Green Indian Financial System

GIFS Initiative

SUPPORTING THE GREEN BANKING PATH

Documenting the proceedings & good practices shared in June - Paris seminar

An Initiative By

AFD Agence Française de Développement | sidbi | SHAKTI Sustainable Energy Foundation

TABLE OF CONTENT

04 Introduction

05 The GIFS Initiative

06 Workshop Participation

07 Inaugural Session

09 Session - 1: Building a Climate Finance Strategy

12 Session - 2: Energy & Green Finance

15 Session - 3: Integration of climate-related risks in the financial system

18 Session - 4: Climate and Biodiversity financial risks

21 Key identified barriers and lessons learned

22 Next steps envisioned under GIFS platform

INTRODUCTION

Following COP 26, India has set ambitious targets with enhanced 2030 NDCs, energy independence by 2047 along with commitment towards net zero by 2070. This signals for a higher quantum and urgency of required investment, in order to support the accompanying need for technology transfer and R&D.

Notwithstanding, public sector and government funds would also need to flow towards adaptation and resilience activities, with India being one of the most vulnerable countries to climate risk. Currently, green and climate investments stand to fulfil only 13%[1] of even the previously estimated investment requirement of USD 2.5 trillion between 2015-2030. It is widely acknowledged that attracting increased flows of capital towards green activities and sectors calls for embedding an enabling ecosystem.

Current regulatory and supervisory frameworks do not address climate change comprehensively, which contributes towards information asymmetries and failure to integrate environment and climate change risks into banks' strategies and risk management systems. This is supplemented by a marked shift in global demand, where investors increasingly see Environment Social and Governance (ESG) metrics as a safeguard against risk to investment. As a result, investors are seeking assets with highest level of compliance, in accordance to international norms and ESG guidelines. India runs a risk of being perceived as a high-risk destination, in absence of evolving regulation and disclosure infrastructure. This is especially pertinent as several countries ramp up their efforts to attract green investments.

Climate change presents as irrefutable danger to economy and society and we do not have the luxury of time to react and reform. It is just being responsive which is key. However, one must also be mindful of unintended consequences of sudden financial market reforms. Increased coordination , dialogue amongst relevant stakeholders thus contributing to actionable policy advocacy and implementable responsive strategy is the need of the hour.

[1] *CPI, Landscape of Green Finance in India, September 2020*

THE GIFS INITIATIVE

The Green Indian Financial System Initiative (GIFS), convened by The French Development Agency (AFD), Small Industries Development Bank of India (SIDBI) and Shakti Sustainable Energy Foundation (Shakti), seeks to:

- **Widen and shape the discourse around greening the financial ecosystem in India;**
- **Create knowledge spill overs while facilitating transfer of skills and learnings between all stakeholders, and;**
- **Aid in capacity building.**

The initiative aims to do the above through facilitating dialogues and discussions on greening the Indian financial system, with the help of multi-stakeholder conferences, knowledge products and knowledge transfer workshops. By providing a common platform to various stakeholders, **GIFS intends to catalyze existing initiatives, examine various barriers and identify priority areas for India's climate finance actors**. Simultaneously, it will help **strengthen Indian-French-European collaboration** on climate action, allowing for shared expertise and network building.

Inaugurated by the "Towards a Green Indian Financial System" conference on January 28, 2022, the initiative launched its second event in Paris, France, between June 13th – 15th.

Designed as a 3-day session with renowned Indian, French and European experts from the financial ecosystem and policy-making bodies, this high-level event aimed at enabling knowledge exchanges and orient the discussions towards the Indian's delegation's expectations and India's specificities. This booklet covers the main takeaways from the workshop[2].

[2] *Since the workshop was conducted under Chatham house rules, the document does not attribute any takeaways to one particular person or organization. Rather, main points of discussion and deliberation have been highlighted.*

GIFS ACTIVITIES AT A GLIMPSE

ACHIEVED

December 21

Creation of the GIFS Initiative by SIDBI, Shakti and AFD

January 22

Inaugural Conference "Towards a Green Indian Financial System"

April 22

Webinar on the Green Sub-National Financing

June 22

GIFS Roundtable with an Indian high-level Delegation in Paris

UPCOMING

Oct-Nov 22

Cycle of trainings & capacity building for banks and financial institutions on climate finance

28 November 22

GIFS Closing Seminar for 2022 & announcement of activities for 2023

WORKSHOP PARTICIPATION

Besides Key officials of organizing partners, the workshop saw participation from high-level Indian and EU delegation, representing institutions such as EU Commission, French Treasury, Banque de France, Organisation from Economic Co-operation and Development (OECD), NITI Aayog, Reserve Bank of India (RBI), Indian Banking Association (IBA), National Bank for Agricultural and Rural Development (NABARD), Finance for Tomorrow, Taskforce for Nature-related Disclosures (TNFD) and French Environment and Energy Management Agency (ADEME).

The workshop also convened public and private financial institutions such as Bank of Baroda, Axis Bank, Power Finance Corporation (PFC), Aavishkaar, IIFL Home Finance, Proparco, Natixis, Sycomore, Mirova, Carbon4Finance, Fédération des Banques Françaises (FBF) among others.

INAUGURAL SESSION

The inaugural session brought together several eminent panelists to discuss major developments on climate integration within the Indian and global financial landscape. The panelists also discussed and defined the stakes around upcoming Indian and international political milestones - India's first G20 presidency starting from December 1st, 2022 – in continuity with the "BRICS/emerging" or "South Global" (Indonesia, India, Brazil and South Africa) chairmanships within the G20.

On key initiatives undertaken by India:

While energy transition is already happening in India, with historical scaling of renewable energy capacity in the country along with its ambitious NDC targets, achieving net-zero by 2070 represents its own set of challenges as also opportunities. India's climate ambitions must align with its socio-economic development objectives, which has largely been driven by a fossil-based approach in the past. Energy technology would therefore need to be diversified partially through different phases.

The power sector transition is expected to require USD 200-250 billion investment per year and may increase with incorporation of just transition and adaptation needs. An additional $10 trillion investment may be required to achieve net-zero, as per the Indian think-tank CEEW[3]. In order to facilitate this requirement, India's 2022/23 budget provisioned for the **issuance of sovereign green bonds to mobilize government and public entities**, along with increase in blended finance to foster private green investments. Indian regulators have released guidelines on green bond issuances, ESG financing along with undertaking surveys with Indian banks on preparedness against climate risk.

The Indian finance minister also announced the intention to launch **a Social Stock Exchange**, a new segment within the National Stock Exchange of India (NSE), for non-profit and for-profit social enterprises; to be financed against their social intent and envisioned impact. The Security Exchange Board of India (SEBI) also announced that it would amend regulations towards initial and continuous disclosures for social enterprises, to cover aspects of social and financial impact along with governance.

[3] *CEEW. Investment Sizing India's 2070 Net-Zero Target. November 2021*

On key developments around the world:

Global ESG and green financing have been on the rise, with **ESG being embedded into many assets**. However, it is still under-represented in overall financial allocation and investments. Organizations such as OECD have focused on climate change reforms, constitution of a sustainable finance working group and a blended finance agenda - it is estimated that blended finance would require scaling by a factor of 7. G20 members have also indicated their support on such initiatives. There is definite interest in boosting SDG investing, especially in developing nations.

Collaborative networks and institutions such as the Network for Greening the Financial System (NGFS), Euro Financial Stability Board (FSB), International Association of Insurance Supervisors (IAIS), International Organization of Securities Commissions (IOSCO) and Basel Committee are all working on developing guidance and capacity on integration of climate considerations in financial systems.

On India's G20 presidency:

The discussion stressed on various opportunities and points of attention to be considered with regard to the upcoming G20 presidency. The Indonesian presidency established some sustainable finance infrastructure. The panel highlighted that India should seek to maintain this momentum through **carbon market, sustainable finance, taxonomy, green mobility, and climate justice discourse**, among other topics. It was reiterated that sustainability of finance should address **institutional barriers**, while also focusing on the **cost of available finance**.

Just transition would be an important agenda point as well; highlighting the need for climate justice and mobilization of the promised USD 100 billion pledge by developed nations. Attracting investment into emerging economies, especially with transition financing, could be highly relevant to the G20 discussion (Indonesia being an example for transition financing). Several opportunities exist on transfer of funds between the global north and the global south. Currently, global north has available savings at low nominal rates. However, investment flows suffer due to international crisis(es), high volatility and currency risk.

Finally, there was emphasis on the need for harmonization between different regional standards and frameworks, in order to uniformly translate climate risk. Highlighted areas included need for comparability of ESG financing, international trading platforms and carbon markets along with robust, comparable reporting of climate risks and opportunities. Harmonization and comparability of taxonomies was also stressed upon, as the need of the hour.

I

Session - I

BUILDING A CLIMATE FINANCE STRATEGY

The panel deliberated on clear steps for building an institutional climate finance strategy. This included **training programs for high-level management and executive team, assessment and measurement** of status quo, **exposure to climate risks and opportunities, setting targets in a science-based manner along with investing in people and technology**. Participants noted that major gaps continue to be about data, lack of clear sectoral guidelines and directives by public and regulatory authorities. Additionally, incentives need to be designed for macro and micro sectors. Altogether these barriers limit formulation of a comprehensive climate finance strategy.

The discussion brought up the need for global coalitions and partnerships to facilitate data gathering and data sharing through capacity building and public databases. A major point that emerged was equipping corporates, businesses, and financial institutions with tools to assess climate risk. This would also help promote comparability of metrics and climate reporting across jurisdictions.

On concrete steps for building a climate finance strategy:

The panel indicated a stepwise approach, as given below:

- Create a clear governance structure for climate finance, reporting and strategy, requiring ownership and buy-in from executive body;
- Conduct training of high-level executive body and employees on climate-related risks;
- Facilitate measurement of carbon and biodiversity footprint in a science-based manner;
- Set targets, including defining milestones and objectives, in accordance to science-based methodology;
- Report on scope 1, 2 and 3 emissions, with a sectoral and project-wise overview;
- Periodic investment in people and technology for alignment with executive climate strategy;
- Annual reporting on environment, social and corporate governance aspects, separately and in detail-oriented manner;
- Additionally, tracking and measuring green to brown investments can help account for transition risk, thereby leading to transparency and additional capital flow.

At a more partnership–level, coalitions such as Net Zero Banking Alliance etc. can help build capacity and work towards a collective approach on estimation methodologies in light of identified data gaps.

That being said, some participants mentioned the difficulties of implementing such actions. For example, the Scope 3 emission reporting continues to be a challenge, with unclear guidelines and reporting boundaries. In France, banks can be supported by association such as the The Fédération des Banques Françaises (FBF – French Bank Federation), who has been working closely with most French banks to ensure a proper reporting and disclosure.

On the role of public authorities:

Public authorities would be key in building a conducive environment for private sector participation and stimulation of climate investment flows. This can be done by providing **long-term goals, direction of travel and associated roadmap** to improve transparency of financial investment decision making and strategy. The discussion stressed on **the importance of sector-wise planning**, both at a macro and micro level. Integrated action can be taken by facilitating high-level dialogue between ministries and business trade associations, leading to better incentive design and effective repartition of public and private sector role in enhancing climate capital flows.

The role of government and public authorities would also **extend to ecosystem capacity building and enabling infrastructure for effective monitoring, reporting and verification**. This could take shape in form of equipping corporates with common tools for assessing climate risk and reporting, disclosure directives (such as Non-Financial Reporting Directive (NFRD), Corporate Sustainability Reporting Directive (CSRD) etc.) and effective enforcement systems. Monitoring, verification, and enforcement would require availability of high-quality, detailed public information – potentially through public databases and sustainable observatories.

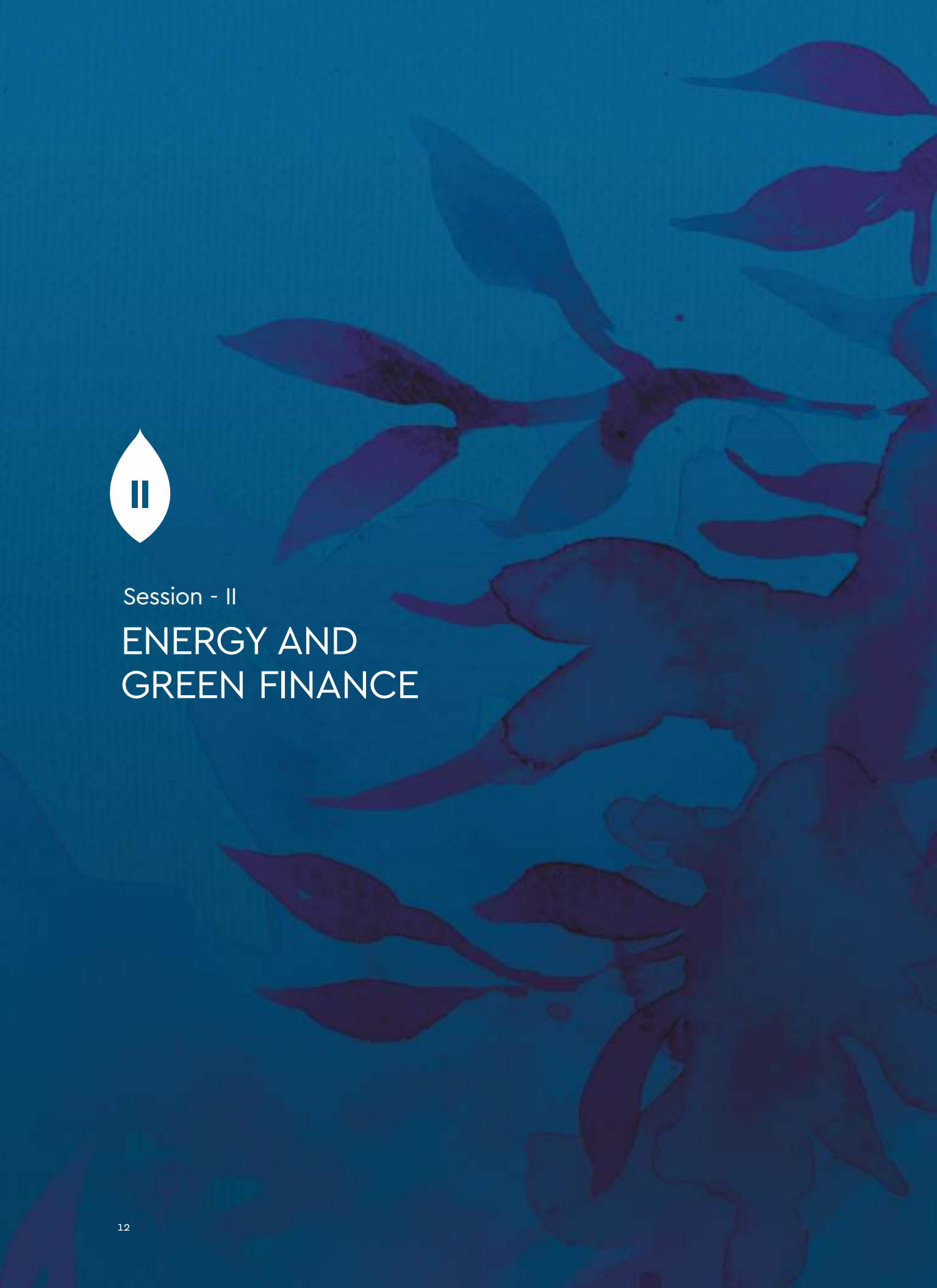
The implementation of green strategy could also be supported by international coalitions such as the G20 sustainable finance and related working groups, the G7 climate club or a coalition of finance ministers.

On learnings from practical implementation of climate finance strategies:

The participants shared learnings from various strategies and instruments implemented by them. The need for steady partnerships to translate high-level policy into implementation was emphasized by various partners. **While policymakers can only frame the objectives, strategy and timeline, end-to-end planning with various stakeholders (both on-ground and on top levels) enables building of right incentives and actions**, through the development, implementation, and monitoring phase (as seen in the guarantee programs extended by SIDBI, in partnership with World bank to implement energy efficiency programs with MSMEs).

Within renewable energy, the key challenge in India would be towards achieving scale, requiring availability of low-cost capital. While sectoral policies and incentives, in case of wind, solar, green hydrogen etc. for example, have been provided, cost and availability of bankable projects have proved to be a hindrance to commercial banks by increasing risk levels. Therefore, **integration of venture debt and equity capital** with commercial, public, and philanthropic capital would be required to further de-risk investments.

Governments can focus on provision of incentives and public blending along with macro-planning. France is currently rediscovering macro planning when it comes to energy transition.



II

Session - II

ENERGY AND GREEN FINANCE

The panelists acknowledged that a healthy pool of capital currently exists within various markets, however **allocation of said capital towards climate projects is lacking**. This is especially true of India. Often, there is no clear pipeline of bankable projects in the sector. Even with available pipeline of bankable projects, they may not fit the criteria laid down by multilateral parties. In other cases, certification and validation of these projects pose a problem, also increasing the associated costs with these projects. Another hindrance is the long contract execution time and elaborate bureaucratic processes associated with this funding.

Commercial funding is directly proportionate to maturity of markets, as can be expected. Therefore, **the need for structuring and de-risking of projects through pooling and blending of public capital**, multilateral and bilateral capital along with venture capital was stressed again. It is important to understand which instrument will be more effective and how it varies per sector and maturity or viability of available technology.

Finally, attracting international investors would also require some form of fungibility with international standards and regulation.

On learnings from India's experience with renewable energy and low-carbon financing:

In the past decade or so, commercial banks and financial institutions in India have re-oriented investment into sustainable projects (particularly towards renewable energy and energy efficiency) and diversified investment instruments (such as green bonds). However, several challenges are continually encountered due to rapid change in technologies, high cost of capital, poor compliance, aggressive bidding, and/or lack of project viability. Lack of standardization within project assessment in the renewable energy sector often led to different pricing between banks.

There is also a marked need for **technical expertise and capacity building**, specifically with regard to **climate-related risks**. The kind of risks faced depends on the sector, the risk faced by developers and is dependent on the existing market structure. It is hard to identify climate-associated risks and how this translates into specific risks like offtake risk, credit risk, currency risk etc. While blended finance solutions could offer de-risking mechanisms, the right instrument or tool needs to be better recognized. Many projects were financed through concessional capital; however, going forward, achieving scale might require targeted de-risking solutions such as credit enhancement, guarantee programs or first loss provisions. This also necessitates availability of the right kind of data. Building or leveraging collaborative platforms effectively could help solve data gaps and build capacity.

Sector linkages could also have enhanced impact on climate action and financing. To cite an example, the building sector accounts for

over 30% of the carbon emissions but have gotten little traction in required financing by Indian banks. Green and energy efficient buildings would reduce demand for carbon-intensive power but have lower visibility. Domestic development finance institutions can play the role of incubating and innovating these ideas while providing a platform for developers, green bankers, and experts. In order to prevent crowding out effect, loan and debt maturities could be adjusted with strong political signaling from the government and guarantee or support on pricing.

On France and EU's experience with energy transition:

Initiating the brown-to-green transition in France and EU required huge capacity building in all sectors, following a sector-by-sector approach. It is crucial to develop a triple expertise, within **climate, sectoral and financial planning and integration**. In addition, transparency, evaluation and verifiability must be enabled to increase the flow of capital towards climate action. **Assessing Low Carbon Transition methodologies (such as ACT)** were presented to gain insights into evaluating the credibility of transition plans.

The **EU taxonomy was also instrumental in driving green projects and subsequently in unlocking the green deal**. The taxonomy continues to be an iterative process, starting with the release of first principles, followed by definitions for substantive contribution for specific sectors. The taxonomy is now being expanded to include other sectors and define social impact. Given the rapid changes in technology, it is and should remain an iterative process.

Decarbonization of heavy industries continues to be a challenge, with relatively lesser projects within these areas. Net-zero transition would require all sectors to be involved; however, this would need to be preceded by capacity building efforts on understanding sectoral requirements for decarbonization.

On instruments and avenues for financing energy transition:

France was among the pioneer countries to **issue sovereign green bonds**, with its first issuance dating back to 2017. In May 2022, France innovated by issuing the first ever sovereign green bond indexed to inflation. This illustrates how innovative financial instruments can be designed to address both, environmental transition and inflation protection needs. This can also help in diversifying investor base, as these bonds offer reduced execution risk along with an average 2bp yield difference as compared to other bonds. Green bonds can attract international investors, as has also been the case in the booming Indian green bond market – however, there is an urgent need to scale these markets.

India's announcement on intended issuance of sovereign green bonds will provide an avenue to Indian banks and financial institutions to provide aligned green funding along with reduction of cost of funds. **There is a recognized need for deepening of local debt markets and green capital markets** so as to develop increased scale, avoid certain pervasive risks like currency risks, and to augment national capacity to raise capital at lower cost. The inflow of international capital can thus be better tailored, with effective usage of multilateral, philanthropic and bilateral capital to achieve leverage. The trade-off between concessional capital and de-risking support is becoming more apparent, wherein the former is largely used within nascent markets while the latter is (often) more suitable for mature markets. It is important to understand which instrument will be more effective, such that right set of incentives are built in for corporates and financial institutions to generate more leverage and scale.

The inflow of international capital and development of local green markets would benefit from harmonization between Indian, European, and global standards. EU investors would have to be compliant with EU reporting and should therefore be able to identify alignment with EU taxonomy. This underscores the need for uniformity, standardization or a basis for comparability and transparency for the investors.

III

Session - III

INTEGRATION OF CLIMATE-RELATED RISKS IN THE FINANCIAL SYSTEM

Climate risk is foreseeable but not predictable. As an evolving subject, this is a requirement for increased capacity building within financial institutions to **first, identify climate risk and second, to integrate the same within their risk management systems**. Often, lack of clear guidelines and predictability leads to mispricing of climate risk. As a result, quantifying climate risks remains a challenge. In this case, **scenario analyses and stress tests can be effective tools to gain insights**. Capacity must therefore be built to foster robust modelling tools and frameworks. This can include challenges in building scenario assumptions, accessing reliable and comparable data and subsequently developing an analytical framework.

Regulatory guidelines can offer some insights to financial actors on building the right kind of assumptions and scenarios. **Taxonomy is useful for categorization but can be binary in nature.** In reality, shades of green can exist with transition activities and transition momentum (i.e. improvement on climate metrics and strategy by individual organizations), wherein it can form a huge chunk of the existing financing need. In such cases, a continuum of climate risk can be more indicative than a binary metric.

From a risk mitigation point of view, pillar 1 interventions are currently hard to develop for climate as it can lead to unintended burdens/consequences for the financial sector. Pillar 2 (guidance) interventions have been more useful in indicating a general framework without being too prescriptive for financial institutions. (Increased) capital buffers, while accounting for some degree of climate risk, may not be sufficient in dealing with climate risk. Through a continuum lens of climate risk, allocation or orientation of capital can be modified as per relative risk of projects. While this is currently driven by individual investment philosophy, it has helped generate market momentum on green investments.

On various tools used for climate risk measurement:

Through defined governance structures within executive teams addressing climate change (such as a climate or ESG committee at board level), **an institutional mandate can be set to manage a certain proportion of portfolio within 'green' sectors**. Risk mitigation can be done through ESG screening, ESG ratings or dashboard or by offering differential pricing (preferential) for green investments. Additionally, ESG can be embedded into the opportunity and risk assessment frameworks. Integrating climate risk has been beneficial for many institutions as they have opened up the investor pool available to them.

Some organizations such as Sycomore, Natixis etc. have advocated for a continuum of climate risk assessment as opposed to a binary classification. For example, green rating factors can link energy financing to the emissions financed and assign a color, ranging from dark brown to dark green. No decisions are then taken without ascribing a color to the project, while a number of incentives can be linked with

the colors and shades. **Going beyond emissions, a weighted approach to climate, carbon and biodiversity risks can be used to understand the overall continuum of risk**. Differential pricing or cost of capital could be assigned for the continuum and verifiability can be established through third party certifications.

Finally, scenario analyses can provide granular insight into various possibilities, allowing for preparedness against the unpredictable nature of climate risk. It also offers various data points that would be relevant for the transition and reduce information asymmetry for investors and businesses alike.

On integration of climate risk within Indian financial systems:

India has been a member of the Network for Greening Financial Systems since 2021 and has developed insights into various climate risk assessment and mitigation strategies. The Reserve Bank of India has also taken a survey with 34 Indian Banks from the public and private sector. The survey was conducted to assess preparedness of banks on potential requirements, climate scenario analysis and other related regulatory initiatives. The survey would inform a discussion paper on climate risk by the central bank of India to better understand challenges, difficulties, and strategies of banks on the integration of climate-related financial risks. The paper was released post the conference in July 2022[4].

While many leading Indian banks and financial institutions, especially with international exposure and presence, have integrated and developed in-house climate risk frameworks, **there is still a large requirement for capacity building**. Trainings and knowledge could be disseminated through industry networks and associations, specifically the Indian Banking Association, to mainstream climate risk integration within the Indian financial system.

[4] *RBI, Discussion Paper on Climate Risk and Sustainable Finance, July 2022*

IV

Session - IV

CLIMATE AND BIODIVERSITY FINANCIAL RISKS

The panelists reiterated that biodiversity is a vast subject and heterogeneity would be key in designing projects; wherein specific projects would have to be customized for the geographical region. There have been some biodiversity-positive investments (especially via nature-based solutions and conservation projects), however it has been difficult to achieve these at scale.

Natural capital investments typically appear within three verticals: **investment in nature based solutions to offset carbon footprint, project financing (for example, to combat desertification) and blue economy investments** – Of these, accessing carbon credits for conservation or nature Based projects are the most mature market. This has received criticism in the recent past, with the principle that the focus should be first on avoiding negative biodiversity impact, then on minimizing the same followed by use of offsets for mitigation of residual impact.

Frameworks such as the Taskforce for Nature-related Disclosure (TNFD) have emerged to better understand assessment of biodiversity risks. Notwithstanding, biodiversity risks and investments are currently at a very nascent stage and would require increased visibility along with strong policy or regulatory signals.

On understanding biodiversity risk within financial systems:

Loss of biodiversity will be a key risk to businesses, affecting their inputs and supply chains. Sectors such as **Construction, Agriculture, Food and Beverage are among the most vulnerable industries to biodiversity changes, leading to severe resource constraints**. It can also have profound impact on credit assessment of countries, wherein in case of severe biodiversity loss, countries like China and India can be expected to lose up to 7 and 5 notches respectively in credit ratings. In India, policy and legal provisions have been introduced for protection of biodiversity including the Conservation of Forest Act, The Biodiversity Act along with prioritized focus on blending of biofuels. **However, biodiversity risk is not embedded in the Indian financial sector, nor is it included into credit assessment systems**. Biodiversity financial risks are currently not very well understood, thus requiring incentives to build this within risk management processes.

On developing an operational framework assessment and scaling biodiversity financing:

A sustainable world would require taking biodiversity into account. **Some of the key steps into building a operational framework would include collective action and collaborative networks, scaling of innovative financing and knowledge transfer** (for example, Mirova has been financing biodiversity), provision of guidelines by regulators, biodiversity financing by public banks through effective use of blended finance for de-risking and technical assistance along with measurement and data generation on biodiversity impact.

There is a mismatch between acknowledged importance and actual findings on biodiversity. As of today, only 2% of fundings are addressed to climate related issues. The same is true for bilateral development cooperation activities. Different standards such as TNFD, SDG, TCFD etc. could overshadow each other within the financial sector, despite acknowledged difference in horizontal and vertical depth in climate-related topics covered in said frameworks. As a result, sensitization of various actors within the financial system, along with enhanced clarity and transparency enabled by public authorities, is required to frame these risks adequately.

KEY IDENTIFIED BARRIERS AND LESSONS LEARNED

The workshop identified several barriers to green financing, while allowing for knowledge transfer and learnings (particularly for India) through its discussions and presentations. The wrap-up session collated these findings and led to concrete priority areas for the GIFS platform.

The main highlights are summarized below:

- Cost of finance would need to be lowered to additionally engage private sector;
- An Indian sustainable taxonomy would be key to reducing information asymmetry and provide transparency to domestic and international investors;
- There is a need for compatibility and standardization of sustainable (e.g. ESG) and green frameworks to avoid fragmentation, green washing or reputational loss across jurisdictions. These can be non-binding but directive in nature;
- Different haircuts or incentives can be built in for different levels of transition, physical or climate risk;
- Increased data availability is required to understand financial exposure to climate (or green) and brown investments;
- Increased sharing of technical expertise and capacity building programs would need to be deployed with regard to measurement of climate risks and opportunities, so as to mainstream climate considerations within Indian financial systems;
- Attracting transition financing would require a particular framework or guidance in place, in alignment to the taxonomy;
- Financial institutions and banks would also need to play a role in social transition. Currently 40% of spending is mandated for priority sector lending in India - however, climate investments would benefit from a dedicated target.
- Philanthropic and public capital could be efficiently leveraged to bring in private investment and aid capacity building (as was the case for NGFS). Bringing capital at scale remains problematic. It would be imperative to leverage risk capital effectively to bring in commercial capital at scale;
- There is enhanced need for stress testing and scenario analysis, and adoption of such tools by financial institutions;
- While the Business Responsibility Sustainability Report (BRSR) provides a disclosure framework, scope 3 emissions are particularly hard to assess and disclose along the supply chain;
- There is a need for system-wide assessment system integrating climate considerations such as green ratings, for example. Currently credit assessments do not take this into account; although some institutions have developed in-house assessment frameworks;

NEXT STEPS ENVISIONED UNDER GIFS PLATFORM

GIFS would seek to add complementary support to ongoing initiatives while continuing to build the discourse around greening of Indian financial system and strengthen the network between diverse stakeholders. Through the insights gained during the workshop, key priority areas were identified for GIFS as a platform. This includes **capacity building on climate risks** through facilitated knowledge transfer and training along with building and **leveraging networks across stakeholders and financial systems**, specifically keeping equity considerations in mind. For each of these priorities, GIFS intends to keep building on international exchanges, and specifically, Indo-French and Indo-European exchanges.

WATCH US OUT

We have just started for JUST TRANSITION Agenda. The next stakeholders deliberations shall enable you the readers - as ambassadors of green financing, with actionable agendas covering launch of the women network of green finance between India/France/EU, enhanced knowledge repository for policy makers & practitioners , presenting good practices on green financing and financing the green from emerging economies community (roughly Brazil, Indonesia, Turkey, South Africa, etc..). We shall evolve and align as per stakeholders aspirations.

Green Indian
Financial System

AFD
AGENCE FRANÇAISE
DE DÉVELOPPEMENT

sidbi

SHAKTI
SUSTAINABLE ENERGY
FOUNDATION