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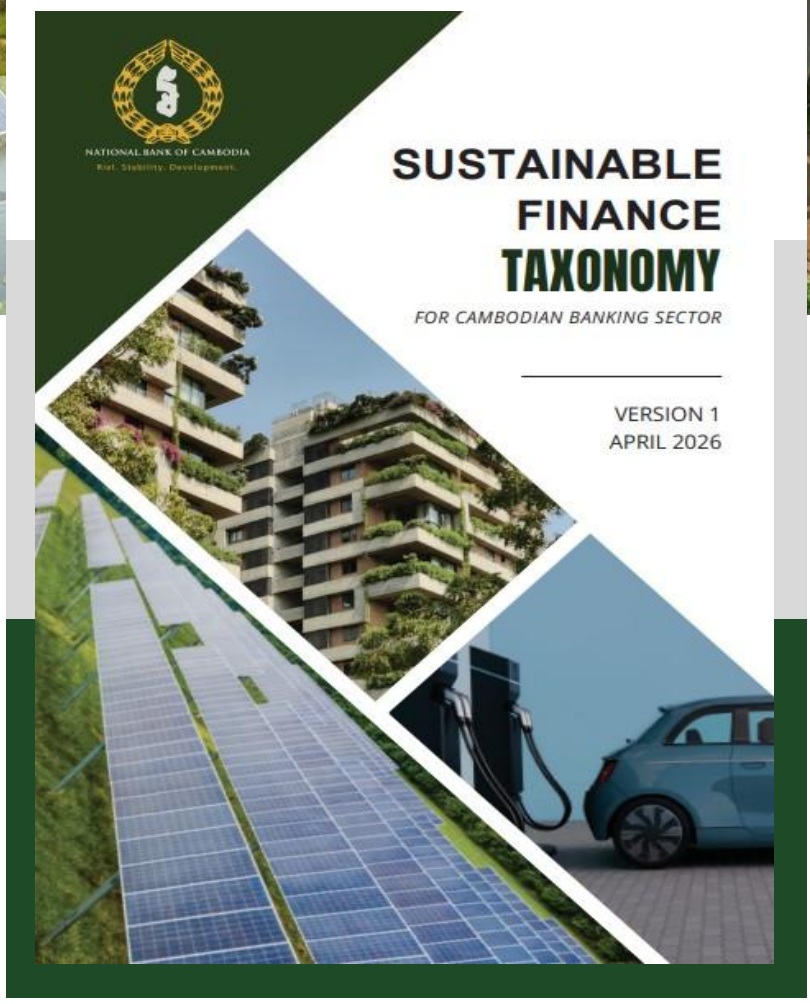
About ARDB ACE-GFA

APRACA Center of Excellence – Green Finance to Agriculture of Agricultural and Rural Development Bank (ARDB ACE-GFA), established on August 8, 2024, continues to play a pivotal role in advancing sustainable development within Cambodia's agri-food and financial sectors under the framework of APRACA. The Center focuses on fostering green and climate finance solutions, strengthening institutional capacity through research and training, and promoting knowledge exchange and policy dialogue.

Sustainable Finance TAXONOMY for Cambodian Banking Sector



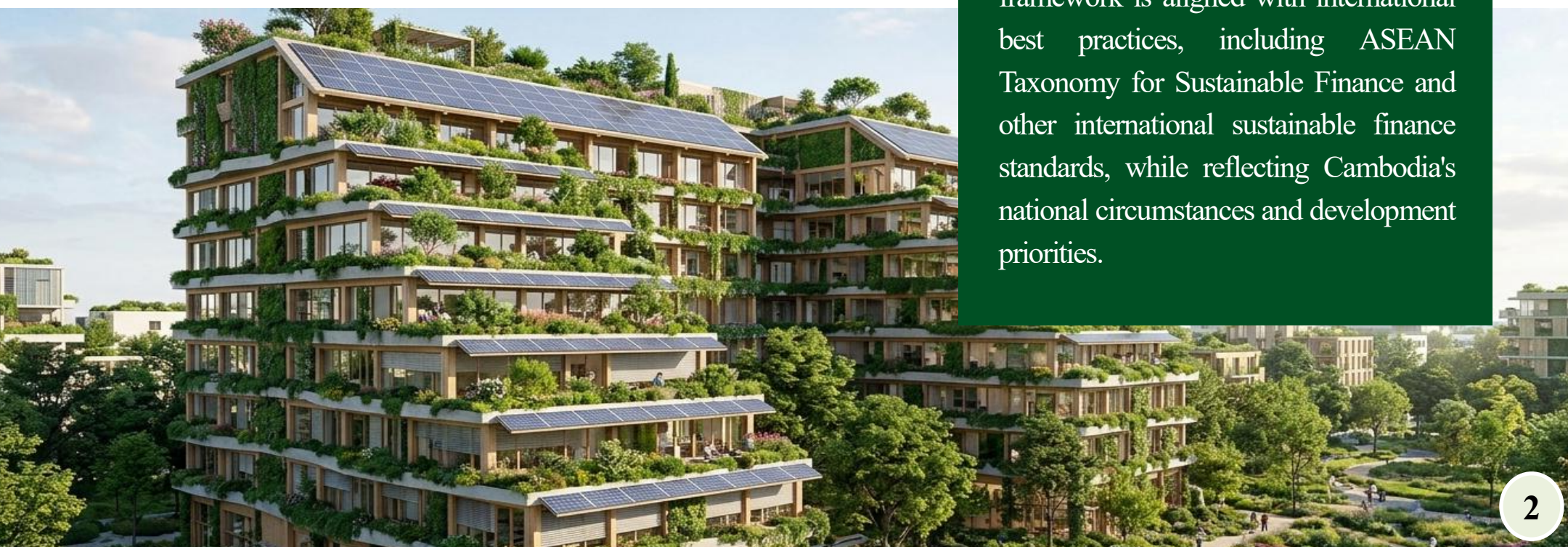
In line with this mandate, the June 2026 bulletin highlights the growing importance of a ***Sustainable Finance Taxonomy for Cambodian Banking Sector***. A national sustainable finance taxonomy provides a clear classification system that helps financial institutions identify, evaluate, and channel funding toward environmentally sustainable and climate-resilient activities

I. OVERVIEW

The National Bank of Cambodia (NBC) officially launched the Sustainable Finance Taxonomy for Cambodian banking sector on 27 April 2026 in Phnom Penh. This framework classifies economic activities into green, amber, and red categories to guide banks and investors toward sustainable investments and reduce greenwashing risks.

The Sustainable Finance Taxonomy for Cambodian Banking Sector is a science-based classification framework developed by NBC to support the transition toward a sustainable and low-carbon economy. This Taxonomy serves as a common framework for identifying and classifying economic activities that substantially contribute to environmental sustainability and climate change mitigation. It provides guidance for financial institutions, investors, policymakers, and other stakeholders in making informed decisions regarding sustainable finance and green investment activities.

The taxonomy was developed through collaboration between National Bank of Cambodia (NBC), Inter-Ministerial Green Finance Working Group, International Finance Corporation (IFC), Climate Bonds Initiative (CBI), and other relevant stakeholders from both public and private sectors. The framework is aligned with international best practices, including ASEAN Taxonomy for Sustainable Finance and other international sustainable finance standards, while reflecting Cambodia's national circumstances and development priorities.



II. OBJECTIVE & SCOPE

The Sustainable Finance Taxonomy is primarily designed for Cambodia's banking sector. However, its application extends to a wide range of stakeholders, including financial institutions, investors, asset managers, government agencies, project developers, and other market participants involved in sustainable finance activities. The scope of the taxonomy encompasses economic activities with the potential to substantially contribute to two initial environmental objectives, which are as follows:

1. Climate Change Mitigation

Climate Change Mitigation refers to activities making a substantial contribution to the objective of limiting the increase in global average temperature to 1.5°C above pre-industrial levels, primarily by reducing or avoiding GHG emissions. This can include:

- **Avoiding GHG emissions**: Green activities with low or near-zero emissions.
- **Reducing GHG emissions**: Transition activities that are currently GHG-intensive, but on a pathway to significantly lower emissions.
- **Enabling substantial GHG emission reductions**: Activities that enable other activities to achieve low-carbon performance or substantial emissions reductions.

2. Climate Change Adaptation and Resilience (A&R)

A&R refers to the process of adjustment to actual or expected climate change and its effects, to moderate harm or exploit beneficial opportunities.

These two objectives align with Cambodia's commitments under international agreements, including the Paris Agreement, which aims to limit global warming to less than 2°C, ideally pursuing 1.5°C, and promote sustainable development.

While the Taxonomy includes A&R as one of its objectives, **it is important to note that A&R criteria do not feature in the current version** and will only be developed in a future phase of the Taxonomy's development to ensure a more comprehensive framework.

III. SECTORAL ASSESSMENT

The sectoral assessment for this taxonomy focused on identifying and prioritizing sectors that can significantly contribute to the country's climate change mitigation efforts and sustainable development goals. The five factors considered in the evaluation criteria for each sector were as follows:

- Contribution to GHG emissions.
- Contribution to GDP and economic growth potential.
- Potential to attract green investment.
- Investment needs.
- Decarbonization potential.

According to the first phase of taxonomy has selected three significant potential sectors for GHG emission to facilitate Cambodia's transition to net-zero such as **ENERGY, TRANSPORT, and BUILDING & CONSTRUCTION.**

1-ENERGY SECTOR

The energy sector criteria methodology is to decarbonization pathways for activities in the energy sector by transition pathways of activities that align with decarbonizing to net-zero by 2050. Cambodia energy sector is a cornerstone of the country's national economic development and significant contributor to its GHG emissions profile. Cambodia has archived the emission from various sector including the Forestry and Other Land Use (FOLU), Electricity generation and modernization of renewable energy. Therefore, the taxonomy can serve as a key instrument designed to help channel the necessary investment to reach 2050 goal which mitigate the increase of fossil fuels in Cambodia.

Energy Sector Activities

- Solar energy generation
- Wind energy generation
- Hydropower energy generation
- Geothermal power generation
- Bioenergy generation and production
- Energy production from natural gas
- Marine energy generation
- Electricity generation from renewable non-fossil gaseous and liquid fuels
- Production of heating and cooling using waste heat
- Installation and operation of electric heat pumps
- Heating and cooling distribution
- Transmission and distribution networks for renewable and
- low-carbon gases, including hydrogen
- Transmission and distribution networks for renewable and low-carbon gases, including hydrogen
- Transmission and distribution of electricity
- Transmission and distribution networks for renewable and low-carbon gases (including hydrogen)
- Production of heating and cooling using waste heat
- Installation and operation of electric heat pumps
- Heating and cooling distribution

2-TRANSPORT SECTOR

The decarbonization of transport is critically important for Cambodia's overall climate strategies by screening criteria for activities under this sector based on international standard. Transport sector was responsible for 45 percent of the Cambodia's total energy consumption in 2015 (RGC, 2019). According to the Cambodia National Council for Sustainable Development, Under the business-as-usual, transportation is one the sector which increase GHG emissions from 10.9 million tCO2 in 2022 to 18.4 million tCO2 by 2030 and tend to 65 million tCO2 in 2050. The sector's high energy consumption is largely attributable to the rapid growth in vehicle ownership and prevalence of inefficient, older vehicles.

Transport Sector Activities

- Transport via railways
- Operation of personal mobility devices cycle logistics
- Other passenger land transport
- Urban and suburban passenger land transport
- Freight transport by road
- Enabling infrastructure for low-emission transport
- Sea and coastal water transport
- Inland water transport
- Retrofitting of sea and coastal freight and passenger water transport
- Freight and passenger air transport

3-Building and Construction Sector

Cambodia's building and construction sector is heavily reliant on fossil fuels and traditional energy source, the proposed metric for evaluating performance in Cambodia will be "carbon emissions per square meter (carbon intensity-co2/sqm)". The building and construction sector's emissions are projected to rise sharply in the next 10 years, driven by the rapid growth of urbanization and increasing energy demand, especially from the traditional energy sources through biomass and fossil fuels. As the improvement of energy efficiency, adapted with climate-friendly building and materials is crucial for reducing the GHG emissions sectors.

Building and Construction Activities

- Construction of new buildings
- Renovation of existing buildings
- Acquisition or ownership of buildings
- Installation, maintenance and repair of special-purpose building equipment

IV. TRANSITION ACTIVITIES AND TRAFFIC LIGHT SYSTEM

The Royal Government of Cambodia has a strong commitment to achieve the carbon neutrality by 2050. As the outlined in the Power Development Master Plan (PDP) 2022-2040 aims to ensure all sector of the economy must transition to net-zero emission from different sector that produce GHG from its processing. The methodologies and approach to considered in transitional under this Taxonomy need to align with:

- Improvement of the Environmental performance by conducting the monitoring system of CO2 equivalent emission.
- Ensure it does not lock in carbon-intensive assets or processes that could hinder future decarbonization efforts.
- Not hamper the development and deployment of low carbon alternative
- Move towards a green transition pathway within a predetermined period (net-zero by 2050), as specified by sunset date (sunsetting all transitional activities by 2040).

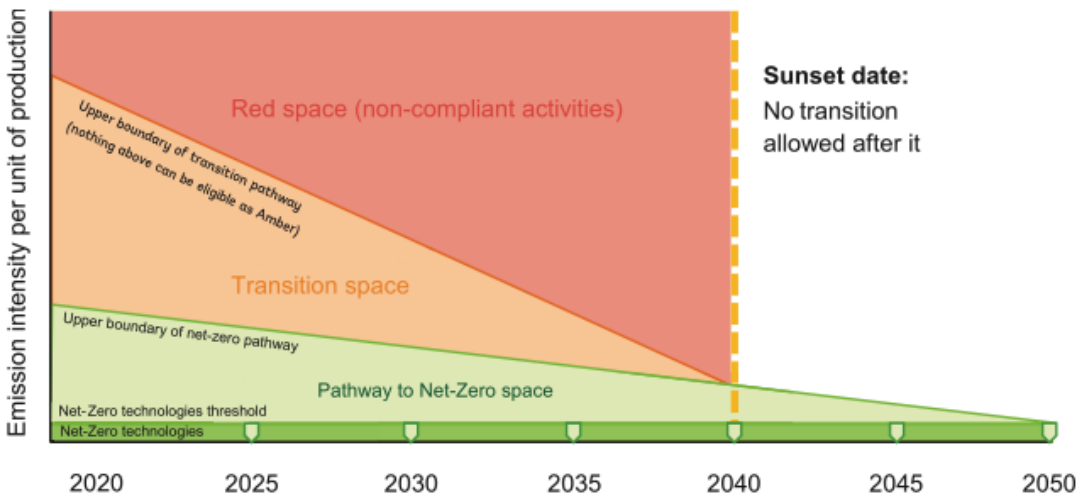
The Transition of Cambodia Taxonomy will use a tree tiered traffic light system following:

Green (aligned) refer to all activities that play a significant sector to mitigate GHG emission by using clean energy and increasing the renewable energy.

Amber (transition) the activities that significant emission in short term but does not apply all activities of the project.

Red (ineligible) activities are not aligned or ineligible to Cambodia's net-zero trajectory and Cambodia's transition to be net-zero by 2050.

Figure 2. Traffic light system



Source: Climate Bonds Initiative Analysis, 2025

Reference:

National Bank of Cambodia. (2026). *Sustainable finance taxonomy for Cambodian banking sector* (Version 1). National Bank of Cambodia.

https://www.nbc.gov.kh/download_files/publication/blueprints_eng/Sustainable%20Finance%20Taxonomy%20for%20Cambodian%20Banking%20Sector.pdf