

Green Finance

Why in news?

RBI has recently shared the framework for green deposit. It is one of the steps to promote finance towards projects which are meant to protect environment

Let's discuss what is green finance and its recent news.

What is green finance?

Green finance means lending to and/or investing in the activities/projects that contributes to climate risk mitigation, climate adaptation and resilience, and other climate-related or environmental objectives - including biodiversity management and nature-based solutions

What is the need of green finance?

Green financing is to increase level of financial flows (from banking, micro-credit, insurance and investment) from the public, private and not-for-profit sectors to sustainable development priorities. A key part of this is to better manage environmental and social risks, take up opportunities that bring both a decent rate of return and environmental benefit and deliver greater accountability.

What are the various steps need to be taken to promote green financing?



What is green deposits?

Green deposit means an interest-bearing deposit, received by the RE for a fixed period and the proceeds of which are earmarked for being allocated towards green finance;

What is green washing?

Greenwashing means the practice of marketing products/services as green, when in fact they do not meet requirements to be defined as green activities/projects.

Important points of Framework for green financing:

- To ensure effective allocation of green deposits, REs must put in place a **Board-approved Financing Framework (FF)**.
- The green deposits shall be denominated in Indian Rupees only.
- The allocation of funds raised through green deposits by REs during a financial year shall be **subject to independent third-party verification/assurance**, which shall be done on an annual basis.

Which of the projects include and excluded under green finance?

- REs shall be required to allocate the proceeds raised through green deposits towards the following list of green activities/projects which encourage energy efficiency in resource utilisation, reduce carbon emissions and greenhouse gases, promote climate resilience and/or adaptation and value and improve natural ecosystems and biodiversity.

Sector	Description
Renewable Energy	<ul style="list-style-type: none">• Solar/wind/biomass/hydropower energy projects that integrate energy generation and storage.• Incentivizing adoption of renewable energy.
Energy Efficiency	<ul style="list-style-type: none">• Design and construction of energy-efficient and energy-saving systems and installations in buildings and properties.• Supporting lighting improvements (e.g. replacement with LEDs).• Supporting construction of new low-carbon buildings as well as energy-efficiency retrofits to existing buildings.• Projects to reduce electricity grid losses.
Clean Transportation	<ul style="list-style-type: none">• Projects promoting electrification of transportation.• Adoption of clean fuels like electric vehicles including building charging infrastructure.
Climate Change Adaptation	<ul style="list-style-type: none">• Projects aimed at making infrastructure more resilient to impacts of climate change.
Sustainable Water and Waste Management	<ul style="list-style-type: none">• Promoting water efficient irrigation systems.• Installation/upgradation of wastewater infrastructure including transport, treatment and disposal systems.• Water resources conservation.• Flood defence systems.
Pollution Prevention and Control	<ul style="list-style-type: none">• Projects targeting reduction of air emissions, greenhouse gas control, soil remediation, waste management, waste prevention, waste recycling, waste reduction and energy/emission-efficient waste-to-energy⁶.
Green Buildings	<ul style="list-style-type: none">• Projects related to buildings that meet regional, national or internationally recognized standards or certifications for environmental performance.

Sector	Description
Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> • Environmentally sustainable management of agriculture, animal husbandry, fishery and aquaculture. • Sustainable forestry management including afforestation/reforestation. • Support to certified organic farming. • Research on living resources and biodiversity protection.
Terrestrial and Aquatic Biodiversity Conservation	<ul style="list-style-type: none"> • Projects relating to coastal and marine environments. • Projects related to biodiversity preservation, including conservation of endangered species, habitats and ecosystems.

- Projects involving new or existing extraction, **production and distribution of fossil fuels, including improvements and upgrades**, nuclear power, direct waste incineration, alcohol, weapons, tobacco, gaming, or palm oil industries, **renewable energy projects generating energy from biomass** using feedstock originating from protected areas, landfill projects and hydropower plants larger than 25 MW have been excluded from green financing.

