India Releases Draft Climate Finance Taxonomy to Boost Clean Energy Investment

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What's in Today's Article?

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- India's Draft Climate Finance Taxonomy Framework
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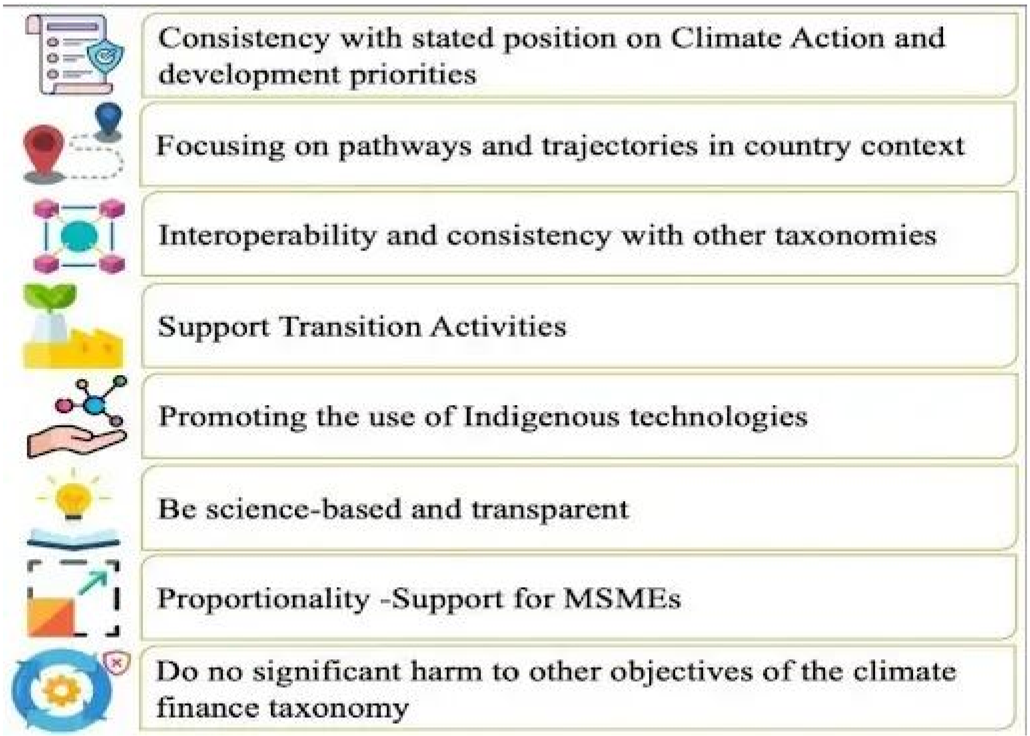
Climate Finance Taxonomy Latest News

- The Finance Ministry has released a draft document titled **'Framework of India's Climate Finance Taxonomy'** aimed at guiding investments towards clean energy and climate-resilient infrastructure.
- The taxonomy is intended to provide clear definitions and criteria for identifying environmentally sustainable projects.

India’s Draft Climate Finance Taxonomy Framework

- The Finance Ministry has released a draft **‘Framework of India’s Climate Finance Taxonomy’** to guide investments into clean energy and climate-resilient infrastructure.
- It aims to:
  - Classify economic activities as sustainable or transitional.
  - Encourage climate-friendly technologies.
  - Prevent greenwashing.
    - Greenwashing refers to the deceptive practice of making unverified or exaggerated claims about environmental or climate-friendly actions.
    - It misrepresents actual progress on climate change, encouraging irresponsible actions while falsely rewarding entities for their “environmental efforts.”
  - **Align with India’s twin goals**: Net Zero by 2070 and Viksit Bharat by 2047.

Principles of the Climate Finance Taxonomy



Purpose and Global Relevance

- It acts as a **tool for investors and banks** to identify credible green investments.
- Supports India’s stance in global climate negotiations by setting a national standard for defining **‘climate finance.’**
- Responds to international disputes where **developed countries often overstate contributions** to developing nations.

Categories of Climate Activities

- **Climate Supportive**: Activities that directly reduce greenhouse gas emissions or improve climate resilience.
- **Climate Transition**: Activities that help reduce emissions intensity in hard-to-abate sectors like iron, steel, and cement.

Key Sectors Covered

- Power generation
- Buildings and infrastructure
- Mobility/transport
- Agriculture and food systems
- Water security and resource management

India’s Climate Adaptation and Energy Investment Targets

- **Massive Scale-Up in Power Generation Capacity**
  - **Target Capacity**: Increase installed power capacity from 470.4 GW (Feb 2025) to 777.14 GW by 2029–2049.
  - **Technology Focus**: Prioritize investment in Advanced Ultra Super Critical (AUSC) thermal power plants.
    - AUSC plants offer 46% efficiency, compared to:
      - Subcritical: ~38%
      - Supercritical: ~41–42%
- **Goal:** Achieve higher efficiency and lower emissions in thermal energy generation.
- **Climate Adaptation Investment Requirement**
  - **Total Investment Needed**: Based on India’s Initial Adaptation Communication to the UN (December 2023), India needs ₹56.68 trillion (≈ USD 648.5 billion) by **2030** (based on 2023–24 prices).
  - **Sectors Covered**:
    - Agriculture
    - Forestry
    - Fisheries
    - Infrastructure
    - Water resources
    - Ecosystems
- **Purpose**: Fund adaptation actions to minimize adverse impacts of climate change.

Climate Finance Taxonomy FAQs

Q1. What is India’s Climate Finance Taxonomy?

Ans. It’s a framework to classify and guide investments into environmentally sustainable and climate-resilient economic activities.

Q2. Why was the climate taxonomy released?

Ans. To attract green investments, prevent greenwashing, and align with India’s Net Zero and Viksit Bharat goals.

Q3. What sectors are covered under the taxonomy?

Ans. Power, buildings, transport, agriculture, food systems, water security, and infrastructure are included in the climate investment focus.

Q4. How much adaptation investment does India require by 2030?

Ans. India needs ₹56.68 trillion for adaptation in agriculture, ecosystems, water, fisheries, and infrastructure by 2030.

Q5. What technologies are prioritized for clean energy?

Ans. Advanced Ultra Super Critical (AUSC) thermal power plants are preferred for higher efficiency and reduced emissions.

Source: TH | PIB | DEA
