

Transition finance surges in China's steel sector after Hebei issues landmark guidelines

New report reveals policy-driven shift in steel finance and calls for targeted incentives

Highlights:

1. Hebei's 2023 steel finance guidelines sparked a rapid market response in 2024, with over USD2.8bn in provincial steel transition loans and USD3bn in steel-related bonds issued nationwide.
2. China's steel sector needs around USD18bn to invest in low-carbon production technologies from 2026 to 2030.

Beijing/London, 12 June 2025 – A new report jointly released by the Climate Bonds Initiative and Transition Asia reveals a surge in transition finance within China's steel sector, following the release of the *Guidelines for Transition Finance in the Iron and Steel Industry* in December 2023. As China's largest steel-producing region, Hebei is also the first subnational authority to launch a dedicated transition finance guidelines specific for steel decarbonisation, catalysing a swift market response.

By the end of 2024, steel companies in Hebei had secured over USD2.8bn in transition loans. Nationally, 12 labelled bonds linked to steel decarbonisation were issued, totalling USD3bn. The report estimates that USD18bn in capital expenditure is needed for the sector to adopt technologies such as electric arc furnaces (EAF), direct reduced iron (DRI), and hydrogen electrolyzers. It also provides guidance for companies seeking climate finance and recommends policy actions to align financial incentives with net-zero goals.

The report demonstrates how clear policies and transition guidelines can mobilise capital for decarbonisation. While labeled loans and bonds have led the way, scaling up finance for steel transition will require diverse tools—including equity and insurance. A more diverse and mature financial ecosystem can accelerate decarbonisation in steel, strengthen industry competitiveness, and support China's climate goals.

Wenhong Xie, Head of China Programme, Climate Bonds Initiative:

"The rapid uptake of transition financing in China's steel sector highlights the power of clear, credible guidance to mobilise capital at scale. As the world's largest steel producer, China has a unique opportunity—and responsibility—to lead the global shift toward low-carbon steel. Looking ahead, we see significant potential to expand the investable universe and align financial flows with sectoral decarbonisation. This report offers timely insights to strengthen the next phase of policy, investment, and market innovation."

Bonnie Zuo, China Engagement Lead, Transition Asia:

"As China prepares its 2026–2030 national economic development plan, there is a critical window of opportunity to align policy frameworks to facilitate low-carbon development in the steel sector. With an estimated USD18bn capital gap over the next five years to deploy low-carbon steel technologies, building a supportive financing ecosystem and fostering transparent, value-chain-wide discussions on how to share the green steel premium will be essential. Strategic measures, including

investing in low-carbon hydrogen DRI, launching green procurement programmes and enhancing scrap steel recovery can provide a strong foundation for a more resilient, competitive and climate-aligned steel industry.”

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About Climate Bonds Initiative: Climate Bonds Initiative (CBI) is an international organisation working to mobilise global capital for climate action. It promotes investment in projects and assets needed for a rapid transition to a low-carbon, climate resilient, and fair economy. The mission focus is to help drive down the cost of capital for large-scale climate and infrastructure projects and to support governments seeking increased capital markets investment to meet climate and greenhouse gas (GHG) emission reduction goals. Climate Bonds conducts market analysis and policy research; undertakes market development activities; advises governments and regulators; and administers a global green bond Standard and Certification scheme.

About Transition Asia: Founded in 2021, Transition Asia is a non-profit think tank dedicated to accelerating decarbonisation in Asia’s materials and heavy industries to achieve the 1.5°C climate goal. Our multidisciplinary team combines diverse perspectives, experience and expertise, underpinned by a strong research foundation in Asia and a nuanced understanding of the region. Using analytical models and in-depth assessments, we evaluate and monitor corporations’ decarbonisation efforts and actions. By engaging with stakeholders across sectors—including corporates, investors, policymakers and civil society organisations—we facilitate informed and impactful discussions that drive sustainable, low-carbon transitions aligned with a 1.5°C future.

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