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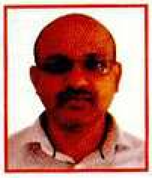

Climate Finance

Mobilising significant private sector investments that work in tandem with developmental initiatives is essential to achieving climate goals. Addressing climate change requires financial resources and wise investments in order to lower emissions, encourage adaptation to effects that are already being felt, and increase resilience.

As in the famous Sanskrit literature सुभाषित रत्नाकर, the quote "पृथिव्यां त्रीणि रत्नानि जलमन्नं सुभाषितम्," (Bhatvadekar) which means there are three jewels on the earth- water, food, and good words. As the quote emphasises SDG 6 and SDG 2, that is quality food and potable drinking water, respectively. These are the two important jewels of climate, directly related to SDG 13, which focuses on climate and environmental issues. Climate finance may play a pivotal role in dealing with climate issues like climate change, rising temperature, global warming, and various natural hazards. (The Global Goals, 2015)

Climate finance refers to the financial resources, like loans, grants, or domestic budget allocations for climate change mitigation, adaptation, or resiliency. This article will emphasise climate finance and its role in making India *Viksit*, i.e., by providing the crucial funds for the growth of green and sustainable economy, and also deals with the various measures like Green Municipal Bonds, Green Budget, Green GDP (Gross Domestic Product), etc., across the country.

This article also delves into the insights and tries to explore the understanding regarding various terms related to climate finance, their working, their role, and importance in making the world green. It also deals with the various measures taken regarding climate change across the country and compares them with the global measures.

According to *Ishopanishad*, "प्रकृति अपने नियमों से संचालित होती है।" which means that nature runs with its own principles and rules, causing life to run smoothly on the planet Earth. And any external contamination may result in havoc on the only planet where life exists. Climate-related issues include rising temperature, outdoor air pollution, species extinction, ocean acidification, the plastic waste crisis, etc., which are reasons caused by human greed and reckless play with nature. According to the Global Forest Watch

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report, the world lost 28.3 million hectares of tree cover between 2010 and 2023, and this is making the scenario even worse. Due to the following problems, this has become a matter of thought for the concerned people of various fields like environmentalists and ecologists, academicians, scientists, researchers, and others, and the business field is also not untouched by this, and climate finance acts as a solution from the side of the business world.

"Climate finance is the funding that supports projects aimed at reducing greenhouse gas emissions (mitigation) and building resilience to the impacts of climate change (adaptation) (Introduction to Climate Finance, 2001)."

It encompasses both public and private investments and flows across local, national, and transnational levels. It is a broad term that includes various financial resources like loans, grants, and domestic budget allocations.

Climate Finance

"Climate finance refers to local, national, or transnational financing—drawn from public, private, and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change (Introduction to Climate Finance, 2001)."

As per the report of Introduction to Climate Finance, 2001, "the Paris Agreement, the Kyoto Protocol, and the Conventions all require Parties with greater financial means to provide financial support to those who are more vulnerable and less well-off. This acknowledges that nations' contributions to climate change, as well as their ability to stop it and deal with its effects, differ greatly. Since large expenditures are needed to achieve meaningful emission reductions, climate finance is essential for mitigation. Since substantial financial resources are required to adapt to the negative effects and lessen the repercussions of a changing climate, climate finance is equally vital for adaptation. It operates on the principle of "common but differentiated responsibilities and respective capabilities," which states that wealthy nations should contribute funds to help underdeveloped nations achieve their goals."

"Article 9 of the Paris Agreement reaffirms the obligations of developed countries while, for the first time, encouraging voluntary contributions from other parties. Developed country parties should also continue to take the lead in mobilising climate finance from a variety of sources, instruments, and channels, recognising the significant role of public funds by taking several steps, such as assisting nation-driven plans and taking the developing country parties' needs and goals into account. This kind of climate finance mobilisation ought to be an advancement over earlier initiatives. In general, the Paris Agreement's goal of aligning financial flows with a path toward low greenhouse gas emissions and climate-resilient development serves as a direction for its activities. The Agreement's global stocktake also includes evaluating the state of support mobilisation and provision. The Paris Agreement also places a strong emphasis on improved predictability and transparency in financial support (UNFCCC, 2015)."

"Every government and stakeholder must comprehend and evaluate the financial requirements of developing nations and know how to mobilise these resources. Achieving equilibrium should also be the goal of resource provision between adaptation and mitigation (UNFCCC, 2015)."

Financial Mechanisms and Other Funds Related to Climate Finance

A financial mechanism is set up to facilitate the provisions related to climate finance and serve the purposes of the Kyoto and Paris Agreements, which provide the financial resources to developing countries.

Climate Finance Funds at the International Level

Some of the famous policies and funds provided at the global level are:

1. **Global Environment Facility:** started in 1992, has operated as the financial mechanism's operational entity for a number of environmental conventions.
2. **Green Climate Fund**: established in 2010 by the Conference of the Parties, organised in Cancun, and has become the world's largest climate fund. It also became an operating entity of the financial mechanism in 2011. It uses flexible funding options, climate investment knowledge, and a country-owned partnership approach to expedite revolutionary climate action in developing nations.
3. **Special Climate Change Fund**: established in 2001 to support the climate adaptation programmes of developing countries. It serves as part of the financial mechanism, which is managed by the Global Environment Facility (GEF).
4. **Least Developed Countries Fund (LDCF):** established in 2001 under the Kyoto Protocol to support the climate adaptation programmes of least developed countries. It serves as part of the financial mechanism, which is managed by the Global Environment Facility (GEF).
5. **Adaptation Fund:** The Adaptation Fund (AF) is an international climate financing system created in 2001 under the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC). The fund, which became operational in 2007, provides financing for specific adaptation projects and programmes in developing nations that are highly susceptible to the negative impacts of climate change.
6. **Fund for Responding to Loss and Damage:** established in 2023 by the Conference of the Parties 28 (COP 28), assisting developing economies that are particularly vulnerable to the adverse effects of climate change. As part of this, the World Bank was invited to operationalise the fund.

Standing Committee on Finance

A standing finance committee was created at the 2010 Conference of the Parties 16 to support the COP in carrying out its duties pertaining to the Convention's financial structure. It is intended to strengthen the connections and encourage cooperation between actors and projects connected to climate financing, both inside and outside the Convention.

Long-Term Climate Finance

Its objective is to facilitate the mobilisation and rising high of climate finance from a wide range of sources, including bilateral and multilateral, public and private, along with nontraditional sources. A certain amount is allocated for climate finance.

Climate Financing Funds at the National Level and the Vision of Viksit Bharat@2047

The Government of India's goal, known as *Viksit Bharat*, is to transform India into a developed country by 2047, the 100th anniversary of its independence. The vision covers a number of development-related topics, such as social advancement, economic expansion, environmental sustainability, and sound governance. Additionally, the importance of climate finance is immediately brought to light when considering environmental sustainability from an advanced perspective.

Although India's climate action finance is growing, there is still not enough money available for a seamless low-carbon transition. The majority of the nation's climate action is funded by domestic banks, financial institutions, and government budgets. According to the broad trends, climate finance flows are getting together. Mobilising significant private sector investments that work in tandem with developmental initiatives is essential to achieving climate goals.

It is now abundantly evident that climate change has the potential to seriously endanger humankind. To address this issue, nations from all around the world are raising money and resources. India improved its 2030 NDCs (Nationally Determined Contributions) and declared a net-zero emissions target by 2070 at COP26. Primarily, India has demanded $1 trillion in climate funding from wealthy nations over the course of the next ten years. Addressing climate change requires financial resources and wise investments in order to lower emissions, encourage adaptation to effects that are already being felt, and increase resilience.

Like many developing nations, India lacks the financial means to switch to sustainable energy, which may stop climate change. India has to spend more than $2.5 trillion in order to meet its climate mitigation targets by 2030. The expenses of a just transition are not included in this, and they will probably increase dramatically if nothing is done right away. Less than 25 per cent of the previously predicted climate financing needs are currently met by India's tracked climate investments. Between 2015 and 2030, an additional $1 trillion in expenditures on adaptation and resilience are needed, or $67 billion a year until 2030.

- **National Adaptation Fund for Climate Change (NAFCC):** established in August 2015 to meet the cost of adaptation to climate change for the States and Union Territories of India that are particularly vulnerable to the adverse effects of climate change. "The projects under NAFCC prioritise the needs that build climate resilience areas under SAPCC (State Action Plan on Climate Change) and the relevant missions under NAPCC (National Action Plan on Climate Change). (NABARD)."
- **Priority Sector Lending to renewable energy projects:** Priority sector classification will apply to bank loans up to Rs 35 crore given to borrowers for projects like wind turbines, micro-hydroelectric plants, solar-powered power generators, biomass-based power generators, and non-traditional energy-based public utilities like remote village electrification and street lighting systems. (Ministry of Renewable Energy, 2023)

Issuance of Green Deposits and Green Bonds

- A "green deposit is a type of fixed deposit where the funds are specifically earmarked for financing eco-friendly projects," while the "green bond is a debt security issued by an organisation for the purpose of financing or refinancing projects that contribute positively to the environment and/or climate."
- India's first green bond was issued by Yes Bank in February 2015 as a Rs 1,000 crore 10-year issue, oversubscribed nearly twice, with proceeds directed to renewable energy projects such as solar, wind, and biomass. Yes Bank followed with another Rs 315 crore 10-year issue in August 2015, fully subscribed by the International Finance Corporation. (SEBI Concept Paper)
- **Sustainable Finance Group (SFG):** The Sustainable Finance Group within the Reserve Bank of India (RBI) was established in May 2021 to address climate-related financial risks and lead regulatory initiatives in sustainable finance. Its primary goal is to promote environmentally sound financial practices and support the transition to a low-carbon economy. (RBI 2022)
- **Network for Greening of Financial System (NGFS)**: NGFS is an association between central banks and supervisors that works to expedite the scaling of green finance and evolve the recommendations for the role of central banks in addressing climate change. The RBI joined the Network for Greening of Financial System on 23 April 2021. It provides a better platform for central banks and financial supervisors across the world to share and learn from each other in this area.
- **Climate Risk Information System:** When evaluating the hazards associated with climate change, data is essential. There are a number of restrictions and gaps in the data available for assessing the risk of climate change. To close data gaps and standardise datasets, the RBI has announced the creation of the RB-CRIS (Climate Risk Information System), which will ensure the comparability of financial impact assessments related to climate change. The carbon emission factor database, transition risk assessment, and physical risk assessment data are all expected to be covered by RB-CRIS.
- **Sovereign Green Bonds:** These are the debt securities issued by the Union government to allocate the funds for green initiatives, including renewable energy, sustainable agriculture, waste management, etc. The Union Budget 2022-23 announced sovereign green bonds for green infrastructural investments, which will encourage energy efficiency, reduce carbon emissions and greenhouse gases (GHGs), promote climate resilience and/or adaptation, etc.
- **Climate Change Finance Unit:** Established in 2011, this key institution under the Department of Economic Affairs, Ministry of Finance, serves as the nodal point on all climate change financing matters.

With all efforts at the global and national levels, it can be said that there is some improvement in the climatic conditions, like targeting net zero emissions and others, but it is like a drop in the ocean. More efforts should be made regarding this issue, and various measures should be taken by the renowned international organisations and forums, governments, and public and private individuals and entities to tackle this problem. It is the need of the hour to take into consideration these issues for the survival of life on this big, blue, ball-shaped earth. And at the national level, the policies like NGFS and SFG and the instruments like Sovereign Green Bonds, along with the programmes like Green Budget, should be included to realise the vision of *Viksit Bharat* into reality. ❑

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