

Govt. Unveils Sovereign Green Bonds Framework

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What's in today's article:

- **Background (Commitment made by FM, PM, About Panchamrit)**
- **About Green Bonds (Meaning, Examples, Data, etc.)**
- **About SGBF (Aim, Eligibility, Proceeds, Implementing agency, etc.)**

Why in news?

- The Central government released the Sovereign Green Bonds Framework.
- The revenue generated from the issuance of sovereign green bonds will be deployed in public sector projects that help in reducing the carbon intensity of the economy.

Background:

- In Union Budget 2022-23, the Finance Minister Nirmala Sitharaman had announced that sovereign green bonds will be issued for mobilising resources for 'green projects'.
- Prior to that, Prime Minister Narendra Modi at **COP26** in November 2021 had announced India's commitments under '**Panchamrit**' to reduce carbon emissions.
 - **Panchamrit** is a set of five commitments that the Prime Minister made at the Conference of Parties (COP26) held at **Glasgow, UK**.
 - **These five commitments are -**
 - To raise the non-fossil fuel based energy capacity of the country to 500 GW by 2030.
 - By 2030, 50% of the country's energy requirements would be met using renewable energy sources.
 - The country will reduce the total projected carbon emission by one billion tonnes between now and the year 2030.
 - The carbon intensity of the economy would be reduced to less than 45% by 2030.
 - India would become carbon neutral and achieve net zero emissions by the year 2070.

What are Green Bonds?

- Green bonds are issued by companies, countries and multilateral organisations to exclusively fund projects that have positive environmental or climate benefits and provide investors with fixed income payments.
- The projects can include renewable energy, clean transportation and green buildings, among others.'

Real-world example of Green Bonds:

- The World Bank is a major issuer of green bonds and issued **\$14.4 billion of green bonds between 2008 and 2020**.
- These funds have been used to support 111 projects around the world, largely in renewable energy and efficiency (33%), clean transportation (27%), and agriculture and land use (15%).
- By the end of 2020, 24 national governments had issued Sovereign Green, Social and Sustainability bonds totalling a cumulative **\$111 billion**, according to the London-based Climate Bonds Initiative.

India's Sovereign Green Bonds Framework:

- First announced in the Union Budget 2022-23, the proceeds of these green bonds will be issued for mobilising resources for green infrastructure.
- **Aim -**

- To mobilise Rs 16,000 crore through the issuance of green bonds in the current fiscal ending March 2023.
- Under the framework, the Finance Ministry will, every year, inform the RBI about spending on green projects for which the funds raised through these bonds will be used.

Eligible Projects:

- All eligible green expenditures will include public expenditure undertaken by the government in the form of investment, subsidies, grants-in-aid, or tax foregone (or a combination of all or some of these) or select operational expenditures.
- R&D expenditures in public sector projects that help in reducing the carbon intensity of the economy and enable country to meet its Sustainable Development Goals (SDGs) are also included in the framework.
- The eligible expenditures will be limited to government expenditures that occurred maximum 12 months prior to issuance of the green bonds.
- **Sectors not included -**
 - Nuclear power generation, landfill projects, alcohol/weapons/tobacco/gaming/palm oil industries and hydropower plants larger than 25 MW have been excluded from the framework.

Where will the proceeds go?

- The framework sets forth the obligations of the Government of India as a green bond issuer.
- The proceeds from the green bonds issuance will be **deposited in the Consolidated Fund of India (CFI)** in line with the regular treasury policy, and then funds from the CFI will be made available for the eligible green projects.

Implementing Agency:

- The Ministry of Finance has constituted a **Green Finance Working Committee (GFWC)** including members from relevant line ministries and chaired by the Chief Economic Advisor.
- The GFWC will meet at least twice a year to support the Ministry of Finance with selection and evaluation of projects and other work related to the Framework.
- Initial evaluation of the project will be the responsibility of the concerned Ministry/Department in consultation with experts.
- The allocation of the proceeds will be reviewed in a time-bound manner by the GFWC to ensure that the allocation of proceeds is completed within 24 months from the date of issuance.

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