

Green bonds are debt instruments that are issued by government and their entities, international organisations and private sectors by committing themselves for climate change mitigation or adaptation.

Benefits and potential:

1. Green bonds enjoy 'premium pricing' which attracts investment in secondary markets and also long term benefits.
2. Green bonds also shows political leadership commitments on climate change, climate related policies, transition of economy, diversification of portfolios by investors.
3. Since its inception by SEBI in 2017 it has garnered \$ 10 billion investment in private and public sector entities.
4. Even the pandemic has not affected the interest in green bonds.

Options for government:

- With skewed revenue and ballooned expenditure government eyes debt market for deficit financing.
- Especially state governments has increased share of debt financing through state development loans from 60% in FY16 to 90% in FY 21.
- The sovereign green bond will attract FPI which shy away from other regular instruments of government.
- This will lead to assets creation on climate mitigation and adaption: changing economy from fossil based to Renewable sources based.