

# AAKAR TODAY

## 1. India's First Sovereign Green Bonds Framework

### Why in News?

Recently, the Union Minister for Finance & Corporate Affairs has approved the final Sovereign Green Bonds Framework of India.

Sovereign Green Bonds will be issued for mobilising resources for green projects.

### Key Details

#### What is Sovereign Green Bonds Framework?

- The Framework comes close on the footsteps of India's commitments under "Panchamrit" as elucidated by the Prime Minister at Conference of Parties (COP) 26 at Glasgow in November 2021.
- It will further strengthen India's commitment towards its Nationally Determined Contribution (NDCs) targets, adopted under the Paris Agreement.
- Green Finance Working Committee (GFWC) was constituted to validate key decisions on issuance of Sovereign Green Bonds.
- The framework has been rated 'Medium Green', with a "Good" governance score by a Norway-based independent second opinion provider CICERO.
- The 'Medium Green' rating is assigned 'to projects and solutions that represent significant steps towards the long-term vision, but are not quite there yet.'
- All fossil fuel-related projects have been kept out of the framework, along with biomass-based renewable energy projects that rely on feedstock from 'protected areas'.

#### What are Sovereign Green Bonds?

- **About:**
  - Green bonds are issued by companies, countries and multilateral organisations to exclusively fund projects that have positive environmental or climate benefits and provide investors with fixed income payments.
  - The projects can include renewable energy, clean transportation and green buildings, among others.
  - Proceeds from these bonds are earmarked for green projects. This is unlike standard bonds, the proceeds of which can be utilized for various purposes at the discretion of the issuer.
  - By the end of 2020, 24 national governments had issued Sovereign Green, Social and Sustainability bonds totalling a cumulative USD 111 billion dollars, according to the London-based Climate Bonds Initiative.

#### • Benefits of Sovereign Green Bonds:

- Sovereign green issuance sends a powerful signal of intent around climate action and sustainable development to governments and regulators.
- With the International Energy Agency's (IEA) World Energy Outlook 2021, estimating that 70% of the additional USD 4 trillion spending to reach net-zero is required in emerging/developing economies, sovereign issuance can help kickstart these large inflows of capital.
- Development of a sovereign green benchmark could eventually lead to the creation of a vibrant ecosystem of raising green bonds from international investors.

#### • Status:

#### • Global Status:

- The Environmental, Social and Governance (ESG) funds are estimated at USD 40 trillion with Europe accounting for about half this.
- It is estimated that by 2025, ESG assets will account for about one-third of the total global assets under management.
- The ESG debt funds pie is around USD 2 trillion, of which over 80% is "environmental" or green bonds, and the rest social and sustainability bonds.

#### • National Status:

- According to the Climate Bonds Initiative, an international organization working to mobilize global capital for climate action, Indian entities have issued green bonds for over USD 18 billion.

#### What are Other Measures on Climate Action announced in the Budget?

#### • The budget included several measures on climate action such as:

- Battery swapping policy.
- Additional allocation under the Performance Linked Incentive (PLI) scheme for manufacturing high efficiency solar modules.
- The government is introducing a new bill that aims to provide a regulatory framework for Carbon Trading in India to encourage penetration of renewables in the energy mix.

## 2. Carbon Sequestration

### Why in News?

According to a recent study conducted in Maharashtra and Odisha, soil carbon sequestration may help fight climate change.

Studying is aligned with Sustainable Development Goal 13 (SDG 13: Climate Action) which is on

