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WORLD SUSTAINABLE DEVELOPMENT SUMMIT 2022

TOWARDS A RESILIENT PLANET: ENSURING A SUSTAINABLE AND EQUITABLE FUTURE

Virtual Stakeholder Roundtable on 'Mobilizing Green Finance for Strengthening Climate' for COP26 Charter of Actions

UN CLIMATE CHANGE CONFERENCE UK 2021
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Date: 17 August 2021
Time: 15:00–16:30 hrs (IST)
Duration: 90 minutes

COP26 CHARTER

THE ENERGY AND RESOURCES INSTITUTE

The Energy and Resources Institute (TERI) is an independent, non-profit organization, with capabilities in research, implementation and outreach. TERI has multidisciplinary expertise in the areas of climate change, natural resources, environment, energy, and sustainable development goals. TERI's research and research-based solutions have had a transformative impact on industries and communities. It has fostered international collaboration on sustainability action by creating a number of platforms and fora. Research gets translated into technology products, technical services, as well as policy advisory and outreach. Headquartered in New Delhi, TERI has regional centres and campuses in Gurugram, Bengaluru, Guwahati, Mumbai, Panaji, and Nainital.

WORLD SUSTAINABLE DEVELOPMENT SUMMIT

The **World Sustainable Development Summit (WSDS)** is the annual flagship event of The Energy and Resources Institute (TERI). Instituted in 2001 as the Delhi Sustainable Development Summit (DSDS), the Summit series marked 20 years in its journey of making 'sustainable development' a globally shared goal. Over the years, the Summit platform has brought together thought leaders, heads of state and government, scholars, corporates, youth groups, and civil society representatives from across the world. The Summit series has established itself as a responsible and an effective platform for mobilizing opinion-makers to identify and advance pioneering actions to address some of the most relevant issues concerning sustainable development. Perhaps the only Summit on global issues taking place in the developing world, WSDS now strives to provide long-term solutions for the benefit of global communities by assembling the world's most enlightened leaders and thinkers on a single platform. The 21st edition of WSDS will be held between **16-18 February 2022,** under the theme, **Towards a Resilient Planet: Ensuring a Sustainable and Equitable Future.**

ACKNOWLEDGMENTS

The team expresses gratitude to Dr Vibha Dhawan (Director General, TERI), Mr. Manjeev Singh Puri (Distinguished Fellow, TERI), Mr. R. R. Rashmi (Distinguished Fellow and Programme Director, TERI) and Ms. Suruchi Bhadwal (Director, TERI) for their leadership and guidance in conduction the dialogue. We would like to thank Mr. Anoop Variyambath (DGO), Ms. Shailly Kedia, Ms. Anuradha Mathur, Ms. Nivedita Cholayil Ms. Neha Joshi, Mr. Kaushik Guha (WSDS); Ms. Sonal Bajaj, Ms. Sonali Mathur, Ms. Ritu Ghai, Mr. I I Jose (Events team); Ms. Aastha Manocha, Ms. Tanuja Mehta, Mr. Shreyas Joshi, Mr. Sumit Bansal, Mr. Neeshu P Srivastava (Communications Team); Ms. Dolly Sangle, Ms. Aarti Parmar, Mr. Varun Prakash Pandey, Mr. Rohit Chauhan and Mr. Paras Verma (IT); Mr. Santosh Gautam, Mr. Raman Kumar Jha, Ipshita Mitra (TERI Press) for communication, coordination and technology support during the event.

DOCUMENTATION

The documentation is not an exact transcription and some editing was done to make the messages clearer for the reader.

SUGGESTED CITATION

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CONTACT

WSDS Secretariat: wsds@teri.res.in

EXECUTIVE SUMMARY

In the run up to COP26, there is an increasing global push for faster and deeper mitigation and adaptation, with the focus largely being on means of enhancing climate ambition. For enabling this ambition, a key issue recognized was with regard to financing. Green finance is the central issue for enabling climate actions and low carbon transitions, covering both private and public finance. A number of barriers have been recognized, when looking at financing low carbon or green transition. It is the global community that needs to get ready to frame new finance goals, especially considering the progress on achieving the US$ 100 billion per year target has not been met. Issues such as accounting for grants vs. loans; estimating the climate-specific finance requirements at national levels; increasing transparency in tracking climate finance flows; and ensuring the finance mobilized for climate-relevant activities are "new and additional", and these must be highlighted.

In this context and with mounting green finance requirements in the implementation phase of the Paris Agreement – which started from 2021 – there is an urgent need to focus on feasible means of mobilizing climate finance from across a broad range of stakeholders, including the private sector, commercial banks, and other domestic sources in developing economies. With this background, a webinar was organized for experts to engage in a discussion on the most critical requirements and the way forward for facilitating the mobilization of green finance. The following questions were laid out to guide the round-table discussions:

- What is required to strengthen the climate finance framework to achieve an equitable and just supportive framework for climate ambition in the Global South?
- Which areas have untapped potential for mobilizing green finance? What actions are needed to fill the gaps for realizing this ambition?
- What support is required to align the Indian financial sector with the global developments taking place in the area of green finance?
- What are the finance measures needed until 2030 and what must be implemented until 2050?
- How can the international community play a role in supporting India's transition to a green financial system?

The round-table included experts from the public, private, and financial sectors who spoke on the challenges that need to be addressed to allow mobilization of more finance. From a public sector perspective, the lack of green finance from international sources was highlighted as an important point to reckon with. The fact that it must be ramped up was also supported by an international representative who recognized this need and mentioned the steps being taken to address these gaps. Specifically, many globally recognized good practices were mentioned, and India's success through collaborative approaches was also highlighted.

The discussion also brought forth the major gap in terms of lack of clear taxonomy, or definition of what constitutes green finance. This gap especially hinders the flow of finance and must be addressed on an urgent basis. Another gap highlighted by most of the participants was the lack of a strong regulatory and policy framework. This gap also feeds into the lack of private sector participation in the climate finance landscape. Hence, a policy framework should be strengthened to help leverage greater private green finance.

Various financial instruments were also discussed that could be adopted for helping mobilize green finance, such as green bonds, blue bonds, blended finance facilities, etc. The instruments should also be integrated at both the national and sub-national levels to ensure public finance flows are also aligned with the green agenda.

PROCEEDINGS

Welcome and Theme Setting

Ms Tamiksha Singh, Associate Fellow, Centre for Global Environment Research, TERI

Ms Singh introduced the objectives of the round-table discussion and invited the speakers for a discussion

Presentation by TERI on COP26 Charter Chapter

Ms Saumya Malhotra, Project Associate, TERI

Ms Malhotra's presentation gave an overview of the landscape of green finance in India. The scope for raising ambition was highlighted, along with barriers that must be overcome to help mobilize green finance. The possible solutions and recommendations from a short-term, medium-term (till 2030), and long-term (unto 2050) perspective were also discussed. These solutions should be complemented with international community involvement, keeping in mind the equity perspective of assistance.

Round-table Discussions

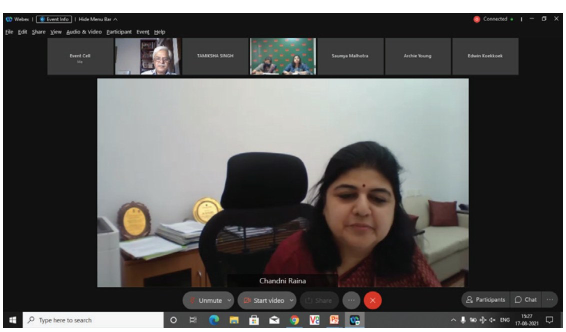
Chair: Mr R. R. Rashmi, Distinguished Fellow and Director, TERI

Mr Rashmi started the panel discussion with his remarks on how finance is a well understood enabler and requirement which underpins climate actions. He put in front of the panellists the issue of understanding the need to raise finance from the perspectives of the public sector, development finance, and private sector. This was

the key challenge as governments try to mobilize their resources and use them efficiently and effectively, he said. Mr Rashmi specifically called attention to how 80% of climate resources mobilized in India were from domestic sources, with most of this being from commercial sources. This further raised the question of how contributions from all stakeholders could be leveraged. The conversation steered to how carbon intensity on climate action may become the central focus in the future, hence demanding timely financial intervention. The importance of green finance in the contexts of climate change, sustainability, and recovery in the aftermath of the COVID-19 pandemic must be recognized, he asserted.

With this stimulating introduction, Mr Rashmi invited all the panellists including stakeholders from diverse fields to share their comments on the need to raise the scale of green finance mobilization.

Ms Chandni Raina, Economic Adviser, Climate Change Finance Unit, Ministry of Finance



Ms Raina started the discussion by pointing out the importance of mobilizing resources for greening the economy to ensure a seamless recovery in the post-pandemic world. In the run up to COP26, she mentioned the lack of definitional clarity on green finance and the need to address this issue on priority. With regard to climate finance, which is often interchangeably used with green finance, she focused on Article 4.7 of UNFCCC, which specifies the need for climate finance to be provided by the developed countries to the developing countries. Building on this, she specified how the extent of climate action by the developing countries is limited to what the developed countries provide, thereby highlighting the need to enhance climate financing over time.

She gave an overview of the Indian context, and said, how though our country is leveraging several initiatives, it still requires adequate international support to scale up the efforts. She discussed the key requisites to strengthen the global climate finance framework in terms of speed, scale, and scope. There is a need to be certain that climate finance is developed as a new and additional finance, with predictability and transparency of flows to ensure integrity, she signed off.

Mr Archie Young, UK Lead Climate Negotiator

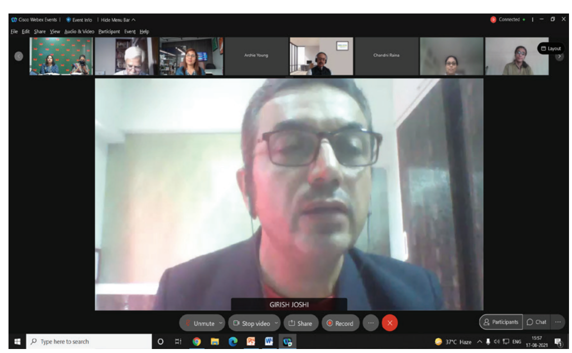
Mr Young emphasized how finance underpins the endeavours to keep to the goal of 1.5°C. He reiterated the findings of the latest IPCC report, specifying the need to ace climate action. Finance is a core priority for COP26 where one of the main goals is the need for finance mobilization, he added. Further, he highlighted the need for all the countries to accelerate ambition, consistent with the principle of “Common but Differentiated Responsibility”, with the developed countries leading the way, and the developing countries being encouraged to enhance their ambition. He also gave prominence to Article 2.1, which is increasingly being raised across the board, and explained how there is a necessity to align all finance targets with climate goals.

Next, he pointed out how the US$ 100 billion target had not been met yet, but pushed for all the donors to deliver urgently, referring to how they must work on a plan to meet this goal before the 2025 deadline. Specifically, through the examples of Germany, UK, and Japan with their new methodologies in place, Mr Young gave an overview of finance commitments being ramped up. He also commented on the critical nature of access to finance, with the UK and Fiji Islands assuming the lead. Adding to international initiatives, he drew attention to the partnerships and collaborative approaches, such as the Glasgow Financial Alliance on net zero, which has signatories with over US$ 70 trillion in assets. He talked about UK–India cooperation, with India working on some very successful and ambitious initiatives, such as the UK–India road map with climate and sustainability being the central themes; UK–India Sustainable Finance Forum; and UK-India Green Growth Equity Fund. The need of the hour is to broaden the green finance ambit with new partners and approaches to realize climate goals, he concluded.

Ms Namita Vikas, Founder and Managing Director, ActusESG

Ms Vikas emphasized the fact that the first step to help mobilize finance is to deploy robust policy measures to catalyse finance and enable transitions. She gave the example of YES Bank, which issued India's first Green Bond, and was primarily on RBI's guidance and supportive policy measures. She pointed out how green finance in the global south should be well meshed with NDCs and SDG targets, which can provide big commercial opportunity. The "risk-return-impact" framework must be decided on along with the financial architecture having a "green reset", she suggested. The key areas that she focused on were earmarking finance for decarbonizing, tracking impact of current investments, and tagging of assets. She also discussed ideas on incorporating national development banks and tracking their finance for climate projects, exploring transition bonds as a new asset class for transitional projects, Indian DFIs as a vehicle, and blended finance facility. In her concluding remarks, she specified the need to take immediate steps towards mainstreaming climate disclosures and developing a common framework, which will provide clear signals to the larger economy.

Mr Girish Joshi, Chief – Trading Operations, BSE Limited



Mr Joshi began by alluding to the fact that India is advanced in terms of its finance infrastructure and ability to mobilize finance, however, there is a need to focus on developing a common taxonomy. This should be done keeping in mind the global definition with a common framework. Business principles and benchmarks too must be made more uniformly understood. He specified the need to ensure common standards so that competitiveness is not harmed. He brought to attention how private equity is an underexplored area with high potential in green finance. Expanding on this idea, he explained how a new FDI from this channel is prioritizing finance. However, equity finance is limited in quantum, he cautioned.

Further, he discussed the bond instruments, where he hinted at how incentives for green finance are still unclear. This is due to the high cost of certification, verification, and the cost of due diligence, which must be subsidized by international investors in green projects. This should be given priority since international investors could help in attracting domestic financiers. It is important to develop a structure unique to India for re-financing assets and enabling tax exemption, he advised before signing off.

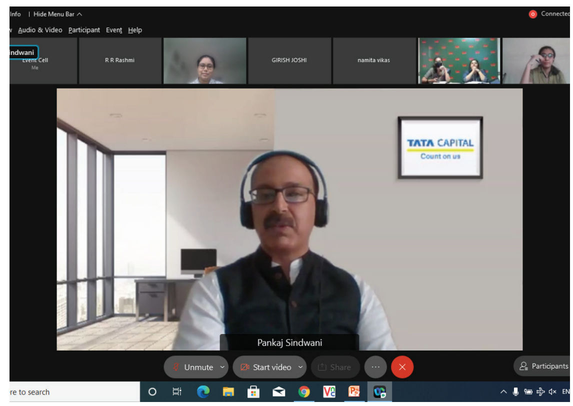
Ms Priya Shankar, India Director, Climate and Environment Program, Bloomberg Philanthropies

Ms Shankar highlighted the fact that among emerging markets, India's strong renewable energy policies and targets have been successful in attracting investments, which should be further scaled up since more investment is required. She also talked about how philanthropists could be the catalysts in this regard. Supporting this, she gave the example of Bloomberg's focus on climate finance goals in terms of the following key points:

1. Data and transparency – information on climate risks and robust data;
2. Raising ambition of private finance;
3. Mobilization of finance for India and intergovernmental organizations such as ISA.

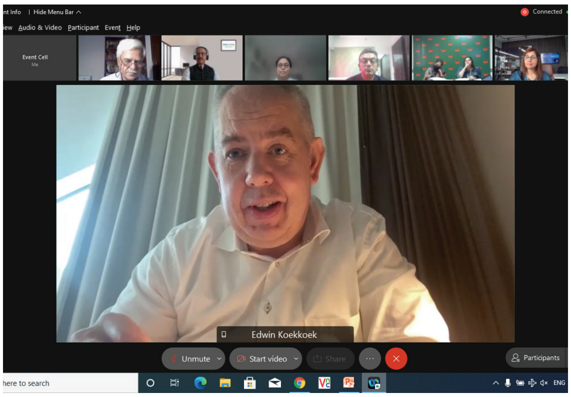
There is a need for more climate finance through innovative and blended finance instruments, which should be initiated with collaborative approach through public, private, and civil society, she concluded.

Mr Pankaj Sindwani, Chief Business Officer, Tata Cleantech Capital Limited



Mr Sindwani shared a perspective from the private sector by highlighting how commercial banks are increasingly funding green projects. This especially becomes critical since the US$100 billion goal is not sufficient, and hence, the need for including private capital becomes crucial. He went on to mention the need for diversifying green investments. Specifically in some areas, public finance is crowding out private capital from the market, and hence, public finance must rethink its role as a catalyst to plug the viability gap, provide guarantees, and leverage the increased private finance. Public finance should be aimed at de-risking new and marginal sectors key for climate ambition. He identified how the two segments – public and private finance – are working against each other, and there is a need to understand their roles and objectives so that they can work together. In conclusion, he stated how private finance should go beyond renewable energy and energy efficiency, and there is in fact a need to focus on developing an enabling framework for other under-invested sectors.

Mr Edwin Koekkoek, Counsellor on Energy and Climate Action, EU Delegation India



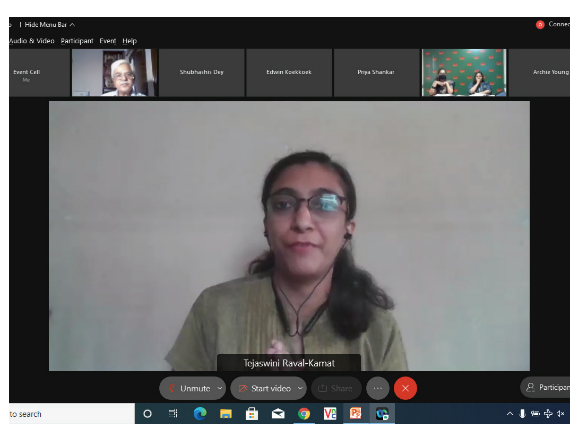
The EU, as underscored by Mr Koekkoek, is trying to use the COVID-19 recovery agenda for transitioning to green. He specified how conventional investments in this setting could lead to stranded assets. He presented EU's case, where it had reorganized to become greener through measures such as – (a) Green New Deal, which puts economy in a new direction; (b) a recovery agenda to be green and strengthen European Green New Deal, with the aim of greening investments, innovation, and research; and (c) a package to update the existing legislations. He mentioned how all these were elements of boosting investors' confidence and predictability. Mr Koekkoek went on to talk about how this will also set the stage to make sure growth is on a green trajectory now and provide long-term clarity to all stakeholders.

Similar to the interventions made by previous panellists, he also highlighted the need for a common taxonomy and understanding of green finance. He mentioned how this was specifically important to mobilize investment from the EU to India. Standardizing frameworks, generating awareness, building capacity, disseminating information, and de-risking are all important areas. Minimizing risks in specific sectors and strengthening collaborations will help India attract international financial support, he added.

Mr Shubhashis Dey, Director, Climate Policy, Shakti Sustainable Energy Foundation

Mr Dey focused on the need for clear policy signals to strengthen investors' confidence. He pointed out how DEA is developing a sustainable finance framework and taxonomy, which could be a step in the right direction. This would further help private investment which will require a strong policy regime to enable stability. He mentioned the need for (a) data and transparency in the corporate and financial systems; (b) science-based targets; and (c) capacity building for project developers and financial sectors to ensure a green and just transition. From the viewpoint of the public, he mentioned the need to increase leverage capacity of public finance and how sub-national level interventions through steps like green budgeting can also help immensely, he concluded.

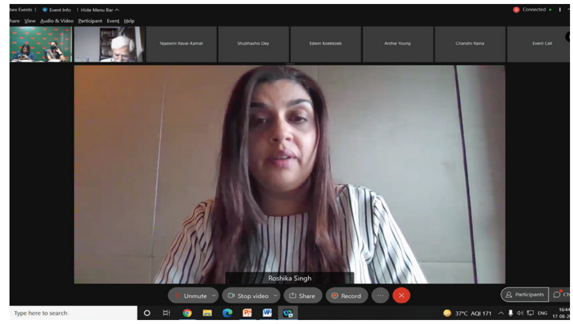
Ms Tejaswini Raval-Kamat, VP and Head ESG & Impact, EverSource Capital



Ms Kamat mentioned how developed nations should pool their finance for long-term and low-cost capital, and credit lines must be backed by international finance. She also highlighted the need to establish suitable guarantees-support frameworks for attracting new private capital. From the technological perspective, she spoke on the need to provide grants for accelerating development and deployment, thereby creating wider awareness. This would allow a just transition, which should be integrated within the policy-to-finance spectrum, supporting all that had been highlighted in the previous discussions as well.

Ms Roshika Singh, Acting Country Manager, International Finance Corporation India, World Bank Group

Talking about the international community, Ms Singh foregrounded how the able support from international organizations can be in the form of mobilizing their own funding, and being clear on the roles of public-private finance. She mentioned how 85% of all new investments for IFC will be aligned to climate goals, showing how demonstration projects are a good way to understand investing in new areas. Taking a leaf from the discussion points of the previous speakers, she also highlighted the importance of taxonomy.



She went to state how green finance is a profitable business, however, the challenge in the financial sector is mainstreaming climate resilience into their working, decarbonizing their portfolios and the associated climate risks. She also complemented this by giving the possibility of solutions through instruments such as green bonds, blue bonds, and risk-sharing facilities. Knowledge sharing and capacity building too can be supported, she added and signed off.

The Vote of Thanks was delivered Ms Shailly Kedia, Associate Director, TERI, who informed that a post-event questionnaire would be circulated through email to all the speakers, in case they want to provide any further inputs for COP26 Charter of Actions.

KEY TAKEAWAYS

The key takeaways from the session, as highlighted by the panellists were as follows:

- Strong taxonomy: There is a need to define green finance and the measures that must be adopted.
- Clear and strong policy and regulatory signal: A strong policy signal should be developed apart from disclosure, and the regulatory system must be in place to incorporate sustainability parameters.
- Disclosure: Disclosure methods developed are on a common green finance definition. This should also be supported by mandating disclosure systems with regulatory backing.
- Deploy financial instruments: Greater focus should be on developing new financial instruments and Annexure

ABOUT COP26 CHARTER OF ACTIONS

The 26th UN Climate Change Conference of the Parties (COP26), to be held from 1–12 November 2021 in Glasgow, will aim to mobilize the action on mitigation, adaptation, and resilience, and strengthen the narrative for better alignment with sustainable development goals. COP26 is to deliberate on four key goals: (i) Secure global net zero by mid-century and keep 1.5 degrees within reach; (ii) Adapt to protect communities and natural habitats; (iii) Mobilise finance; and (iv) Work together to deliver. COP26 will bring together countries, companies, civil society, and citizens on a common platform to work towards to a more sustainable future through adaptation, mitigation, finance, and collaboration.

There is a need to address the developmental deficit in emerging economies such as India while simultaneously taking measures to limit global warming as agreed in the Paris Climate Change Agreement. TERI is preparing a COP26 Charter of Actions which will assimilate questions and challenges posed by keys sectors in India, propose probable and sector specific options which can advance climate action and ambition in the country, and also propose a normative framework for a global agenda on climate ambition and action. The Charter is expected to be released at the COP26 in Glasgow. The discussions from COP26 would culminate in a review at a plenary session at the World Sustainable Development Summit 2022, which would assess the efforts of international climate negotiations in securing a sustainable future, and deliberate on future actions.The Charter will examine the themes of energy, clean transport, nature-based solutions, adaptation & resilience, green finance, business and industry, and equity. The Charter activities are supported by the British High Commission, Bloomberg Philanthropies, Shakti Sustainable Energy Foundation and TATA Cleantech Capital.

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CONTACT

WSDS Secretariat: **wsds@teri.res.in**