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Blue Bonds

Mains: *GSIII – Economy | Infrastructure*

Why in News?

India is set to raise ₹1,000 crore through its maiden blue bond under Sagarmala to fund sustainable maritime infrastructure, with SEBI recognising blue bonds as a sustainable finance instrument.

What are Blue Bonds?

- **Blue bonds** – These are debt instruments whose proceeds are earmarked for ocean- and water-related sustainable projects, while following the basic structure of conventional bonds.
- They can finance:
  - Sustainable ports and shipping.
  - Inland waterways and coastal transport.
  - Fisheries and coastal livelihoods.
  - Marine conservation and pollution control.
  - Sustainable coastal tourism.

- Greater disclosure, impact measurement and periodic reporting are required to prevent "**bluewashing**".

What is Blue Bond Significance for India?

- **Diversifying Infrastructure Finance** – India's long-gestation infrastructure has traditionally depended on bank loans, budgetary support and conventional bonds.
  - Blue bonds can diversify these funding sources and attract sustainability-oriented investors.
- **Better Asset-Liability Management** – SMFCL provides infrastructure loans with maturities of around 12 years, while its existing borrowing tenure is shorter.
  - Long-duration bonds can therefore improve asset-liability matching.
- **Financing Sustainable Maritime Infrastructure** – India has a coastline of about 7,500 km, and nearly 95% of trade by volume moves through maritime routes.
  - Blue finance can support Electrification and energy efficiency in ports, Shore-power facilities, Cleaner cargo handling and logistics, Inland water terminals and coastal shipping.
- Thus, blue bonds can link infrastructure development with environmental sustainability.

Global Blue-Bond Market
• The global blue-bond market has expanded rapidly, with cumulative issuance crossing $15 billion by mid-2025, according to the World Bank. • **Seychelles** issued the first sovereign blue bond in 2018 with World Bank support. • **Belize** restructured around $553 million of external commercial debt in 2021, creating fiscal space for marine conservation. • The **Nordic Investment Bank** issued an early institutional blue bond in 2019. • The Asia-Pacific region has become an important market for blue and water-labelled bonds. • These examples show how debt instruments can combine development financing with marine conservation.

Why Do Blue Bonds Lag Behind Green Bonds?

- **Lack of standardisation** – There is no universally accepted blue taxonomy comparable to established green-bond standards.
- **Difficulty in impact measurement** – Outcomes such as biodiversity improvement, coral restoration and fish-stock recovery are difficult to quantify.
- **Limited investment-ready projects** – Many countries have ocean strategies but lack sufficiently developed projects capable of attracting large-scale finance.
- **Narrow investor base** – Blue bonds continue to depend significantly on specialised impact investors rather than mainstream institutional investors.
- **Risk of bluewashing** – Weak monitoring and disclosure can undermine the credibility of blue-labelled projects.

India’s Emerging Pipeline

• India’s blue-bond ecosystem remains at an early stage.
• The proposed water-infrastructure financing by Vadodara Municipal Corporation indicates that blue finance could expand beyond marine projects to broader water-related sustainability.
• The Andaman and Nicobar Islands also offer potential applications in sustainable ocean-economy development.
• **Challenges –** The global interest-rate environment may increase borrowing costs and affect investor appetite. Hence, successful issuance will require:
- Sound financial fundamentals.
- Realistic pricing.
- Transparent use of proceeds.
- Credible environmental outcomes.
- Robust impact reporting.

What measures can be taken?

- **Develop a Clear Blue Taxonomy** – India should establish clear and measurable criteria for identifying eligible blue projects, aligned with global sustainable-finance principles.
- **Strengthen Monitoring and Disclosure** – Independent verification, impact assessment and periodic reporting should be strengthened to prevent bluewashing.
- **Build an Investment-Ready Project Pipeline** – Government agencies should develop bankable projects in:
    - Sustainable ports.
    - Fisheries.
    - Coastal infrastructure.
    - Inland waterways.
    - Marine conservation.
    - Waste and wastewater management.
- **Mobilise Institutional Investors** – Appropriate regulatory and risk-management frameworks can encourage insurance companies, pension funds and other long-term investors to participate.
- **Integrate Blue Economy Strategy** – Blue bonds should form part of a broader strategy combining economic growth, marine conservation, coastal livelihoods and climate resilience.

What lies ahead?

- India’s maiden blue bond can help bring the ocean economy into mainstream capital markets.
- Its immediate financial scale may be modest, but it can establish a new model for financing sustainable maritime infrastructure.
- The long-term potential of blue bonds will depend on standardisation, credible impact measurement, transparency and a strong pipeline of investment-ready projects.

Reference

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