20 Feb, 2023

GS-3 - Economy.

3 The successful debut of India's sovereign ~~Gold~~ Green bond is a landmark event for its emerging sustainable finance ~~eco~~system. Explain.

Green bonds issued by sovereign entities like ~~Institu~~ corporates etc. for sustainable financing of credible projects are 'sovereign green bonds'

Importance It provides for sustainable financing of green projects.

Reserve bank of India - issued 2 tranches of Sovereign green bonds - each $1 bn.

Effect → Greenium

Bonds are oversubscribed - benchmark for future ~~for~~ sustainable financing.

Challenges

'2' Major odds → 1. Global head winds → affecting International investor from buying in local currency issuances

→ 2. Absence of domestic Environment social Governance - related investor base.

Expectations

1. Supporting policy action - will propell the domestic Green bond market

eg: Sustainable financing survey 2021 - by Climate Global Initiative.

shows - Local markets & diversification of investment pool are major ~~to~~ motivators for buying green bond

2. Transparency of list of investable projects

eg: Budget 2023 - listed projects to be financed by Green bond issuances

[medium to dark green eg: nat. Green hydrogen mission]

[Building upon Success]

1. Creating program to leverage local bond market to prevent volatile situation & debt trap of emerging economies. [Issuance in local currencies].

2. Definition of policies - will maintain the flow of capital and ensure to prevent bottlenecks in Global & local projects

[Way forward] India being G20 presidency has to leverage the Green bond issuance and play a major role in carbon financing.