

Green Bonds are launching on Jan 25: What can we infer from them?

Green Bonds became a crucial financial tool for addressing the difficulties posed by climate change and its related threats. As stated by the International Finance Corporation (IFC), climate change poses hazards to agriculture, food supplies, and communities and economies. To solve these problems, substantial funding is required. Green Bonds are a mechanism to link environmental projects with capital markets and investors and direct funds toward sustainable development.

Green Bonds give investors a forum to practice ethical behavior, influencing the bond issuers' corporate strategy. They give people a way to protect themselves from the hazards associated with climate change while generating returns on investment that are at least comparable to, if not superior. According to the IFC, the increase in Green Bonds and green finance indirectly works to disincentivize high carbon-emitting projects.

Any sovereign authority, intergovernmental organization, or corporation may issue green bonds with the intention of using the bond profits to fund ecologically sustainable projects. On November 9, 2022, the government released the structure for the sovereign green bond. In the current fiscal year, the RBI will issue two tranches of Sovereign Green Bonds totaling a total of Rs 8,000 crore (\$16,000 crore). The 5-year and 10-year green bond issues, each worth Rs 4,000 crore, were announced by the RBI on January 25 and February 9, respectively.

The Indian government reaffirmed its promise in August 2022 to attain a cumulative installed capacity of around 50% of electric power from non-fossil fuel-based energy sources by 2030 and to lower the GDP's emissions intensity by 45% from its level in 2005. In keeping with its promise to cut the economy's carbon intensity significantly, the Union Budget 2022–23 announced plans to issue sovereign green bonds. The nation's efforts to combat climate change have so far been mostly funded by domestic resources, and it is now focusing on raising new international financial resources. The Sovereign Green Bonds will assist the Indian government in obtaining the necessary funding from potential investors for use in public sector projects intended to lower the economy's carbon intensity.

The revenues from Sovereign Green Bonds (SGrBs) will be used to finance or refinance spending (in part or whole) for a variety of green initiatives, including renewable energy, clean transportation, energy efficiency, climate change adaptation, sustainable water, and waste management, pollution and preventative control, and green buildings. Investments in solar, wind, biomass, and hydroelectric energy projects will be made in the field of renewable energy.

