water reactors and can therefore reduce initial investment costs. This mirrors the pattern seen with the commercial application of FSRU (floating storage and regasification units), which accelerated the introduction of LNG in developing countries.

Substantial investment is required to ensure energy security and advance the energy transition, which makes the role of financial institutions significant. I hope that the changes observed in the NZBA and the ADB will result in significant and positive developments that will support these efforts.

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