MOBILISING GREEN FINANCE FOR INDUSTRY TRANSITION

October 12, 2020 | *16:00 – 17:30*| *Webinar*

AGENDA	
16.00 – 16.05	Welcome Address
16.05 – 16.20	Context Setting Presentation by TERI
16. 20 – 16.30	Introduction and Opening Remarks by **Dr Ajay Mathur, Director General, TERI**
16. 30 – 17. 15	Panel Discussion moderated by Dr Mathur: i. **Ms Madhulika Sharma**, Chief of Corporate Sustainability, Tata Steel ii. **Mr Prabodha Acharya**, Chief Sustainability Officer, JSW Steel iii. **Ms Namita Vikas**, Founder and Managing Partner, auctusESG LLP iv. **Prof Karsten Neuhoff**, Head - Department of Climate Policy, DIW Berlin v. **Mr Hari Gadde**, Sr. Climate Change Specialist, Carbon Markets and Innovation, World Bank vi. **Mr Will Hall**, Associate Fellow, TERI
17.15 – 17.30	Q&A

SUMMARY OF DISCUSSION

The webinar started with **Ms. Tamiksha Singh** sharing with the participants insights on the key findings of the report "Transitioning India's steel and cement industries to low carbon pathways". The report, formulated under a project funded by the International Climate Initiative (IKI) of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), aimed to identify and examine the structural gaps that international climate finance can fill and the role it can play, through policy interventions and otherwise, to help transition the Indian steel and cement industries to a lower carbon pathway. The key barriers which deter industry transition within these sectors and solutions for the same were touched upon.

This was followed by a panel discussion, moderated by **Dr. Ajay Mathur**. Setting the tone for the discussion, Dr Mathur highlighted the urgency for undertaking actions to decarbonize the hard-to-abate industries, such as the Indian steel industry. He remarked that, despite the challenges associated with certain key technologies not being commercially viable, issues in sourcing and deploying adequate green funds, and an absence of an effective market for green products, the efforts aimed at a greener future should not be postponed if we are to achieve our global climate goals.

As the first panelist, **Ms. Madhulika Sharma** commended TERI's report on transitioning the Indian steel and cement sectors to lower carbon pathways. She shared that India's steel production is

Supported by:
Federal Ministry for the Environment, Nature Conservation and Nuclear Safety
INTERNATIONALE KLIMASCHUTZINITIATIVE (IKI)

expected to foresee huge growth rate, while it is expected to dip for the rest of the world. She mentioned that Tata Steel is the member of the European Responsible Steel Initiative and Greenpro framework and has also partnered with CII Green Business Center to develop frameworks for going green. She emphasized the need to mobilise demand within the domestic market for green products and engage with buyer industries, which is a must to stimulate the industry transition as the products must serve a market need. She said that from the supply side, TATA Steel is actively picking on any opportunities to go green, even if they are in the form of weak signals at present. Ms Sharma highlighted the challenges faced, such as their being no clear benchmarks for large transformative green projects for hard-to-abate sectors, specifically steel, and that a framework for channeling climate funds for the industry's transition is not available. To address these, she prioritized the need for multiple stakeholders to come together and create the demand. Ms Sharma ended her remarks by emphasising that India should not miss out on the opportunity to emerge as a hub for green steel.

Mr. Prabodha Acharya focused his initial remarks on what is required for the way forward to accelerate industry transition. He highlighted some measures that, in the current scenario - with the existing lack of policy framework and lack of demand by the consumer, could enhance green financing and green transition for hard-to-abate sectors. He recommended an internal strategic perspective to face the barriers through specific doable measures. These include identifying ways to integrate resource efficiency and material efficiency to reduce the emissions, integrating an internal carbon price for decision-making, designing frameworks for how green investments should be evaluated and communicated internally and consistently focusing on efficiency improvement. He shared that, at JSW Steel, they have started integrating an internal carbon price, as a risk management tool, to assess how future decisions and performance will be impacted by the choices of today. In the backdrop of technical progress that is likely to happen within the Indian steel sector, he stated that it is unlikely that any path breaking technology will be practically implemented in the next 25 years. He also emphasised that multi-stakeholder collaborations can play an instrumental role in getting funds to source technologies and to stimulate deep decarbonisation outcomes.

Ms. Namita Vikas shared that in the last 5 years, the financial community has been progressing on acknowledging climate change and its associated systemic risks, linking them to long term investments and credit portfolios. This has brought about close scrutiny of some sectors, particularly hard-to-abate sectors that are carbon intensive. Over the years, green is becoming the norm with the financial sector beginning to provide solutions to ensure better production and consumption, through the form of green finance products and green labeled assets. However, these transition efforts have focused majorly on renewables and progress with the hard-to-abate sectors has been limited. She emphasised that, being sectors that make or break adherence to the Paris Agreement, there is a need for industry practitioners within these sectors to reevaluate business plans and implement transition pathways that have renewed priorities for GHG management and climate resilience. She also said that, the financial community should continue to open up to these transition sectors and funds should be channeled towards greater number of assets, activities and sectors. She mentioned that green finance's strengths for enabling access to larger pool of investors, ensuring clear communication, and reduced cost of financing could be key to supporting industry transition. However, this requires developing robust green projects for heavy industries, which is lacking today, and is much needed from the transition and green investment perspective.

Supported by:
Federal Ministry for the Environment, Nature Conservation and Nuclear Safety
INTERNATIONALE KLIMASCHUTZINITIATIVE (IKI)

Prof. Karsten Neuhoff said that with Europe aiming to be carbon neutral by 2050, corporates have started to put in place a vision of how they intend their policies and products to be carbon neutral to serve the broader objectives. He mentioned that a trigger point for the hard-to-abate industries in EU to start looking for deep decarbonisation solutions was due to the finance sector becoming wary of high carbon investments, which was a result of their recent bad experience with the coal sector and the need to write-off losses in that. Talking about means for accelerating decarbonisation, he touched upon the advantages of adopting a circular economy approach and adopting reuse and recycling of materials for steel production processes, and how this can be especially beneficial in the local context for countries which don't have strong primary production processes, such as the smaller EU economies. He also remarked that the EU recovery package, which is around 750 billion euros, is focusing on supporting such measures and is driving investments to these, with much of them being 'early offerings', likely to fructify within the next five years, which is resulting in industries becoming more willing to accelerate their green transitions. Talking about the Indian context, he pointed out that there is a need for a policy strong framework to pave way for the required industry transitions.

Mr. Hari Gadde talked about the role that carbon markets and Article 6 of the Paris Agreement can play to support hard-to-abate sectors. He pointed out that the effectiveness of emission reduction schemes is limited and mitigation options for these specific sectors, such as steel, are limited and expensive. In such a scenario, to achieve commitments under the Paris Agreement, there is a need to look for wider avenues to decarbonize these sectors. He mentioned that we should be cautiously optimistic about the how Article 6 comes to play out for the hard-to-abate sectors. Sharing insights from the recent assessment done by World Bank and International Emissions Trading Association, he shared that key findings reveal that Article 6 has a potential to reduce total cost of implementing NDCs by more than half. He pointed out that we need to move away from the traditional additionality assessment and need to standardize regulatory requirements. He also pointed to the need for clarity at the domestic level on kind of policy framework that would define how India wants to incentivize its private sector to participate in these markets. He said that given the inter-linkages between the NDC targets and the 2 degree celsius goal, the hard-to-abate sectors requires a complete package as a solution.

Mr. Will Hall shared insights on the TERI's consultation document "'Towards a Low Carbon Steel Sector'", launched in January 2020, which set a range of potential options and pathways for reducing the environmental impact of the Indian iron and steel sector. He mentioned that the role of energy efficiency and resource efficiency to reduce emissions within the hard-to-abate sectors is limited. To get to very low level of emissions within the country, there is a need to channelize investments in deep decarbonisation technologies in the coming decade to achieve the targets in the second half of the century. He pointed that the industry transition within the country can be accelerated through collaborative measures in addition to the punitive measures. These collaborative measures could include increasing engagement in forums like Clean Energy Ministerials through Government of India, attracting innovation within steel sector through initiatives such as the Mission Innovation and attracting private sectors actors to green investments in larger numbers.

These insights from the panel, was followed by a **question and answer session**.

The question on what constitutes the key first step in the green transition ignited thought provoking insights from the panelists. **Ms. Madhulika Sharma** mentioned that assessing the role of Indian steel and cement sector and clarifying their needs to undergo transition from the perspective of India's NDCs could be the starting point. **Mr. Prabodha Acharya** and **Prof. Karsten Neuhoff** claimed that multi-level collaborations could very well constitute the key first step to chart the pathways and garner the required support. **Ms. Namita Vikas** claimed that policies to channelize funds towards the two sectors, decoding and demystifying inherent risks, breaking the opportunities sectorally and proper articulation of the role played by the key parties is also a key initial step. **Mr. Hari Gadde** mentioned that imposition of an internal carbon price for the companies and efforts to increase support from international climate funds, such as the GCF, to these sectors is crucial to accelerate the transition.

Providing insights on how the scale of finance that renewables have attained can be achieved to drive the green transition, **Prof. Karsten Neuhoff** shared that companies that have a long term sustainable model can get better access to finance attributable to well managed risk.

The question put forward for the steel-makers to deduce if hydrogen forms a part of the decarbonisation strategy, provided an insight into the current industry scenario. **Ms. Madhulika Sharma** mentioned that hydrogen is among the two big near zero technologies that steel sector is currently looking at. She mentioned that a viable alternate to carbon at present is hydrogen. **Mr. Prabodha Acharya** mentioned that a move to hydrogen is a key strategy for JSW- both in short term and long term. The short-term role of hydrogen in DRI and blast furnaces to reduce coke rate and consequently reduce emissions is very crucial.

Answering the question on what can be the impact parameters for green finance, **Mr. Prabodha Acharya** shared that specific time-framed targets, which are viable for the sectors, could be used to measure the impact.

The recording of this webinar is available at:
https://www.youtube.com/watch?v=3GM9HdigpNE&t=15s

Supported by:
Federal Ministry for the Environment, Nature Conservation and Nuclear Safety
INTERNATIONALE KLIMASCHUTZINITIATIVE (IKI)