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Unlocking Green Finance Instruments for Jordan's Energy Transition

This policy paper is part of the project entitled "Addressing Socio-Economic Challenges in Jordan: Reflections on the Economic Modernisation Vision 2033" implemented jointly by the West Asia-North Africa Institute and the Konrad Adenauer Stiftung (KAS) Jordan Office. The aim of the project is to examine Jordan's Economic Modernisation Vision (EMV) implementation from fresh angles, highlighting the opportunities and necessary reforms to ensure the vision delivers on its promise for Jordan's future.

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Abstract

Jordan's energy transition, driven by high reliance on energy imports and the imperative to reduce emissions, requires substantial financial capital. Green finance is a key enabler, yet its progress is shaped by Jordan's early-stage landscape, where several tools remain underexplored and clear standards for defining green activities are still emerging. This paper seeks to identify the financial instruments best suited to support this transition. Drawing on desk research and key informant interviews, it examines a range of debt- and equity-based tools. The findings show that because energy-transition projects are both capital-intensive and high-risk, blended finance emerges as the most suitable pathway as it de-risks projects and mobilises private capital. Therefore, the paper recommends the use of blended finance in Jordan as an effective model to accelerate Jordan's energy transition.

الملخص

يتطلب التحول الطاقي في الأردن على توفر رأس المال في ظل الاعتماد المرتفع على استيراد الطاقة والحاجة لخفض الانبعاثات. ولهذا، يُعد التمويل الأخضر أحد المُمكّنات الرئيسة لهذا التحول إلا أنه لا يزال في مراحله الأولى، حيث إن عدداً من الأدوات المالية الخضراء ما زال محدود الاستخدام، إلى جانب غياب معايير واضحة لتعريف الأنشطة الخضراء التي لا تزال قيد التطوير. تهدف هذه الورقة إلى تحديد الأدوات المالية الخضراء المناسبة لدعم التحول الطاقي في الأردن، وذلك من خلال الاعتماد على البحث المكتبي وإجراء مقابلات مع خبراء ومختصين. وتركّز الورقة على تحليل كل من أدوات الدين وأدوات حقوق الملكية الخضراء. وتُظهر نتائج البحث أن مشاريع التحول الطاقي تتسم بكونها مرتفعة المخاطر وبحاجة الى رأس المال كبير، مما يجعل التمويل المدمج الخيار المناسب لدعمها نظراً لدوره في تخفيف المخاطر وتحفيز مشاركة القطاع الخاص. وبناءً عليه، توصي الورقة استخدام التمويل المدمج كنموذج فعّال لتسريع وتيرة التحول الطاقي في الأردن.

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1 Introduction

Green Finance (GF) emerged as a critical component of the global climate change response. GF is generally described as environment-oriented financial products or services, such as debt, equity, or blended instruments, that are mobilised by both the public and private sectors.[1] [2] The Paris Agreement has not only set the goal of limiting global warming to 1.5°C by 2050, but also underscored the massive investment needed to achieve this, with an estimated USD 5.7 trillion annually in clean energy investment by 2030.[3] However, progress remains limited, with only 37% of this investment currently globally mobilised.[4]

The core obstacle preventing global progress in the energy transition is a significant imbalance in finance between advanced economies and the Global South. The obstacle is two-fold: First, over 90% of current energy transition investment flows to advanced economies and China, despite the Global South accounting for 80% of future energy demand.[5] [6] Second, the financing costs, including interest rates and fees, are significantly higher in those same emerging economies by seven times compared to advanced markets.[7] This additional expense acts as a major financial barrier, making it extremely difficult to bridge the massive USD 2.2 trillion annual investment gap required to successfully scale renewable energy deployment worldwide.[8]

Jordan is not an exception to the global financial challenges for energy transition, with the required cost for energy transition estimated at USD 2.4 billion, as outlined in the most recent Nationally Determined Contribution (NDC).9 This cost aims to achieve 35% contribution of renewable energy for electricity generation by 2035, with a predicted increase of the target to 50% after the issuance of the next NDC. Energy transition serves as an imperative to Jordan's self-sufficiency by supporting its energy security, as well as the decarbonisation of major sectors to reduce Greenhouse Gases (GHG) emissions. This is driven by two major challenges Jordan's energy sector is facing: the country's heavy reliance on energy imports, which account for 74% of its energy supply, posing serious energy security risks, and the energy sector's dominant contribution to national GHG.[10] [11]

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[1] United Nations Environment Programme, "Green Financing," UNEP Asia and the Pacific Regional Initiatives on Supporting Resource Efficiency, 2018, https://www.unep.org/regions/asia-and-pacific/regional-initiatives/supporting-resource-efficiency/green-financing

[2] Giampiero Bambagioni, "Green Financing for Sustainable Real Estate, Infrastructure and Urban Development" (UNECE Discussion Paper, Geneva: UNECE, March 19, 2024), accessed November 20, 2025, https://unece.org/sites/default/files/2024-04/01GBambagioni_Green-Financing_20240319.pdf

[3] World Economic Forum, Fostering Effective Energy Transition 2025 (Geneva: World Economic Forum, 2025)

[4] International Renewable Energy Agency, World Energy Transitions Outlook 2024: 1.5 °C Pathway (Abu Dhabi: IRENA, Nov 2024), https://www.irena.org/publications/2024/Nov/World-Energy-Transitions-Outlook-2024

[5] International Energy Agency, World Energy Investment 2023 (Paris: International Energy Agency, 2023), https://iea.blob.core.windows.net/assets/8834d3af-af60-4df0-9643-72e2684f7221/WorldEnergyInvestment2023.pdf

[6] Milan Babic, "Green Finance in the Global Energy Transition: Actors, Instruments, and Politics," Energy Research & Social Science 111 (May 2024): Article 103482, https://doi.org/10.1016/j.erss.2024.103482

[7] World Economic Forum, Fostering Effective Energy Transition 2025 (Geneva: World Economic Forum, 2025)

[8] Ibid

[9] Hashemite Kingdom of Jordan, Updated Submission of Jordan's 1st Nationally Determined Contribution (NDC) (Amman: Ministry of Environment, October 2021), https://unfccc.int/sites/default/-files/NDC/2022-06/UPDATED%20SUBMISSION%20OF%20JORDANS.pdf

[10] Ministry of Energy and Mineral Resources, Energy Balance 2024 (Amman: Ministry of Energy and Mineral Resources, 2025) https://www.memr.gov.jo/ebv4.0/root_storage/en/eb_list_page/energy_balance_2023.pdf.

[11] Hashemite Kingdom of Jordan, Updated Submission of Jordan's 1st Nationally Determined Contribution (NDC) (Amman: Ministry of Environment, October 2021), https://unfccc.int/sites/default/files/NDC/2022-06/UPDATED%20SUBMISSION%20OF%20JORDANS.pdf

The GF landscape has evolved to include a variety of instruments designed to mobilise capital for environmental projects. Green Financial Instruments (GFIs) are the different financial tools that can be used within the GF landscape. They are similar in structure to traditional financial tools but are specifically used for green projects. In Jordan's case, the aforementioned challenges of dual dependency make mobilisation of capital through GFIs not only an environmental necessity but also an economic necessity to reduce vulnerability to external shocks, attract investments and drive economic growth.

This narrative is emphasised within Jordan's Economic Modernisation Vision (EMV) 2033, the overarching national economic development plan. The EMV, through its sustainable resource implementation driver, highlights the strategic direction towards a more efficient and greener energy sector through the renewable energy and energy efficiency initiatives. This strategic direction has evolved over the course of the implementation cycles. Specifically, the 2022-2025 EMV executive programme focused on establishing the core energy goals, while the upcoming 2026-2029 EMV executive programme is set to explicitly include GF, reflecting a deepening commitment to the financial mechanisms required for implementation.

Given this strategic evolution and clear financial needs, this paper argues that the different GFIs can be leveraged to mobilise the funding required to enable Jordan's energy transition.
Therefore, the paper seeks to identify the GFIs best suited to continue the support of the energy transition. Moreover, Jordan can advance the goals of the EMV, enhance its position in global sustainability indices, and, in parallel, contribute to economic growth by creating opportunities and boosting competitiveness.

The following section will provide a brief overview of the different GFIs used in the Jordanian GF landscape.

1.1 Green Financial Instruments Taxonomy

GFIs are typically divided into two broad categories: debt and equity. Debt finance refers to the instruments that are utilised to raise capital through issuing an instrument, "the issuer" whereas "the investor" would provide the capital, with the stipulation that capital is paid back with interest over a period of time.[12] Equity, on the other hand, refers to instruments that offer a permanent share in ownership of a project or company.[13] Understanding the structural distinction between debt- and equity-based instruments is critical, as each carries different implications for risk-sharing, investor appetite, and suitability to emerging markets like Jordan. Blended finance is a common mechanism that combines public and private capital, which includes both debt and equity instruments to finance green projects.[14] Its primary objective is to attract private capital by strategically using concessional funds, whether public or philanthropic, to improve the risk-return profile of investments. This is achieved through the use of risk-mitigation tools, including guarantees, which make complex, capital-intensive projects, which are required for energy transition, more financially feasible for private investors.

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[12] Barahona, Sarah. "Sustainable Finance Definitions in the 2025 SNA and BPM." Presentation to the 25th Meeting of the Advisory Expert Group on National Accounts, United Nations Statistical Division, 2024. https://unstats.un.org/unsd/nationalaccount/aeg/2024/M25/M25_2_Sustainable_Finance_Definitions_Pres.pdf.
[13] Ibid
[14] Organisation for Economic Co-operation and Development, Making Blended Finance Work for the Sustainable Development Goals (Paris: OECD Publishing, 2018) https://doi.org/10.1787/9789264288768-en.

This flexibility and adaptability across multiple actors and different scales is particularly important for complex goals like the energy transition, enabling both stand-alone instruments and combination structures like blended finance to drive investment.

Debt instruments encompass green bonds, green sukuk, green loans, sustainability-linked bonds and loans, whereas green equity refers to private equity investing that includes angel capital, venture capital and private equity and public investing, including Initial Public Offerings (IPOs). Table 1 below presents a definition of each instrument.

Table 1: Taxonomy of selected Green Financial Instruments

Green Financial Instruments		
Type	**Instrument**	**Definition**
Debt-Based Instruments	Green Bonds	A bond where the proceeds are exclusively earmarked to finance or refinance specific and eligible green projects that have clear environmental benefits and can be traded publicly.[15]
	Green Sukuk	A Sharia-compliant financial certificate (similar to a bond in function) where proceeds are exclusively allocated to environmental and sustainable projects, with the financial structure adhering to Islamic principles.[16]
	Sustainability-Linked Finance	Debt instruments (bonds or loans) dedicated for raising capital and providing financial incentives based on achieving sustainability performance targets.[17]
	Green Loans	A loan where the proceeds are exclusively allocated to finance or refinance specific, eligible green projects, structured as a private bank loan rather than a publicly traded bond.[18]
Equity-Based Instruments	Green Venture Capital	Equity financing provided by multiple investors for early-stage investment developing innovative green technologies.[19]
	Green Private Equity Funds	Pooled investment funds that acquire equity stakes in mature private companies or projects focused on sustainable growth or environmental impact.[20]
	Green IPOs	Equity instrument that raises capital earmarked for environmental projects through purchasing shares that are listed on a stock market.[21]

[15] International Capital Market Association (ICMA), Guidance Handbook (March 2020), https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Guidance-Handbook-March-2020-120320.pdf

[16] International Capital Market Association (ICMA), Islamic Development Bank (IsDB) & London Stock Exchange Group (LSEG), Guidance on Green, Social and Sustainability Sukuk (Zurich: ICMA, April 2024), https://www.icmagroup.org/assets/documents/Sustainable-finance/ICMA-IsDB-LSEG-Guidance-on-Green-Social-and-Sustainability-Sukuk-April-2024.pdf.

[17] International Finance Corporation (IFC), Sustainability-Linked Finance — Mobilizing Capital for Sustainability in Emerging Markets, (Note 110, January 2022), https://www.ifc.org/content/dam/ifc/doc/mgrt/emcompass-note-110-sustainability-linked-finance-web.pdf.

[18] Loan Market Association, Green Loan Principles (Booklet 21 March 2018) https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/LMA_Green_Loan_Principles_Booklet-220318.pdf

[19] Elena Randjelovic, Anastasia R. O'Rourke, and Renato J. Orsato, "The Emergence of Green Venture Capital," Business Strategy and the Environment 12 (2003) https://pesquisa-eaesp.fgv.br/sites/gvpesquisa.fgv.br/files/arquivos/orsato_-_the_emergence_of_greenventure_capital.pdf

[20] United Nations Environment Programme, Demystifying Private Climate Finance (Nairobi: UNEP, 2015), https://www.uncclearn.org/wp-content/uploads/library/unep20022015.pdf.

[21] Adbul Wahid, Oskar Kowalewski, and Muhammad Zubair Mumtaz, "Green IPOs: A New Paradox in Environment or Economic Sustainability," International Journal of Managerial Finance 21, no. 4 (2025): 1272-1297, https://doi.org/10.1108/IJMF-04-2023-0212.

1.2 Jordan's National Context for Green Finance

Jordan's regulatory environment provides several foundational frameworks that currently shape the GF landscape. Jordan's Climate Change Bylaw (2019) identifies climate finance as a central pillar,[22] while the Instructions for Climate-Responsive Public and Private Capital Spending and Financing (2021) define eligibility criteria for climate-related projects and outline viable funding sources.[23] These regulatory frameworks operationalise GF within Jordan's policy landscape, creating structured, suitable conditions and regulatory clarity that promote the issuance of different GFIs and strengthen the investors' confidence in green investments.

Within the financial sector, the Green Finance Strategy (GFS), issued by the Central Bank of Jordan (CBJ), marks a crucial milestone, outlining a roadmap through strengthening governance, building capacity, implementing supporting policies, enhancing resilience and increasing the mobilisation of GF.[24] Complementing this, Amman Stock Exchange (ASE) also developed a climate-related disclosure regulatory framework, guidance and policy aligning reporting practices with international requirements and improving the availability of climate-related information within the local market.[25] [26] [27] These strategies support GF in encouraging financial institutions to diversify beyond traditional instruments and expand their portfolios to include green products.

The second phase of the EMV (2026–2029) emphasises the role of GF and confirms its inclusion in the upcoming executive programme. This reflects the growing integration of GF within long-term economic and development planning in Jordan. Anchoring GF within national economic planning also provides long-term policy stability, which is crucial for attracting long-term investment in energy-transition projects, signalling a gradual shift from policy commitment to actual regulated action. Jordan's existing Monitoring, Reporting, and Verification (MRV) systems, which are primarily designed for tracking climate actions and NDC progress, can also provide a foundation that could be adapted to support GF once aligned with taxonomy and GFI-specific disclosure requirements.

Although the policy and regulatory environment has become stronger, the 2023 CBJ self-assessment reflected the early stage of GF adoption at that time, with GF accounting for only three percent of the total banking sector.[28] This low baseline was linked to the absence of a national green taxonomy and limited institutional capacity for designing or managing GF products. However, the landscape has evolved significantly since then, with several banks developing

[22] Ministry of Environment, Climate Change Regulation No. 79 of 2019 (Ministry of Environment – Jordan, 2019), https://www.moenv.gov.jo/ebv4.0/root_storage/en/eb_list_page/-climate_change_regulation_no._79_of_%282019%29_.pdf.
[23] Government of Jordan, Prime Ministry, Instructions for Climate-Responsive Public and Private Expenditure and Financing for 2022 (Official Gazette, 2022)
[24] Central Bank of Jordan, Green Finance Strategy (Central Bank of Jordan, 10 November 2023), https://www.cbj.gov.jo/EBV4.0/Root_Storage/EN/FINAL_-_Green_-Finance_Strategy_-_English_Version_-_10_Nov_2023.pdf
[25] Amman Stock Exchange, Disclosure Guidance (February 2025) https://www.ase.com.jo/sites/default/files/2025-02/Disclosure%20Guidance.pdf
[26] Amman Stock Exchange, Regulatory Framework (V6) (December 2024) https://www.ase.com.-jo/sites/default/files/2024-12/Regulatory%20Framework%20-%20V6%20%28002%29.pdf
[27] Amman Stock Exchange, Disclosure Policy (February 2025) https://www.ase.com.jo/sites/default/-files/2025-02/Disclosure%20Policy.pdf
[28] https://www.cbj.gov.jo/EBV4.0/Root_Storage/EN/FINAL_-_Green_-Finance_Strategy_-_English_Version_-_10_Nov_2023.pdf

sustainable finance frameworks and issuing green and sustainable bonds, which indicates a growing level of maturity and readiness within the sector, in parallel with the design and upcoming implementation of the green taxonomy. The first green bond in Jordan was issued in 2023, followed by several banks issuing similar green bonds. These issuances provided inputs for developing Jordan's first Sovereign Green Bond Framework in 2024. However, loans remain the most widely used instrument in Jordan's GF market. The CBJ has identified green loans as the most prevalent form of GF, reflected in the growing number of national banks offering green loan products and mechanisms, particularly for renewable energy and energy-efficiency projects.

Specific debt-facilitation mechanisms drove early public-sector engagement in financing the energy transition. The CBJ's 'Medium Term Advances to Licensed Banks' programme was one of the earliest established, offering low-cost financing for high-added-value sectors, including renewable energy. Similarly, the Jordan Renewable Energy and Energy Efficiency Fund (JREEEF) supports access to finance for both renewable energy and energy-efficiency projects by partnering with banks, offering interest-rate support, providing credit guarantees, and conducting feasibility studies and energy audits.[29] Current support is concentrated in the industrial sector, where JREEEF facilitates the preparation of financially viable projects and facilitates access to green financing.

1.3 Challenges in Jordan's Green Finance Landscape

As the GF landscape evolves, several bottlenecks have emerged that are hindering its progress. Crucially, one missing piece of the equation is the absence of clear and consistent definitions and terminologies that clearly showcase what is considered green, in terms of projects, activities or finance. This translates to uncertainty in identifying "green" activities and poses difficulties in reporting and monitoring the activities, particularly within the GF landscape.[30] [31] [32] This ambiguity not only undermines the confidence of stakeholders in green investment but also increases the risk of greenwashing*. This challenge is currently being addressed through the ongoing development of the National Green Taxonomy, which will provide much-needed clarity and standardisation within the GF ecosystem, indicating clearly what is and what is not considered green. The taxonomy presents a pivotal juncture, as its successful implementation could provide an overarching guideline and clear standardisation of GF, propelling the landscape forward.

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[29] Jordan Renewable Energy & Energy Efficiency Fund (JREEEF), "About JREEEF," https://-jreeef.memr.gov.jo/En/Pages/About_JREEEF

[30] KI-1 (Interview with key expert from national financial institution), Virtual interview, October 2025

[31] KI-3 (Interview with key expert from International Intergovernmental Organisation), Virtual interview, October 2025

[32] KI-4 (Interview with key expert from national financial institution), Virtual interview, October 2025

* Greenwashing, according to the UN definition, is misleading the public to believe that an entity is doing to protect the environment that it really is, promoting false solutions that distract from and delay concrete and credible action.

* United Nations, "Greenwashing – the deceptive tactics behind climate action." (United Nations Climate Change), Accessed 16 October 2025, https://www.un.org/en/climatechange/science/climate-issues/greenwashing

** "A project is bankable, whether from public or private sources, when its risk-return profile meets investors' criteria and can secure financing to implement the project" Cities Climate Finance Leadership Alliance, "What is Bankability?" (Cities Climate Finance Leadership Alliance), accessed 17 October 2025, https://citiesclimatefinance.org/publications/what-is-bankability

Another bottleneck that hinders unlocking GF for the energy transition is the market capacity to absorb the available GFIs. While financial institutions have developed GFIs, one issue that remains is the lack of widely available bankable projects** that are both feasible and able to effectively utilise these instruments. [33] [34] This shortage has created a mismatch between financial supply and demand: GFIs offered by various institutions are available but are not being sufficiently utilised by projects. Furthermore, projects that are being developed mainly relate to renewable energy, which showcases an overreliance on renewable energy projects, with limited attention given to crucial energy efficiency measures. [35] [36] This imbalance is often driven by the easier monitoring and shorter payback periods associated with RE projects, making them more attractive to investors. However, energy efficiency measures are equally crucial, as optimising consumption reduces overall energy demand and alleviates pressure on the national grid. Without greater emphasis on efficiency, expanding renewable capacity risks exceeding the grid's technical limits. Addressing this imbalance is therefore essential to ensure that Jordan's energy transition remains both sustainable and technically feasible.

2 Methodology

The policy paper adopts a qualitative approach that primarily uses secondary data to identify the GFIs present in Jordan's financial landscape and assess their relevance to the energy transition. Instruments were evaluated using three criteria drawn from the literature and Jordan's transition context: attractiveness, reflecting each instrument's credibility under global standards and its appeal for supporting the transition; regulatory readiness, assessing the extent to which national frameworks enable implementation; and risk, examining structural and market challenges associated with each instrument. Applying these criteria allowed the analysis to highlight the strengths, limitations, and overall suitability of each instrument for the transition. This assessment was supported by conducting six Key Informant Interviews (KIIs) and expert consultations, which helped triangulate insights and refine the analysis. The findings reflect both the assessment of the instruments and the perspectives of key experts working in green finance and the energy sector.

3 Analysis of Green Financial Instruments in the Jordanian Context

Jordan's GF landscape is diverse, with current and potential instruments playing a crucial role in the energy transition, with certain instruments currently showing differences in attractiveness, regulatory readiness and risks.

3.1 Green Debt Instruments

3.1.1 Green Bonds

Green bonds are particularly suitable for the energy transition as they raise long-term and earmarked capital for green projects. They offer a new diversified funding base through attracting sustainability-oriented investors in addition to enhancing debt resilience against market

[33] KI-3 (Interview with key expert from International Intergovernmental Organisation), Virtual interview, October 2025
[34] KI-5 (Interview with key expert from Governmental Entity), Virtual interview, October 2025
[35] KI-1 (Interview with key expert from national financial institution), Virtual interview, October 2025
[36] KI-5 (Interview with key expert from Governmental Entity), Virtual interview, October 2025

volatility by maintaining longer-term commitments.[37] These positions green bonds as an appropriate tool to support Jordan's long-term energy goals in increasing the share of renewable energy in parallel to reducing GHG emissions by 2050. Moreover, global guidelines such as the ICMA increase attractiveness by standardising disclosures and reducing investor uncertainty, making them more appealing to both domestic and international investors. In terms of regulatory readiness, Jordan's continuously evolving regulatory frameworks indicate the dedicated steps it is taking to support green bonds. The national green bonds guidelines, in addition to the upcoming sovereign green bond framework, green taxonomy and inclusion in the upcoming EMV programme, demonstrate a collective direction to increase the confidence of investors and support long-term implementation of green bonds. Additionally, the successful examples of green bond issuances by national banks also indicate that institutions are becoming more familiar with the requirements and reporting structures associated with these instruments. This can incentivise other national banks to issue green bonds of their own and strengthen Jordan's green bond market.

However, green bonds guidelines emphasise a robust monitoring and evaluation system to validate proceeds allocation and greenwashing risks. This requires clear standards for defining green activities, for which Jordan is still developing its green taxonomy. This gap implies that the allocation of green bonds proceeds at the moment is not reported according to international or national standards, reducing international investors' confidence in Jordanian green bonds. This positions standardisation as a crucial bottleneck that must be addressed, undermining both the attractiveness and the regulatory readiness outlined above and limiting Jordan's ability to attract multilateral and private investment and advance its energy-transition goals.

3.1.2 Green Sukuk

Green Sukuk structure aligns well with the long-term nature of energy-transition projects through the Ijarah (leasing) mechanism. This approach keeps asset-ownership risk with the issuer while providing investors with predictable, lease-based cashflow, making green sukuk suitable for financing large-scale, capital-intensive infrastructure in the energy transition. Additionally, green sukuk incorporates a dual layer of Islamic and green verification, enhancing credibility and signalling higher investor confidence. Coupled with established global sukuk principles, this increases attractiveness for Sharia-compliant investors and broadens the investor base by appealing to regional markets. On the regulatory side, Jordan's Islamic Finance Sukuk Law and the Central Sharia Supervisory Commission provide the formal infrastructure needed to ensure compliance, offering a strong foundation to support future green Sukuk issuance. Jordan, therefore, demonstrates a high level of regulatory readiness for green sukuk through familiarity among issuers and investors, which translates to lower transaction costs and strengthens confidence in green sukuk issuance. These elements showcase Jordan's capacity in regulatory infrastructure and market appetite to support the green sukuk market.

However, one bottleneck in issuing green Sukuk is the dual requirement, which complicates the issuance process by necessitating strict adherence to both Sharia law and recognised green Sukuk principles. This risk can drive issuers away from green sukuks, especially with the higher structuring and verification costs, making them less accessible to smaller borrowers. As a result, even with strong regulatory readiness, actual issuance volumes may remain low unless structuring costs decrease or blended mechanisms reduce the burden on the issuer.

[37] KI-3 (Interview with key expert from International Intergovernmental Organisation), Virtual interview, October 2025

3.1.3 Green Loans

Green loans are usually easier to issue with a lower lending threshold, which makes them suitable for small borrowers and works well for renewable energy projects on a small scale.[38] [39] Their attractiveness stems from the predictability and alignment with traditional lending mechanisms, making green loans more accessible and familiar for both banks and investors.[40] This positions them as a useful tool to support smaller energy projects which green bonds or sukuk cannot fulfil, covering a wider range of practices. Moreover, green loans are backed up by global standards, which promote transparency and consistency, making them a reliable tool with clear indicators for allocating proceeds. As for regulatory readiness, green loans in Jordan benefit from established screening processes within banks, reflecting institutional readiness to assess borrower profiles and potential risks. This gives banks stronger oversight over who to finance and ensures that their funds will be paid back, as emphasised by an expert from a national financial institution. Additionally, CBJ is developing a national Green Loan Framework that will provide clearer guidelines for identifying and reporting green loans, resulting in reduced greenwashing and greater market consistency. In addition, given the strong presence of green loans supporting energy transition, a natural ecosystem has developed. Energy certifications, third-party inspections and best practices were established, strengthening their credibility and validity. [41] [42]

From a risk perspective, green loans are generally suitable for projects with shorter payback periods and limited capital requirements, as pointed out by an expert in a national financial institution. Their shorter periods can create a risk of mismatch when financing projects that require long-term capital commitments. As a result, relying too heavily on green loans could hinder the overall pace of renewable energy capacity, which would delay progress towards Jordan's energy targets. As a result, the use of other instruments such as green bonds and sukuk will be required to complement. This limits the extent to which the strengths identified under attractiveness and readiness can translate into large-scale impact.

3.1.4 Sustainability Linked Finance

Sustainability-linked finance, both bonds and loans, offers an attractive instrument for private and corporate firms as it allows them to access financing based on achieving sustainability performance targets rather than financing specific green projects. This structure provides companies with greater flexibility to determine how best to meet their targets, enabling them to align sustainability measures across their portfolios while still being monitored against clear, pre-set indicators. This flexibility is particularly appealing for firms that do not have capital-intensive green projects but still aim to contribute to national sustainability and energy-transition goals, positioning SLF as a useful tool to mobilise private-sector participation in climate action.

Globally, SLF has established guidelines that emphasise transparent disclosure and clear issuance procedures, strengthening the credibility of the instrument. Nationally, Jordan's evolving regulatory environment, particularly the ASE disclosure requirements and the Central Bank's

[38] KI-4 (Interview with key expert from national financial institution), Virtual interview, October 2025
[39] KI-5 (Interview with key expert from Governmental Entity), Virtual interview, October 2025
[40] KI-1 (Interview with key expert from national financial institution), Virtual interview, October 2025
[41] KI-1 (Interview with key expert from national financial institution), Virtual interview, October 2025
[42] KI-6 (Interview with key expert in the energy and renewable energy sector), Virtual interview, October 2025

Globally, SLF has established guidelines that emphasise transparent disclosure and clear issuance procedures, strengthening the credibility of the instrument. Nationally, Jordan's evolving regulatory environment, particularly the ASE disclosure requirements and the Central Bank's Green Finance Strategy, provides a growing foundation for the integration of SLF into national financial practices.[43] [44] These frameworks support the development of clear, measurable sustainability indicators, which are essential for setting and verifying performance targets. In addition, the Ministry of Environment's voluntary MRV reporting guideline offers an emerging platform that can, over time, reinforce transparency by enabling companies to track and disclose their emissions more systematically. These strong regulatory elements suggest that Jordan is gradually building the regulatory and institutional capacity needed to support SLF uptake, positioning the instrument as a viable complement to existing green finance mechanisms.

However, a key bottleneck for SLF is the requirement to demonstrate "additionality," meaning that sustainability performance targets must reflect improvements that would not occur without the financing. When KPIs are weak or insufficiently ambitious, investors cannot be confident that their capital is generating new impact, which undermines the credibility of the instrument. This creates a risk that SLFs can easily create greenwashing. As a result, even with growing regulatory support, uptake may remain limited unless KPI frameworks are strengthened and monitoring practices ensure that targets meaningfully contribute to Jordan's wider transition goals.

3.2 Green Equity Instruments

Equity instruments offer an important avenue for financing energy transition projects that carry higher levels of risk than traditional financial institutions are often unwilling to undertake. Their attractiveness lies in the potential for higher returns, which appeals to investors with the capacity and appetite to take on long-term investments in emerging sectors. Equity also enables risk-sharing among multiple investors, making it suitable for capital-intensive or early-stage innovative projects where debt may be insufficient or unavailable. In this way, equity provides Jordan with an alternative financing channel for early-stage or large-scale transition projects that require significant.

Jordan's investment ecosystem for equity financing has been developing, supported by institutional and legal frameworks that enable private equity and venture capital activity. The EMV further reinforces this direction by positioning investment as a core driver of long-term economic development, signalling policy commitment that can strengthen investor confidence. A key indication of market readiness is the establishment of the Jordan Capital and Investment Fund, which is owned by 16 Jordanian commercial and Islamic banks and demonstrates both appetite and structural capacity for equity-based financing. These elements highlight that Jordan possesses the foundational regulatory environment and growing institutional capacity needed to support equity participation in energy-transition projects.

However, green equity funding faces several risks that may limit its contribution to Jordan's energy-transition financing landscape. Early-stage capital venture for energy projects carries

[43] Amman Stock Exchange, Disclosure Guidance (February 2025) https://www.ase.com.jo/sites/default/files/2025-02/Disclosure%20Guidance.pdf
[44] Central Bank of Jordan, Green Finance Strategy (Central Bank of Jordan, 10 November 2023), https://www.cbj.gov.jo/EBV4.0/Root_Storage/EN/FINAL_-_Green_-Finance_Strategy_-_English_Version_-_10_Nov_2023.pdf

high failure risks, particularly in emerging technologies where revenue models are uncertain. In addition, private equity and venture capital investors in Jordan face limited exit options due to a small IPO market and a constrained secondary market, which reduces liquidity and increases required returns. These constraints make equity suitable only for a narrow segment of projects and limit its scalability, despite its attractiveness for high-risk, high-return opportunities.

4 Findings

The combined assessment of Jordan's current and emerging GFIs across attractiveness, regulatory readiness and risk shows that no single tool can independently meet the long-term and capital-intensive requirements of the energy transition. Each instrument responds to different needs depending on project scale, sector, and investor appetite, indicating that Jordan's financing requirements demand a systematic approach to portfolio diversification. In this context, drawing on secondary data and key expert insights, blended finance rises as the most viable strategy for long-term capital mobilisation, as it brings together different financing sources to de-risk large projects and crowd in private investment.[45] [46] [47] [48]

Blended finance is also well-positioned to address the bottlenecks identified earlier in the analysis. The shortage of bankable projects, the mismatch between GFI supply and demand, and the overreliance on small-scale renewable projects all point to the need for mechanisms that can improve project preparation, reduce risk, and attract a broader pool of investors. Blended finance can help lower perceived risks for local banks and private investors, making larger and more innovative projects financially feasible. As the enabling environment continues to mature, with clearer regulations, improved disclosure standards, and stronger institutional capacity, the market is gradually becoming more open to a wider mix of blended structures capable of supporting long-term, capital-intensive projects.

This approach aligns closely with the direction of the EMV, which emphasises mobilising investments from both the public and private sectors. Under the EMV, this creates space for Public–Private Partnerships (PPPs) within the energy transition. PPPs typically combine public equity, private capital, and risk-sharing arrangements, making them a natural form of blended finance. By leveraging private investment while distributing project risks more effectively, PPP-based models can support large energy-transition projects and open the door for greater foreign investment into Jordan's green programmes, advancing both environmental and economic development goals.

However, blended finance does come with challenges. It requires strong coordination between ministries, financial institutions, and development partners, and its structures can be administratively complex, necessitating clear governance, transparent monitoring, and harmonised reporting systems. Addressing these challenges will be essential to ensure that blended finance can operate effectively and become a core driver of Jordan's energy transition.

[45] KI-1 (Interview with key expert from national financial institution), Virtual interview, October 2025
[46] KI-2 (Interview with key expert in national green economy), consultation meeting, September 2025
[47] KI-3 (Interview with key expert from International Intergovernmental Organisation), Virtual interview, October 2025
[48] KI-4 (Interview with key expert from national financial institution), Virtual interview, October 2025

5 Recommendations

The findings demonstrate that while each green financial instrument has a specific role and benefit, each has a limitation affecting its implementation. Therefore, blended finance is highlighted as an effective mechanism for mobilising long-term capital and aligning financial flows with the scale of Jordan's energy transition. Building on this synthesis, the following recommendations address the key gaps identified in the analysis and reflect insights from the six key informant interviews.

1) Finalise and operationalise the National Green Taxonomy through a phased adoption approach. After endorsement, a pilot phase in one or two priority sectors should be used to test the taxonomy's criteria, identify challenges, and refine procedures before wider national dissemination. To support consistent application, sector-specific guidance notes and standardised templates should translate taxonomy criteria into practical steps for project developers and financial institutions. A coordination mechanism between the CBJ and relevant ministries should facilitate alignment, interpretation, and periodic updates. An operational taxonomy will clarify what is considered "green," improve project preparation, and create the transparency needed to support blended finance and attract long-term investment.

2) Conduct a detailed assessment of the energy sector to map project types against the most suitable GFIs. Developing a simple matrix that links project characteristics to appropriate GFIs will reduce mismatches between financing tools and project needs and ensure that energy-efficiency projects receive equal priority to prevent grid challenges. The matrix can also identify where blended finance is required to de-risk priority projects and mobilise additional capital. Integrating this tool into the national energy strategy and upcoming NDCs would help guide policymakers and investors in directing capital more effectively and improve accountability in implementation.

3) Develop coordinated and standardised capacity-building programmes across financial institutions, ministries, and national organisations to strengthen the technical skills required for developing and managing green GFIs. The CBJ can lead the design of a national training framework covering risk assessment, reporting, taxonomy alignment and GFI structuring, while line ministries deliver sector-specific sessions to ensure alignment with national priorities. National institutions should also receive training to prepare feasible, taxonomy-aligned project proposals that can attract finance. All training should rely on standardised toolkits and approved materials to ensure consistency and support the long-term integration of blended finance approaches.

4) Develop a dedicated Green Sukuk Framework to guide Islamic financial institutions in structuring and issuing green sukuk in Jordan. While a regulatory foundation for sukuk already exists, a specific green sukuk framework would clarify eligible activities, reporting requirements, and verification processes, enabling issuers to enter the market more easily. This would expand Jordan's mix of green financial instruments, attract regional Sharia-compliant investors, and support long-term energy-transition projects that align naturally with sukuk structures. A clear framework would also enhance the potential for blended finance models that incorporate Sharia-compliant capital.

6 Conclusion

Jordan's green finance landscape is gradually moving toward a more structured and enabling environment, supported by strengthened national frameworks and rising institutional engagement. The expansion of disclosure requirements, introduction of green bond guidelines, and integration of green finance within long-term economic planning have increased confidence across the financial sector, reflected in banks' adoption of sustainable finance frameworks and early issuances of green and sustainable bonds. These developments indicate growing readiness for a wider mix of green financial instruments to support the energy transition.

Yet, the analysis shows that each instrument carries specific limitations and risks that constrain its scalability or suitability for energy transition. No single tool can independently meet the long-term, capital-intensive requirements of Jordan's transition. As a result, blended finance gains relevance, as it combines instruments with different risk profiles, reduces barriers for issuers, attracts a broader pool of investors, and supports larger projects. As Jordan's regulatory and market ecosystem continues to mature, blended finance is positioned to play a central role in mobilising the scale of investment needed for the energy transition.

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