

9/3/2021

Q. Green bonds can enable the government of India to achieve its Intended Nationally Determined Contributions (INDC) under the Paris climate agreement 2015. Explain. (200 words)

India's Intended Nationally Determined Contribution's (INDC) ^{the fulfillment of} for the Paris Climate Agreement 2015, as well as other commitments will require \$2-3 trillion in funds. Traditional funding sources ~~for~~ are inadequate for such expenditure.

Green bonds, bonds released for funding 'green', environment-friendly projects ~~are~~ is an emerging funding tool for clean energy, sustainable transportation, water management projects etc.

Benefits of green bonds :

- Fund raised will be used exclusively for environmentally sound development. This will reduce the environmental cost of development, while allowing India to expand its green technology and infrastructure base.

- It will help countries (governments and businesses) meet the high initial investment costs, especially in
- infrastructure greenfield development and retrofitting.
- eg. The Indian railways ^{was} funded rail electrification by ^{releasing} released \$500 million green bonds
- Mobilizing ^{Mobilized} funding from abroad becomes easier,
- Citizens have a choice to pick ~~enviro~~ 'green'

But the ^{green} bond market in India is underdeveloped (only 0.7% of the market) because of higher borrowing costs and information asymmetry. But the urgency of climate risk and the huge need for 'green' and sustainable development in India necessitates reform in the green bond market to improve transparency, organize and promote and mobilize green investments.

In 2020, inspite of the COVID-19 pandemic, the green bonds issued globally hit the \$1 trillion value mark. Green bonds and green funding have thus become a mainstay in our investments in the 'future' and India must also make use of this ^{green} funding tool.