Stimulating Climate Resilient Growth in India: Exploring the role of Climate Finance

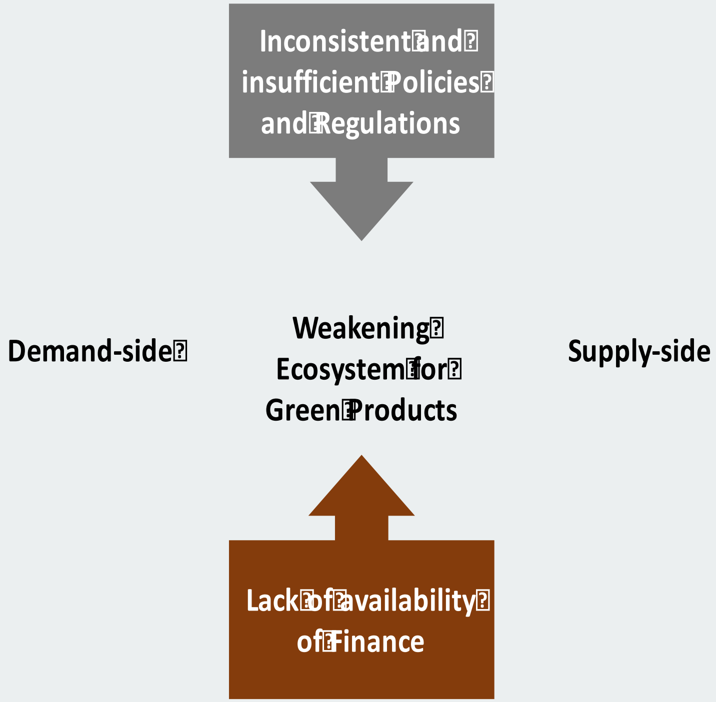
June 16th, 2020
New Delhi

PANEL 1:
NEEDS AND CHALLENGES IN FINANCING A GREEN TRANSITION

Barriers and Gaps Identified

From our discussions with these industries and financiers in India, its clear that the current green investments are side-stepping the heavy industries due to the nature of their business.

- **Lack of coherence in the existing policy and regulatory framework**, from a climate perspective, has resulted in the creation of critical demand-side and supply-side gaps for the hard to abate industries.



- **Lack of multi-industry engagement**, which is needed to fill the demand-supply gap.
- **Lack of willingness to pay for green**, even though there is an increase number of requests from certain consumer segments, regarding the carbon footprint of products and related data.

- **Lack of clear carbon pricing signals** at the national level, which are essential for providing security to companies and encourage them to undertake new greening projects.
- **Lack of standards and certification process for green products** as there is no comprehensive framework for green cement and steel in India.

- **Lack of capacity with finance institutes** to properly assess and provide required and viable finance for green transitions. Furthermore, there is a barrier between companies and international sources of green finance, which usually requires a government nodal body to engage.

Points for Deliberation

- How can climate finance be used to transition industries to climate-resilient and clean-growth trajectories?

- What are the challenges faced by the industries in accessing green finance and developing robust mitigation programmes and resultant carbon assets? What are the capacity and policy gaps which act as key barriers?

- Which areas (technologies, industries, solutions) need to be prioritised in the current economic scenario, for developing new market mechanisms?

PANEL 2:
PREPARING FOR FUTURE CARBON MARKETS AND FINANCE MECHANISMS

What drives a long term industry transition?

Gaps

Demand Side Gaps
- Lack of Drivers of Demand
- Lack of Awareness
- Limited Market

Supply Side Gaps
- High Risk and Upfront Costs
- High operations cost
- Weak Ecosystem

Finance Side Gaps
- Lack of Capacity
- Commercial Viability
- Limiting Prerequisite Standards

Recommendations

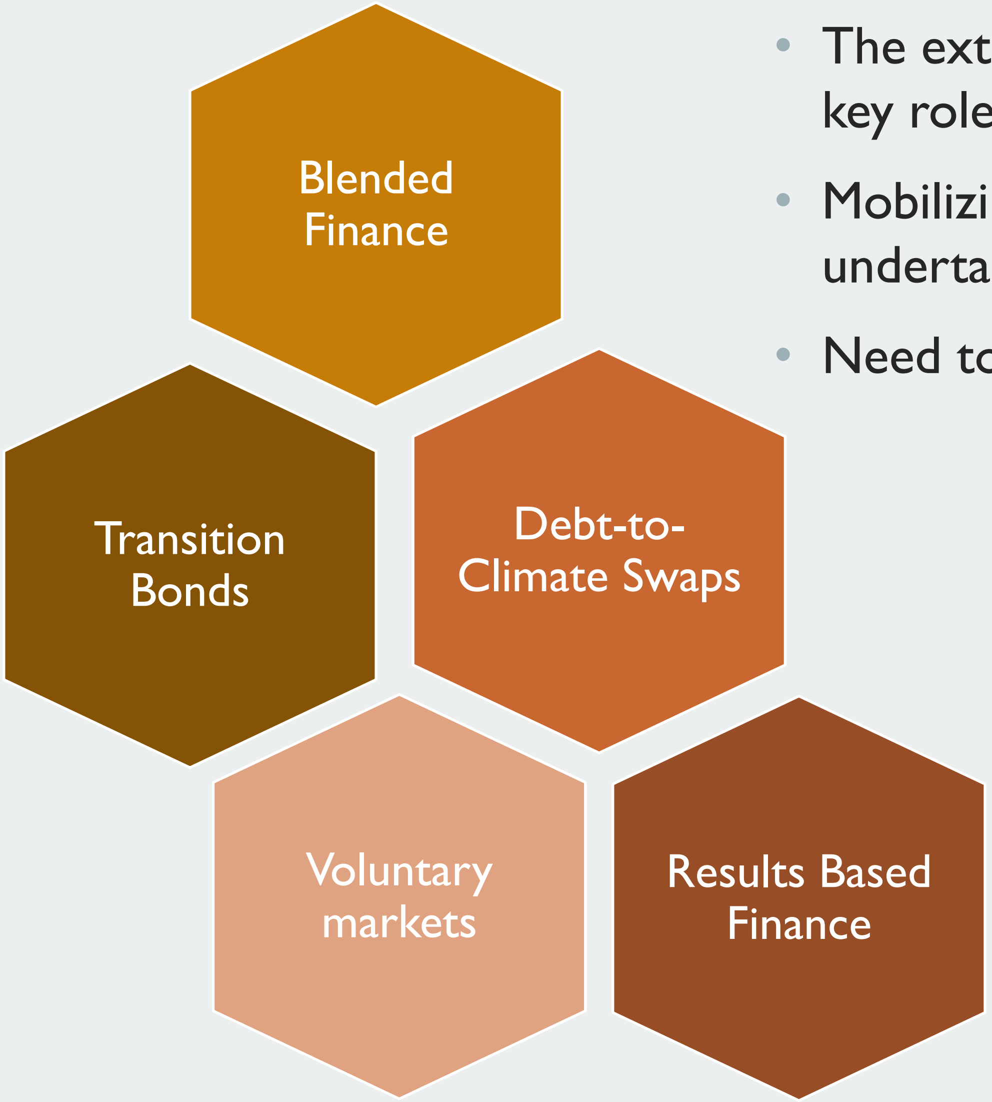
Demand Generation
- Multi Industry Engagement
- Public Procurement

Incentivising Supply
- R&D support for Novel Technologies
- Demonstration Projects

Mobilising Finance
- Blended Finance
- Results Based Finance
- Transition Bonds

- Regulation and incentivization of greener products
- Awareness building on strength and utility of greener counterparts
- Lowering the costs of lending and increasing availability of finance in sectors which are not entirely tested

Climate finance tools for a green recovery and transition



- The extent of finance which is required is vast - blended finance could play a key role
- Mobilizing finance via transition bonds, as a dedicated source of finance to undertake transition
- Need to extend finance beyond the conventional sectors of energy efficiency:
  - Role of voluntary markets especially in untapped sectors such has nature based solutions, urban forestry etc.
  - Results based finance, debt for climate swaps for facilitating innovative finance in avenues for adaption

Finance will have to move hand in hand with regulation to bring about transition

Points for Deliberation

- What do industries need to do to prepare for future reporting requirements?
- What are the finance instruments which are most critical for mobilizing climate finance in this period?
- How can a co-benefits approach, by including climate benefits to developmental programmes and vice-versa, be used in mobilizing additional climate finance?
- How can international climate finance support national climate initiatives and economic recovery?

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