

WORLD SUSTAINABLE DEVELOPMENT SUMMIT 2021

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February 10-12, 2021



WSDS 2021 Pre-event

Green Finance for Enhancing Climate Ambition

Date:

2 December 2020

Time

3.30 - 5.30 P.M. (IST) | 10.00 - 12.00 A.M. (GMT)

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AGENDA

3:30 – 3:55 p.m.	Opening Session
	<p>Welcome</p> <ul style="list-style-type: none"> • Dr Annapurna Vancheswaran, Senior Director, TERI <p>Opening Remarks</p> <ul style="list-style-type: none"> • Dr Ajay Mathur, Director General, TERI • Ms Natalie Toms, Economic Counsellor, British High Commission <p>Keynote Address</p> <ul style="list-style-type: none"> • Dr. C.S. Mohapatra, Additional Secretary, Department of Economic Affairs, Ministry of Finance, Government of India
3:55 – 4:40 p.m.	<p>Panel 1: Mobilizing Green Finance for Enhanced Ambition</p> <p>In this session, the focus will be on understanding the challenges for mobilizing private green finance at scale in developing countries like India, models that have been successful and how these can be leveraged, and how national policy frameworks can play a supportive role. The panel will also deliberate on technical aspects like, the need for mechanisms for hedging the currency risk for green investments in India, kinds of blended finance vehicles needed for transition finance, design of risk guarantee funds, etc., and the support these require from public and international climate funds.</p>
	<p>Moderator: Ms Natalie Toms, Economic Counsellor, British High Commission</p> <ul style="list-style-type: none"> • Mr Dharshan Wignarajah, Deputy Director, Finance and Resilience, COP26, Cabinet Office • Mr Abhishek Acharya, Joint Director, Department of Economic Affairs, Ministry of Finance, Government of India • Mr Prasad Gadkari, Executive Director and Chief Strategy Office, National Investment and Infrastructure Fund (NIIF) • Mr Pankaj Sindwani, CBO, Tata Cleantech Capital • Ms Nadia Rasheed, Deputy Resident Representative, UNDP, India
4:40 – 5:25 p.m.	<p>Panel 2: Transitioning to a Green Financial System in India</p> <p>The aim of this session will be to understand the role played by a green financial system in accelerating sustainable investment. The discussions will touch upon the existing policy driven support measures for driving green finance in India, the gaps that have prevented a scale up of these measures, and the impact of international rules and regulations on the Indian industrial and financial sectors. Finally, the panel will deliberate on how India can build a 'green' financial system that is at par with global standards and the support it requires for doing so.</p>
	<p>Moderator: Mr R.R. Rashmi, Distinguished Fellow, TERI</p> <ul style="list-style-type: none"> • Ms Yasmine Moezinia, Deputy Director and Head of Private Finance Unit, HM Treasury • Mr Amit Rama, Senior Vice President, UK Climate Investments • CA (Dr) Sanjeev Kumar Singhal, Central Council Member, ICAI; Chairman, Sustainability Accounting Standards Board; Vice Chairman, Accounting Standards Board, ICAI; Partner, S R Batliboi & Co. LLP • Mr Abhinay Jaiswal, Deputy General Manager-Project Finance Cell, New Delhi, State Bank of India (SBI)
5:25 – 5:30 p.m.	Concluding Remarks
	<ul style="list-style-type: none"> • Mr Rahul Ahluwalia, First Secretary (Financial Services), British Deputy High Commission

Welcome and Keynote Address

Welcoming all participants, **Dr Ajay Mathur, Director General, TERI**, introduced the webinar series, consisting of four webinars based on COP26 priorities, of which the “Green Finance for Enhancing Climate Ambition” was the second webinar, with the others focusing on sustainable transport, nature-based solutions, and adaptation and resilience. Dr Mathur then also introduced the webinar’s theme—with the focus on mobilizing green finance for enhanced ambition and transitioning to a green financial system, and its importance leading up to the COP26. He hoped the discussion would be able to take a step forward in understanding the critical issue of financing, which is the enabler of climate actions.

Dr Ajay Mathur started the discussion by remarking that at TERI we believe that actions that we take should be those which help in advancing development goals and as a co-benefit, enable us to achieve large carbon reduction goals as well. But, moving to low-carbon alternatives often requires high upfront costs, which can act as a barrier, but the lifetime costs of the solutions are relatively lower, an understanding which needs to be further built on and assessed. This makes it important to look at the financing as a whole for the full project tenure and develop financing products, which are tailored accordingly. He felt that while there are a wide range of changes required, and options for these, to mobilize finance and transition to green financial systems, we need to prioritize them to identify the most effective ones given the urgency. According to him, if we can address the challenge of high upfront costs and preparing to enable green finance flows, it would be a big step forward.

Ms Natalie Toms, Economic Counsellor, British High Commission started by expressing her delight at the seminar series being organized in partnership with TERI, which was being held at a critical time—five years after the Paris Agreement, and one year before the important COP26, making it a great opportunity for policymakers and

business and civil society experts to come together to discuss critical issues. She pointed out that as the host of COP26, the UK wants the world to come together, united in climate action, and India is a central partner in this endeavour. She highlighted the India-led International Solar Alliance and Coalition for Disaster Resilient Infrastructure and the opportunities for ambitious climate actions present under these.

Ms Toms remarked that finance is the central issue for enabling climate actions and low-carbon transitions, covering both private and public finance. While public finance has a great role to play, and she highlighted the COP26 focus on encouraging developed countries for this, she emphasized that private finance also has a big role to play in generating the trillions of dollars of low-carbon investment that is needed around the world, and public finance can be used to mobilize this vital private financing for green projects. She recognized that India’s demand for green finance is massive, especially as India looks to build its green resilient infrastructure. She then went on to highlight that there is a huge scope for the UK and India to work together on this agenda, for meeting the demand for green finance in India by leveraging London city as the world’s global centre for green finance, besides the already existing joint Green Growth Equity Fund—where the UK and Indian government invest for green infrastructure projects, and which has now mobilized its first private sector investments as well. This was also discussed when India’s Finance Minister, Ms N Sitharaman met UK’s Chancellor Rishi Sunak in October 2020, for the 10th Economic and Financial Dialogue, where sustainable finance was central to the agenda, with both finance ministers announcing a new Sustainable Finance Forum between the two countries.

Ms Natalie Toms closed by stating that she hoped the day’s discussions would focus on deliberating on an actionable agenda for green finance, in the context of India’s developmental agenda.

In his role in charge of bilateral and multilateral cooperation, and sustainable finance, **Dr C S**

Mohapatra, Additional Secretary, Department of Economic Affairs, Ministry of Finance, Government of India, expressed his interest in the session and the high relevance of the topics. He reiterated that India is committed to make COP26 a success.

Dr Mohapatra felt that the time was pertinent to set up a mechanism or system in place, where both the demand side and supply side of green finance is structured and leads to a smooth flow of finance for relevant activities, in the interest of sustainability, climate and economic growth of the country. He stated that India places high emphasis on achieving its ambitious targets set under the Sustainable Development Goals (SDG) 2030 agenda and nationally determined contributions (NDCs) under the Paris Agreement, and is fully dedicated to achieving these goals. For this, green investments and aligning the financial system with sustainable development, across a range of sectors, are imperative to develop sustainable systems. He said, like all other countries, India also needs sound policy frameworks and guiding principles and regulations on every front to strengthen its sustainable finance narrative, which are underway, and is helping India to successfully move towards achieving its objectives. There is now a need for further strengthening the green financial systems to address the challenges of greening the different sectors, and the efforts of the leading policymakers in this direction are appreciable.

He mentioned that India has always believed in the proponents and philosophy of responsible business and this was rightly embedded in our national voluntary guidelines of social, environmental and economic responsibilities of business, which was released in 2011. Further, in 2012, India's regulatory body for the stock exchange—SEBI, mandated the top 100 listed entities by market capitalization to file Business Responsibility Reports on their social and environmental impacts, and this list has now grown to top 1000 entities, in December 2019. He remarked on the emergence of green bonds, which is growing in India, to promote green and sustainable development-linked infrastructure.

India is now one of the largest emerging green bond markets. India has also launched various flagship schemes for mitigating the adverse effects of climate change and for meeting its NDCs, like the National Clean Air Programme, National Air Quality index, and the ambition to increase the countrywide renewable energy target to 450 GW, as a part of a stronger climate action plan. He highlighted that India is also a founding member of the International Platform on Sustainable Finance (IPSF), under which we seek to 'build back better' and prioritizing delivering benefits to the most vulnerable sections of the society, especially as we face one of the most pressing challenges due to the COVID-19 pandemic. He stated that an Indo-UK working group has been established for working towards building a sustainable finance infrastructure, and there is need for collaboration and research in this area. At the end of his address, he wished for the success of COP26 and reiterated India's commitment to making it a fruitful process.

Key Takeaway:

- Finance is the central issue for enabling climate actions and low carbon transitions, with both private and public sector finance needed to play critical and inter-dependent roles.
- India requires finance mechanisms which enable it to structure the demand and supply of green finance, to achieve a balance between its objectives of driving economic growth, while also meeting its sustainable development and climate goals.
- As India starts the recovery process from the pandemic, it will be aiming to build back better. India being a developing country will be prioritizing delivering benefits to its most socially and economically vulnerable populations.
- Addressing the challenge of high upfront costs and using it to enable green finance flows, is critical. This requires looking at comprehensive financing solutions, tailored for the longer tenures, high upfront costs with lower life-time

costs, and lower initial returns, which most climate relevant projects have.

- The need is for collaboration and research to develop an actionable agenda for green finance for India and the global systems. There is large potential for India and the UK to work on this agenda together.

Panel 1: Mobilizing Green Finance for Enhanced Ambition

Moderator: **Ms Natalie Toms**, Economic Counsellor, British High Commission

Speakers:

- **Mr Dharshan Wignarajah**, Deputy Director, Resilience and Finance Campaigns, COP26, United Nations Climate Change Conference (UNCCC)
- **Mr Abhishek Acharya**, Joint Director, Department of Economic Affairs, Ministry of Finance
- **Mr Prasad Gadkari**, Executive Director and Chief Strategy Office, National Investment and Infrastructure Fund (NIIF)
- **Mr Pankaj Sindwani**, CBO, Tata Cleantech Capital
- **Ms Nadia Rasheed**, Deputy Resident Representative, UNDP, India

Ms Natalie Toms opened the discussion for the first panel on mobilizing green finance for enhanced ambition. She reiterated that with India's huge infrastructure pipeline, mobilizing finance in India as well as in other developing countries is going to be crucial.

Mr Dharshan Wignarajah started the discussion by explaining the several things related to the finance campaign ahead of COP26. The first being ensuring that the public finance commitments of mobilizing USD 100 billion annually, that were made in Paris chiefly by those who are providing donor finance are met as per the Agreement in

2015. That is undoubtedly the key to ensuring that there is trust reinstated in the run up to COP26. He explained that this could also be critical because of the role of public finance to take on risks which private finance would never be comfortable taking in an initial period. It also allows the development of new markets, the testing of new technology and allows penetration into regions and locations which would otherwise not be the foremost to attract private capital. Secondly, he reinstated the importance of mobilizing private finance at scale. In the recent past, there has been acceleration across number of private finance institutions to ensure that all the ingredients are right to transition towards our third aim in the campaign which is to place at the core of all financial decision making. Be that public or private, those are the three aims of the finance campaign.

Mr Wignarajah then went on to explain that the markets are different for mitigation and adaptation. Much of the scale opportunities exist in the mitigation space but work is required to understand how to leverage much greater volumes into adaptation. There are a number of potentially billion dollar funds which are in the region of drawing in institutional investors but they have not yet made the leap across to unlocking institutional investment at scale. There are distinctions to be made between what nations can do internationally versus what happens domestically. There are also complexities around cost of capital, particularly in countries including India as well as complexity around the type of finance instruments and the type of categories—be it debt, equity, and mezzanine finance, which are most appropriate for unlocking capital into certain sectors and certain technologies. This was true across renewable energies, environmental technologies, and some of the increasing efficiency opportunities.

Mr Abhishek Acharya started off his opening remarks by clearing up the understanding that climate finance and green finance are two different issues. And as mandated by the article 4.3, 4.4 and 4.5 of the UNFCCC, the provision of climate finance is from the developed countries to the

developing country parties. And also the adequacy, credibility and the predictability of climate finance for the developing country parties holds a key role in successful implementation of the climate actions by the developing country parties. He emphasized that India holds a very serious part in the discourse in the international public climate finance, particularly for raising up the scope, scale and speed of the finance required. He clarified that the issue of green finance is not a mandated item within the finance negotiations whereas the climate finance is. He reinstated that the discussions and the negotiations going under climate finance were extremely important from India's point of view because as the article 4.7 of the UNFCCC states that the extent to which the developing country parties will effectively implement their planet actions will be dependent on the scaled-up provision of climate finances. One of the most important issues on climate finance is the USD 100 billion dollar per year that was taken up in Copenhagen and followed up in Cancun, which was supposed to be by 2020 but there have been different opinions on the assessment of this target. He explained that it was necessary to have a clear idea where exactly we stand on this mobilization goal. He highlighted that a proper assessment of the numbers by the UNFCCC is therefore a prerequisite along with the linking of gap in the fulfilment of the developed country parties commitments to the new collective and quantified finance goals, which will be coming under the Paris Agreement.

He recognized the impact of the pandemic on all economies—thereby exacerbating the crisis within economies apart from the global climate crisis. He stated that India was committed to climate action but was also dependent on the finances and that the ambitious climate action in developing countries was dependent on the ambitious support from the developed country parties. He explained that for India, climate action was all-encompassing, covering mitigation, adaptation, loss and damage, response, measures as well as means of implementation, such as finance technology and capacity building. Therefore, the basic tenet of equity

and the common but differentiated responsibilities and respective capabilities (CBDR&RC) are a prerequisite. He concluded by stating that there was a high requirement of scaling up the scope, scale and speed of the climate finance for the developing country parties to enact their climate action.

Mr Prasad Gadkari started by explaining about the NIIF model. The NIIF is essentially a fund manager which has been anchored by the Government of India, in collaboration and partnership with very large global and domestic investors. The way the model has panned out is first the Government of India has put in anchor capital. This was followed by on-boarding of domestic investors including HDFC, Kotak, ICICI, and Axis. These were some of the initial investors into the NIIF funds. This was then followed by the multilateral institutions. So, institutions such as the Asian Infrastructure Investment Bank and Asian Development Bank came in with their investments. This was then followed by sovereign wealth funds, such as Abu Dhabi Investment Authority and Temasek Holdings of Singapore. Then subsequently the large global pension funds such as Canadian pension funds like CPPIB, Ontario Teachers, and Australian Super also joined in. The institution was formed collectively in this manner and has raised about 4.5 billion dollars of an initial target of about 6 billion dollars. There are diverse investors from various continents but the one common theme which has stood out is the one around sustainability. This includes focus on climate mitigation, ESG and so on. He highlighted that in his experiences there are investors who have explicitly said that they would not like to invest in businesses which are linked to coal or thermal power. He further reiterated Dr Mohapatra's remarks outlining how the Government of India itself has catalysed and channelled or created several programmes within the sustainability domain. The renewable energy target has already been enhanced to 450 GW; probably they could take it even higher so that massive opportunities could be created within the renewable energy space. He stated that India has been successful in getting private capital into

renewable energy whether it is solar or whether it is wind and hydro as well. However, this needs to extend to get private capital into other aspects of this whole sustainability theme, such as water, battery technologies, EV charging infrastructure, and so on. The challenges which need to be addressed are around how to create the right models, right structures, and right instruments, which can enable us to attract capital into these new emerging areas.

Mr Pankaj Sindwani began with a brief introduction of Tata Cleantech explaining that it initially started as an experiment between ICF and Tata Capital in 2013. This was the first private sector entity in India to specifically focus on climate finance. He explained that when it comes to mobilizing private finance, Tata Cleantech had the opportunity to experiment with blended finance, and some other models and have had some initial success with some of these. He moved on to explain that climate finance needs to be seen in two distinct buckets—one is public finance and the other one is private finance as what is needed for public finance probably is very different from what is needed for private finance. Then it must be determined what kind of public finance instrument should be used—grants, vanilla loans, blended finance, or first loss guarantees. These considerations were essential to determine what could be the form of public sector finance and what could be the ways and means that one could intermediate those.

The next point he explained was that of mobilization of private finance. India has demonstrated its ability to raise private finance so successfully in sectors such as solar and wind which alone have mobilized more than USD 100 billion through private finance. It is therefore essential to develop ambition, vision, and then scale. For this, the signals from the government are essential. When the government announced 175 GW, it was an example of that.

The second essential aspect Mr Sindwani pointed out was sustainable stable policy framework. For any investor, safety of investments and returns matter. He shared his experience of interacting with classes of investors who would be willing

to work with relatively lower rate of return also but they want to see their investments being safe. Therefore, a viable sustainable policy framework is extremely important and thereafter contract and possibility. That is equally important where once the contract has been signed there is this sanctity about the contract.

He mentioned that India has had a very strong and resilient economy, COVID-19 notwithstanding, a very robust judicial system and demand which is going to sustain for many decades. He was confident that India will continue to attract a lot of private capital. He then spoke about public finance playing a crucial role for newer sectors. He went on to share that green finance is much more than renewable energy finance but much of the investment which has happened in India is largely in the area of renewable energy. So, sectors like utility scale solar and utility scale wind do not face any problem as far as finance is concerned. Public finance is needed for emerging sectors. For sectors which are yet not mainstreamed such as water, mobility, green logistics, green warehousing among others—he stated that each one of these sectors would require an initial nudge but time bound. Because eventually in long term what will work is scale, long-term policy framework, and the right kind of business models. Time-boundedness will ensure that eventually private finance will need to replace public finance.

Ms Nadia Rasheed started her opening remarks by mentioning that the UNDP being the UN's development programme has one of the key areas of focus as promotion of integrated solutions to achieve the SDGs. This requires considerably scaling up financing to achieve the SDGs. The UNDP does so by working with partners in government, private sector and others to work on enabling conducive policy ecosystems designing, innovative financial instruments, working to attract new sources of capital and also helping to develop impact measurement matrix. She stated that recognizing that we have less than a decade to achieve the commitments that were made on the SDGs, and given the unfortunate setbacks with

the impact of COVID-19, prioritizing scaling up of financing and particularly green financing was crucial as was accelerating the efforts on climate change and addressing environmental degradation.

She explained that in terms of looking at some of the key barriers in mobilizing green financing, one of the issues that often comes up is that there is lack of a common definition when it comes to discussing green finance and also lack of standardized frameworks to be able to evaluate capital flows towards green sectors. In India although there has been some good progress and the Securities and Exchange Board of India (SEBI) has developed guidelines for green bonds which really provide a very useful framework, there is a need to work towards a common definition and towards standardized frameworks and that these could help to reduce some of the uncertainty that exists. This can be helpful to effectively mobilize green capital. She reiterated that there's a very strong focus on the renewable energy sector in India and that there's really a need to expand investments in other key green sectors including waste management, water conservation, pollution mitigation, and circular economy. She explained that having an accepted definition could really help to attract investment to other sectors, to attract both domestic and foreign investments. This is a priority area for the UNDP to work on and to support the government with. She reiterated that the UNDP had been working with the Ministry of Finance and the Department of Economic Affairs in India, particularly on supporting a sustainable finance collaborative. This process has brought together leaders from a range of institutions to look at pathways for growing sustainable finance in India. She explained that a key recommendation that emerged from this collaborative was the need to develop a green taxonomy to provide clarity around the economic activities that can be considered green and really contribute meaningfully to India's environmental targets and also to provide a common language to evaluate deals to help develop pipelines for green projects that are attractive to investors, help align

financial disclosure to enable better tracking, and also help assess gaps and ways in which to close that gap. She concluded by saying that a taxonomy and working towards this approach could help in expanding the types of investments across green sectors and initiatives.

Question and Answers

Ms Natalie Toms thanked everyone for their opening remarks and opened the discussion with the first question to Ms Nadia Rasheed asking her on the role that financial mechanisms such as instruments for hedging currency and risk-blended finance vehicles can play for drawing private finance in.

Ms Nadia Rasheed responded saying that both the types of instruments and the types of policy frameworks can support greater investments. These kinds of internal instruments are particularly critical in developing countries. She stated that the UNDP had been looking at supporting innovative mechanisms and blended finance vehicles that have a potential in mitigating challenges, such as currency risks or unfavourable risk returns. She explained that by looking at ways of blending public and private capital we can create better incentives for private investors to invest in climate sensitive projects and in green projects. She expressed her concern saying that in her experience innovative financial instruments often require significant technical support for their development and particularly when looking at new sectors. So, there is considerable time that is needed to ensure proper legal structuring to conduct baseline assessments and to generate interest among multiple parties. So, while there was a lot of potential it also requires collaboration and a strong initial investment to create a conducive environment. In this regard, she explained that the UNDP was working with a number of partners. They established an SDG finance facility. She stated they were also working with NITI Aayog to launch that. The idea of this finance facility is to forge partnerships with a number of key stakeholders to help design blended

and innovative financial instruments, such as green municipal bonds, green outcome-based funds, impact funds, and guarantee models. Another thing that the UNDP was doing through the facility is producing a report on the potential for blended finance to support COVID-19 recovery looking particularly at the MSME and agricultural sectors.

Ms Natalie Toms then went on to ask Mr Wignarajah, on the best way in which public funds can help channel private sector flows into green finance in India and elsewhere.

Mr Dharshan Wignarajah started by acknowledging the comments from the Ministry of Finance that there is a distinction between climate finance and green finance particularly within a UNFCCC context. He explained that the UK was doubling its climate finance, moving into the next period. He agreed that the multi-year credibility is vital to those aspects of the negotiation and is foundational for the Paris Agreement. He then went on to answer the questions starting with the necessity of offering time-bound concessionality in finance for new sectors. This can help allow the private sector or private capital to build familiarity to understand better how a market could function or to develop new markets which don't exist.

He reiterated that sometimes the supply of capital is not the issue. The governments must be nuanced about areas where cost curves come down in an accelerated fashion, like renewable energy, and where private capital is willing to wear some of that risk. He stated that the design of financial instruments is critical. He stated that the UK was trying to reinforce these considerations as well. The British Prime Minister had recently announced a greater focus on offshore wind as well as bringing forward the end of the internal combustion engine production a decade to 2030.

Ms Natalie Toms, then handed back over to Mr Abhishek Acharya asking for his reactions to anything that the panelists had said and also in particular on this point about how and when we can use public finance to best effect to crowd in that private sector investment as well in India.

Mr Abhishek Acharya reiterated the importance

of the public finance. He stated that climate actions were based on two main actionable points—adaptation and mitigation. He stated that the private sector financial in adaptation is very limited because there is no profitability or return-assured return in those sectors. In this regard, he stated that the Government of India has been always proactively taking actions on the adaptation from the domestic resources. Further, he stated that the international public finance as a commitment towards the developing country party has to take into account these actions as well as it has to accept the reality that adaptation needs public finances.

He then spoke about the issue of grants. Therefore, the developed country parties have to take into account the full instrumental costs of the climate action taken by the developing country parties which requires the importance of grants as well as the international finance flows with the ground equivalence or the concessionality.

Ms Natalie Toms then moved on to private sector to Mr Prasad Gadkari asking his views on the role of the financial sector and international funds and how NIIF has attracted those funds.

Mr Prasad Gadkari started by stating that collaboration can help multiply resources. He gave an example in this regard of the collaboration between the Government of India and the UK through respective organizations, that is, the NIIF and DFID. These countries came together and announced a possible platform or a fund management platform to give a fillip to investments in sustainability. That enabled the green growth equity fund to come into existence. The original joint venture was between NIIF and DFID each contributing about USD 175 million while each making an initial capital of USD 350 million. The idea was to develop a private equity fund which can take risks, various sectors across technologies, across business models and therefore invest equity capital. Another example was that of a similar model—a partnership with the Indian public sector entity—Energy Efficiency Services Limited (EESL)—for taking on the ambit of energy efficiency. He explained that a joint company called Energy for

Smart Metering in a joint venture was set up by the NIIF and to do smart metering projects across the country.

Ms Natalie Toms then moved on to Mr Pankaj Sindwani asking him about the market conditions as an investor, the surge of investments in many renewables projects, and how could we build back better.

Mr Pankaj Sindwani explained that the primary reason why too much money had been chasing the renewable energy projects was because of the strong push that the government has had towards renewables. He gave an example of the INR 90,000 crore package as recovery to the pandemic which was routed through power finance corporations. Therefore, explicit support of the government behind renewables is a key push factor. He explained that solar utility scale will continue to attract large scale of money. He stated that they were in discussions with another UK company to develop the e-mobility energy efficiency market in India. He reiterated that collaboration had a vital role to play.

Ms Natalie Toms concluded the session reiterating the diversity of different projects and different investment mechanisms to be considered in the run up to COP26. The importance of public finance especially for adaptation and also the role of public finance in supporting private investment into those new and emerging sectors are essential factors to keep in mind.

Key Takeaway:

The key aim of this panel was to focus on understanding the challenges for mobilizing private green finance at scale in developing countries such as India, models that have been successful and how these can be leveraged, and how national policy frameworks can play a supportive role. Some of the key outcomes that emerged out of the discussion were as follows:

a. The role of public and private sector finance in facilitating climate action

Several panelists highlighted the necessity of recognizing the role and applicability of public

and private sector finance in the domain of green financing. The key feature differentiating the two is that unlike private finance, public finance has more capacity to take risk in the development of new markets, investment in new technologies and penetration into newer and often more vulnerable regions. This factor must be taken into consideration when determining how to mobilize finance in specific areas, such as adaptation or mitigation.

b. State of play of international commitments on climate finance

Linked to the status of public finance for climate action, panelists asserted the need for developed countries to mobilize the committed USD 100 billion every year till 2020. The panelists recognized that these public finance commitments made under the Paris Agreement must be met in order to retain the trust of developing and vulnerable countries, which was vital for any further collective action. On India's action under the Paris Agreement, it was highlighted that while India's policy spreads across all sectors including adaptation, mitigation, loss and damage, response and capacity building at subnational level, without mobilization of the promised finance raising ambition will remain challenging. The principal tenet of Common but Differentiated Responsibilities under the agreement must be adhered to.

c. The need for a taxonomy of climate finance and green finance

Another issue which emerges when analysing the progress on the mobilization of USD 100 billion commitment, is the issue of which finance—public, private, grants, loans or other instruments classified as that under the USD 100 billion commitment. This raised the concern to address the lack of clarity on what comprises green and climate finance. Further, there is also a lack of common definition and standardized framework to evaluate capital flows towards green finance. As a result, there is a need for more standardized

definitions and framework.

d. Areas to invest beyond renewables and means of financing the same

All panelists agreed that renewables in India had managed to garner large-scale financing and was now largely financed via the private sector. Other areas which now must be pushed for are electric mobility, waste management, circular economy, managing of air pollution, accessibility and quality of water resources, and agriculture. Panelists highlighted that a lot of these areas may not have a clear returns to investment and, therefore, may need initial public financing to pave the way for more feasible avenues for private sector. On developing newer instruments to facilitate finance, panelists agreed that blending sources of finance can minimize the risk and maximize the scale. Innovative financial instruments can be developed but they require more support in terms of legal structure, baselining, and generating interest among relevant parties. This is more so when developed especially for newer sectors.

Panel 2: Transitioning to a Green Financial System in India

Moderator: Mr RR Rashmi, Distinguished Fellow, TERI

Speakers:

- **Ms Yasmine Moeziniz**, Head of COP26- Private Finance Team, HM Treasury
- **Mr Amit Rama**, Senior Vice President, UK Climate Investments
- **Dr Sanjeev Kumar Singhal**, Chairman, Sustainability Reporting Standards Board, Institute of Chartered Accountants (ICAI); Central Council Member, ICAI; Vice Chairman, Accounting Standards Board, ICAI; Partner, S R Batliboi & Co. LLP
- **Mr Abhinay Jaiswal**, DGM-Project Finance Cell, New Delhi, State Bank of India (SBI)

Mr RR Rashmi started the second session of the webinar, by mentioning the poll that was conducted for the audience as a very efficient tool to understand people's perception. He mentioned

how people don't attribute the success of the energy transition and the work that India has done with respect to climate change to the commercial systems present in the country. He introduced the subject of discussion for the session on how to green the financial system, reiterating on Mr Mohapatra's remarks cautioning about strengthening the efforts already in place in the country to transition the financial system towards the green side. He highlighted how at the international level leading global financial actors have taken proactive steps of aligning their investments towards greener and more sustainable financial projects. At the national level, India has experimented with concessional finance through commercial and the banking system, as well as the green bond market. Even though India is leading in accessing the capital market with the help of green bonds, this process of sustainable investments needs to be further scaled up to shift towards a low-carbon economy. This is where the question arises of what financial system can do to transform itself and make this acceleration process of sustainable financing easier and more accessible to the players.

He stressed on Mr Mohapatra's point on disclosures, taxonomy, innovative financial products, which are used by financial system to help attract larger equity finance. He also highlighted Mr Sindwani's point on debt finance which spoke about how the economic system has now matured enough to be able to drive green finance in areas where economics plays a role, but policy framework is still needed in areas where equity finance is not moving on its own.

With this background he introduced the panel consisting of experts who could add to this discussion. He introduced the panelists and called them for their opening remarks, which was followed by specific questions being addressed to them.

Ms Yasmine Moezinia started the panel by her introductory remarks on her role and the responsibility of the COP26 private finance which is led by Mark Carney, in his capacity as the UN special envoy for climate finance and the finance advisor to the Prime Minister for COP26. The

focus of this unit, as highlighted by her, is to build a system that mobilizes private finance to support the re-engineering of our economies for net zero, which is the objective for the private finance work. This objective, which was also the subject of the panel, is to ensure that every professional financial decision takes climate change into account. This requires the right framework for the financial sector to be able to allocate capital to manage the risks and seize the opportunities in this transition to net zero. She went on to highlight the aim of the unit being to work with the private sector as well as other stakeholders to develop a framework of Reporting Risk management Returns and Mobilization (RRRM).

She expanded on this framework, where Reporting looks to improve the quantity, quality and comparability of related disclosures by implementing a common framework built on the Task-force for Climate related Financial Disclosure (TCFD) recommendations. Under risk management, the financial sector must ensure that it can manage and measure climate-related financial risks. Returns implies the work that is being done to help investors identify the opportunities and risks in the transition to net zero and report on how their portfolios are aligned for transition across the whole economy. Mobilization is about increasing private financial flows to emerging and developing economies, and for the unit means connecting available capital with investable projects to encourage new market structures.

She mentioned that the focus of this work is not just limited to the agenda of COP but is also the reality of society placing a greater value on resilience and sustainability. The interest in environmentally-sustainable investment is growing globally, as international investors are putting climate change concerns at the heart of their investment processes. She gave an example how 126 governments at the national level have committed to net zero targets, robust climate risk management practices and standardized disclosure guidelines, but critically in line with the globally- accepted best practices. These are key to providing the answers

for investors for allowing them to understand the risks and opportunities and for supporting the economy transition to net zero. She mentioned UK's expertise in internationalizing such efforts through multilateral initiatives like the network of central banks and supervisors for greening the financial system and TCFD.

She concluded by emphasizing on Mr Rashmi's point on how the focus around global cooperation needs to keep disclosure and taxonomies in mind, and some degree of international coherence needs to be made while making allowances for country specificities.

Mr Amit Rama in his opening remarks mentioned his organization's profile, as a joint venture between the UK government and Macquarie group, which is the fund manager for a £200 million pool of capital and the UK government is the sole investor and this group is a minority equity investor in renewable energy and energy efficiency infrastructure in India and Africa, having invested about £80 million in India. He went on to explain how they play an important role as one of the pioneers of clean reporting methodologies, particularly for mitigation-related projects, playing a leading role in contributing to development of various standards both in the UK as well as the international finance arena.

In his opening remarks, **CA (Dr) Sanjeev Kumar Singhal** mentioned how his organization ICAI, as a government initiated regulatory body, is taking initiatives on SDGs and related fields, working on the social stock exchange along with SEBI, and with NITI Aayog with respect to implementation of SDGs by the private sector. He mentioned how the organization is coming out with an auditing standard on greenhouse gas emissions, as well as working on and auditing standard on the social audits. He mentioned how green finance is the need of the hour because the top five problems that the world faces are climate related, which are extreme weather, climate action failure, natural disasters, biodiversity loss, and human-made environmental disasters. He went on to highlight how the Indian green finance market is at an early stage of

development, though India is the second largest green bond market among emerging economies but there is a high demand for green bonds and what is required is a consistency and uniformity in the definition of green finance. He briefly spoke about how regular scorecard can be developed for financial institutions working on prime lending rate, as this rate can be lower for green finance, and working out a scoring criteria becomes objectively important, and should be aligned to the 17 SDGs. He went out to give the example of how NITI Aayog's dashboard for India's achievement towards SDGs is a good place to start to develop a green finance taxonomy on lines of the SDGs to ensure standardization and incentives or disincentives can be accordingly given to the different sectors.

Mr Abhinay Jaiswal, in his opening remarks, as part of a financial institution like SBI, mentioned how they look at project financing which are within field projects with long gestation period, and out of this renewable energy is the focus. He mentioned about the poll earlier conducted during the session, which specified how commercial banks have been leading in the green finance arena, with SBI a leading bank providing renewable energy in India. He also mentioned how SBI is looking to provide for projects which are costlier with regard to material, to not only support the system in capacity addition, but also provide affordable finance, and re-finance those projects which have already been installed. He raised the point that unless Public Sector Banks in India take a massive and supportive role in green financing, the momentum desired to reach the 2022 target, with regard to renewable and solar energy, will not be achieved, where the banking sector needs to be more aggressive. He mentioned that the issues within the banking sector are of renegotiation of PPA. He also mentioned the need of complying with the ESG governance to ensure sensible bankable proposition, which will help play a major role.

After the opening remarks by the panelists, **Mr R R Rashmi** went back to Ms Yasmine Moezina, highlighting her point on the UK government's aggressive implementation approach of TCFD,

and the number of steps that have been taken to accelerate sustainable investments. He enquired her view on rating the performance of UK's financial system, specifically asking her about her viewpoint on the extent to which it has moved towards the greener side, and what are the lessons from this for India.

Ms Yasmine Moezina responded to Mr Rashmi's question giving two perspectives. From one side, she introduced the point on what the government has done and how the national financial institutions are leading the way in policy terms, specifying what the financial sector in the UK is doing and has done to advance the topic and sophistication around climate in the UK. She expanded on this point by giving the example of the Prime Minister's 10 point plan, which spoke about green industrial revolution in the UK, with one point specifically focused around green finance, climate finance, and the implementation of TCFD being made mandatory. She gave another example around the commitment to develop a UK taxonomy. The third example she highlighted was around sovereign green bonds, which are already present in India at an advanced stage, which is also in combination with what national authorities like the Bank of England had announced, specifically around climate stress testing. These examples highlighted the progress done on the policy side, and much of this policy leadership comes from momentum from the private sector. She gave the example of how even before UK's announcement on making TCFD mandatory by 2025, support for that disclosure regime had grown to over 1600 organizations internationally, highlighting the lesson about private sector entities being able to start a momentum for these initiatives giving the government a strength of conviction.

She also referred to Climate Finance Leadership's initiative on investment readiness guidelines, which gives lessons around the interaction between policy environment and private sector action, where public and private sectors can come together to work towards driving the agenda forward. She mentioned that one of the recommendations was around importance of creating enabling policy

environments to facilitate the kind of investment required. So, if capital is ready and can be deployed from the private sector side commitment, it needs to be matched with policy action.

She concluded by saying that how actors from private sector can take the first step in trying to unlock something which is critical for the growth in advancement of greening the financial system, helps the whole economy transition to net zero, and align with Paris goals.

Mr R R Rashmi then went on to request Mr Amit Rama to highlight his viewpoints on whether the Indian corporate world is ready for the corporate decision-making process which involves internalizing climate and environmental risks. He specifically asked whether this makes business sense for these corporates and would any signals be required to actually drive them in this direction.

Mr Amit Rama responded to Mr Rashmi's comments by stating how the Indian corporate world is already facing some of the climate challenges. For example, industrial facilities in flood prone areas are suffering more frequent floods. In terms of whether they've systematically incorporated this into the regular decision making for all commercial and industrial activity is something that he did not have visibility over but is something, according to him, corporates are thinking about. He mentioned how even in Europe not all corporate boards are thinking about climate risks across their commercial activities. However, it is a theme that has risen in corporate agenda over the last 2–3 years and within the Indian corporate system there will be similar prioritization of this topic.

He went on to focus his discussion on how certain actions by policymakers could accelerate the prioritization of these decisions, for example, through disclosure standards. He gave the example of the London Stock Exchange which has imposed disclosure standards on listed companies. Similarly, if SEBI goes beyond the green bond disclosure requirement and imposes similar disclosure requirements on equity issue on the Stock Exchanges in India, it would start accelerating the consideration around this topic and make it a bigger

area of focus for corporates. He highlighted how already many of the large industrial corporates are already thinking about this but more participation is required.

Mr R R Rashmi reiterated on Mr Rama's point on how there is still a long way to be covered by most of the corporate entities not only in India but around the world, but there are ways in which these challenges have been tackled and steps can be taken.

He turned to Mr Singhal for his further perspective and guidance on the same. He mentioned to Mr Singhal how one of the requirements which SEBI has imposed on the corporates in India is that the top thousand listed companies must have business responsibility report with the requirements finalized. Keeping this in mind, the question raised to Mr Singhal was his perspective on what some specific measures may be needed to be taken by the corporate world.

CA (Dr) Sanjeev Kumar Singhal responded to Mr Rashmi's question by firstly specifying how Business Responsibility Reporting (BRR) has been replaced by Business Responsibility and Sustainability Reporting (BRSR), and the new requirements under this are very comprehensive and different from the existing requirements. This has been proposed to be applied to all listed entities and some selected unlisted entities above a certain threshold. He highlighted that the requirements under BRSR is the classification between mandatory disclosures and leadership disclosures. This implies a forward-looking company can give various leadership disclosures, and the expectation is that over a period of time these leadership disclosures will become mandatory disclosures. Being a very comprehensive requirement, it is important to keep in mind that even though benefits will exceed the costs, there still will be significant cost for this disclosure, and hence a lot of preparation will be required. SEBI is re-looking at whether something else should be asked for or something should be modified as per corporate India's requirements. He also mentioned how they can be converted to sustainability index and be linked to SDGs 2030 to

have the most impact.

Mr R R Rashmi built on Mr Singhal's comments on sustainability index. He raised the question on how the financial system can provide capital and finance these companies. He specified how it is important to see if this will adversely affect the sustainability or corporate viability. With this in mind he turned to Mr Jaiswal who spoke about policy constraints which need to be resolved. Mr Rashmi raised the question to Mr Jaiswal that apart from the gap of policy uncertainty, are there any other gaps within the financial systems, with regard to policy measures, that need to be closed and some of the constraints which need to be removed, which are critical for mobilizing and moving sustainable investments.

Mr Abhinay Jaiswal highlighted that from the banking point of view, any banker is comfortable as long as there is certainty or reasonability of returns to them and safety of the funds. This can be seen in how banks have been comfortable with solar and green in the past. However, it is important to note that these are very long drawn projects, with PPA for 20–25 years. The silver lining is that execution time is short term, and hence the risk is minimized. Banks moving to the green financing will become faster when there is certainty, viability, and more predictability. The other issue that rises is availability of land. Both these points highlight how renegotiation of PPAs is a major issue and resolving these measures will help speed up the involvement of banking sector.

Mr R R Rashmi concluded by mentioning how there is a need of certainty to support long-term investment. He went on to sum up by thanking each panelist for the extremely informative and useful remarks, with ideas which are extremely valuable for India's financial system and the corporate system. The idea of generating the sustainability index for corporates, integrating the disclosure norms at time of issuing the equity, enlarging the green bonds, focusing on ESG governance issues and of course taxonomy for finance will all help us move towards sustainable finance at a much larger scale.

Key Takeaway:

The aim of this session was to address the key questions and issues that arise regarding the strengthening of green financial systems in India, especially when discussing the need to accelerate sustainable finance. There is especially a need to understand what can the financial system do to transform itself and make this acceleration towards sustainable finance easier and more accessible to a more varied number of players in the financial system. The key takeaways from this session were as follows:

a. Developing Framework a Standardized or Taxonomy

As mentioned in the first session, the panelists of the second session also highlighted the need of a standardized taxonomy. There is a need for the right framework to be developed globally and domestically, both of which are complementary to each other, to allow a greater participation of different financial actors, especially private sector in green and sustainable finance. The panelists highlighted how this framework should follow the template of defining green finance, encourage climate risk management among corporates, standardize disclosure guidelines, and allow investors to understand the opportunities and help mobilize the required finance. It was also pointed out that a taxonomy for green finance should be developed in line with the SDGs. Additionally, for monitoring of the corporate actions, a scorecard which is aligned with SDGs (sustainability index) can also be helpful.

b. Policy and Private Participation work parallel

The panelists highlighted policy certainty as a prime need for encouraging and accelerating private interest. Policy certainty can also help in accelerating the prioritization around climate risk discussion for overall general workings of the corporates. The progress from the policy side and the private side go hand in hand, where momentum in action from private side can help initiate progress in the policy side and vice versa. Actors from private sector can take first step to

unlock policy response, for example, through strong disclosure mechanisms, which may allow creation of enabling policy environments. This policy certainty can also allow banking sector participation to gain momentum and be more aggressive in terms of long-run actions.

Closing Remarks

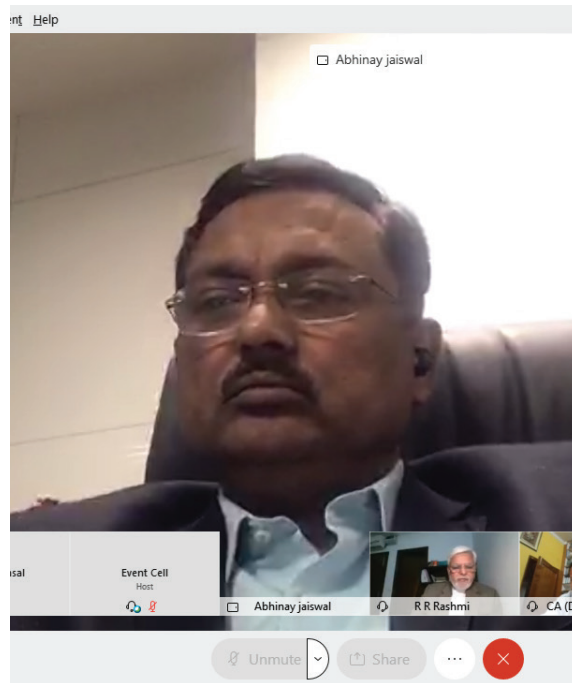
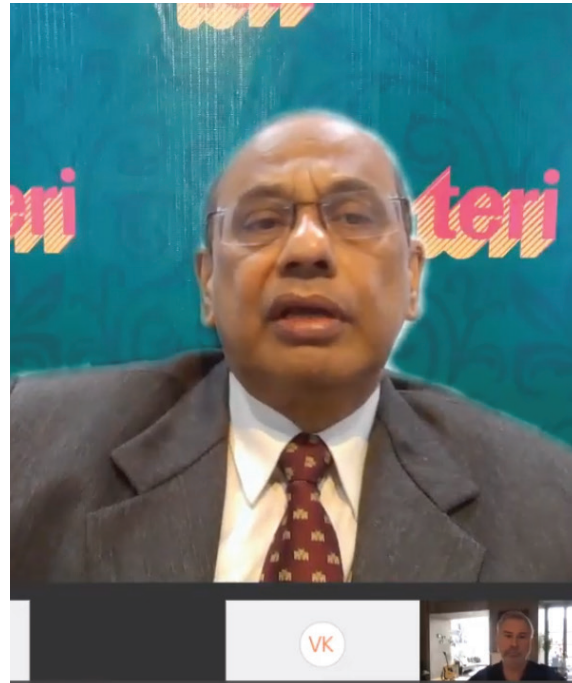
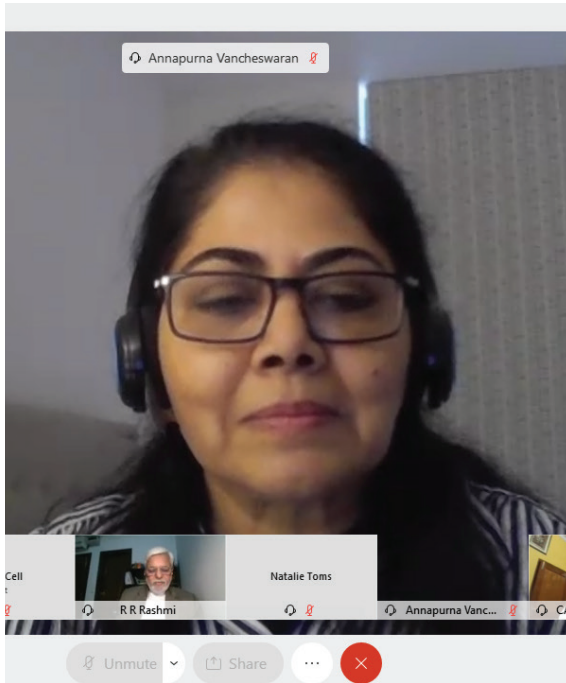
Dr Annapurna Vancheswaran, Senior Director, TERI requested Mr Rahul Ahluwalia, the first Secretary (Financial Services), British Deputy High Commission, to give his concluding remarks and close the session.

Closing Remarks

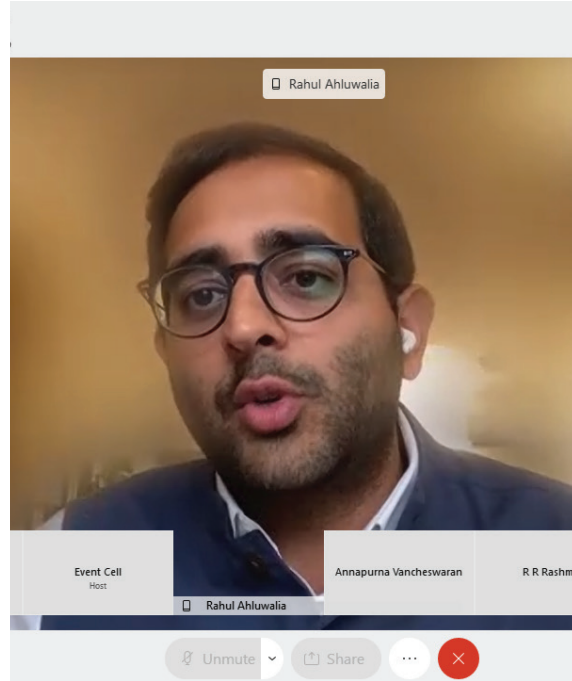
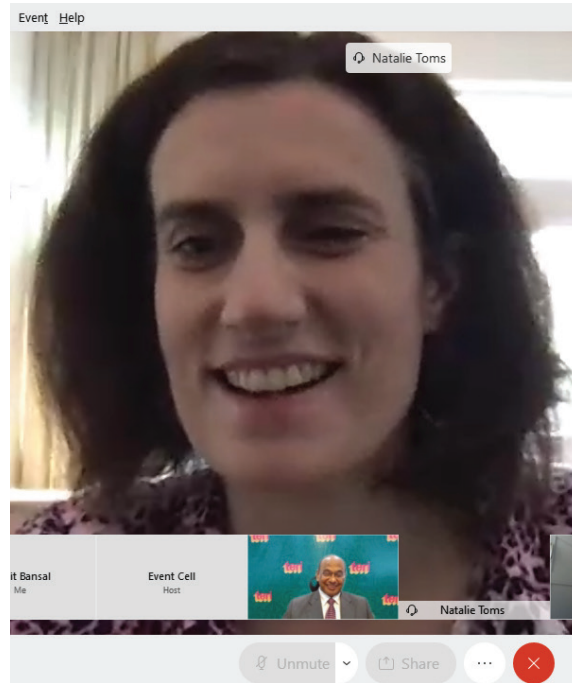
Mr Rahul Ahluwalia, First Secretary (Financial Services), British Deputy High Commission

thanked the panelists for their insightful viewpoints. He made a reference of the huge range of initiatives at the domestic level in both countries, as well as the bilateral and global level initiatives, which provide a landscape of collaboration opportunities to deepen India and UK's partnership and to build a more productive engagement. He mentioned the economic and financial dialogue between the Chancellor of Exchequer and the Indian Finance Minister agreeing on a new mandate for sustainable finance forum between the UK and India. He also mentioned the private sector working groups, think tank collaborations and other partnerships, which are already existing and doing great work, and hoped that the session will help build on these for a productive engagement for mobilization of green finance and greening the financial system.

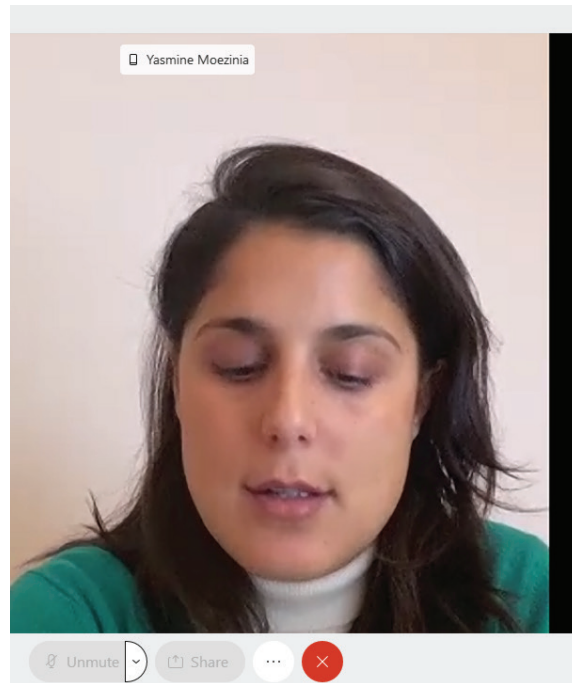
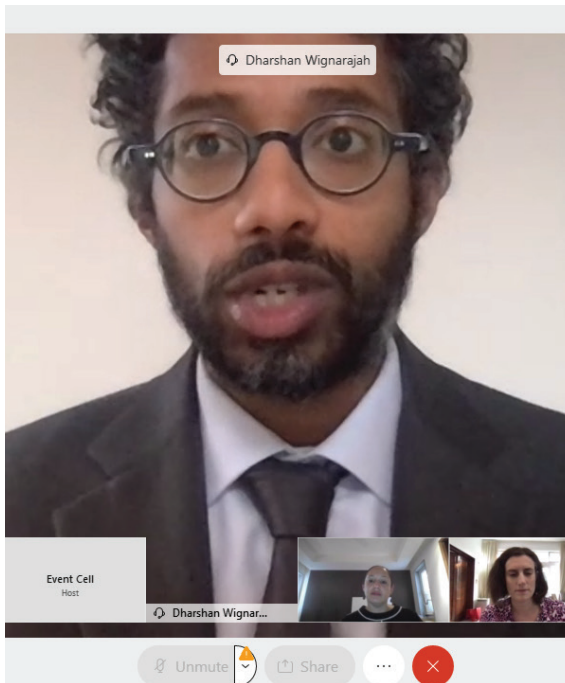
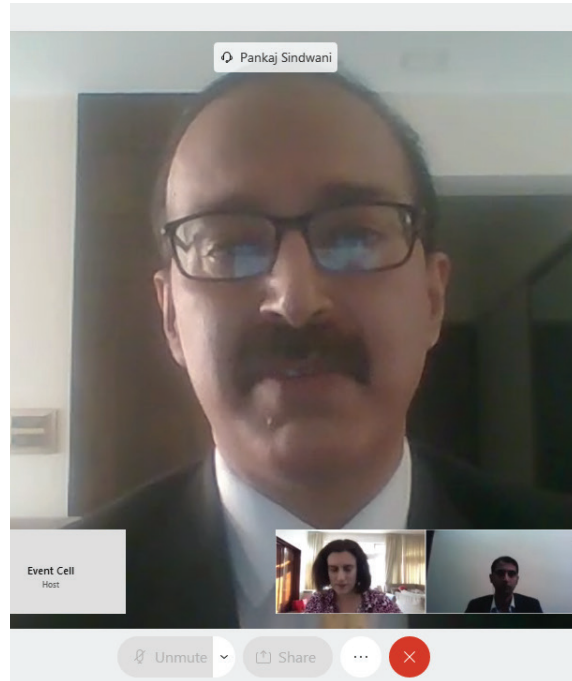
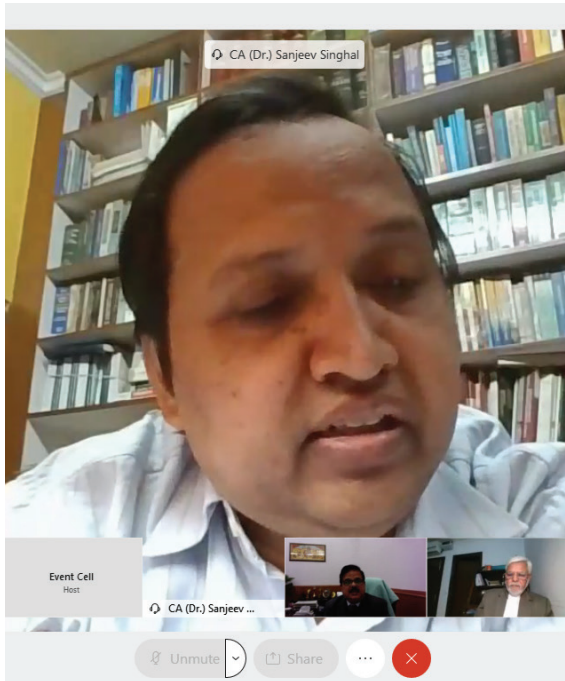
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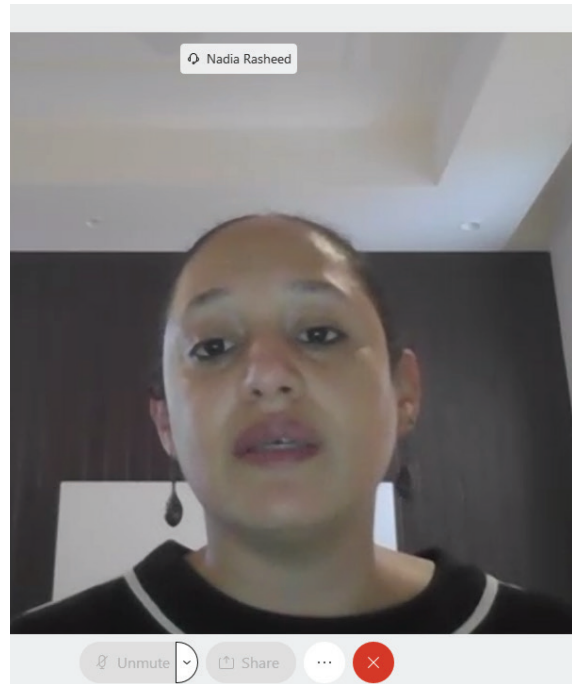
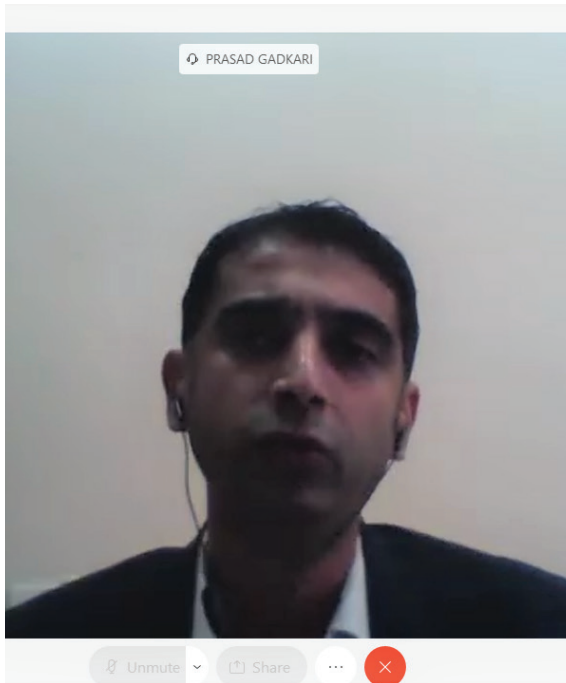
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