



# Green Term Loan

## Why in News

Recently, NTPC Renewable Energy ([NTPC-REL](#)), a subsidiary of NTPC, has signed its **first Green Term Loan agreement** for installation of **Solar Projects in Rajasthan & Gujarat**.

- NTPC-REL is also constructing **India's largest single local solar power park** of 4.75 GW in **Kutch**.
- NTPC is taking various steps to make its energy portfolio greener by adding significant capacities of renewable energy sources.

## Key Points

- **About 'Green Loan':**
  - A green loan is a form of financing that seeks to enable and empower businesses to **finance projects which have a distinct environmental impact**, or rather, which are directed towards financing **'green projects'**.
- **Benefits of Green Loans:**
  - **Corporate Advantage:**
    - It will help raise **corporate value**, by demonstrating that they are actively promoting Green Projects by procuring Green Loans, which could possibly **earn them public acceptance**.
    - This will also help in fulfilling [Corporate Social Responsibility targets](#).
  - **Balancing Economy With Ecology:**
    - By providing Green Loans, lenders can support the realization of the environmental benefits that contribute to **creating a sustainable society, while simultaneously gaining returns on their lending**.
    - An increase in Green Loans and Green Deposits will enhance individual awareness of Green Loans.
  - **Environmental Benefits:**
    - An increase in Green Loans is expected to increase private funds in Green Projects, **contributing to the substantial reduction of GHG (GreenHouse Gas) emissions** and the prevention of degradation of natural capital.
    - The promotion of Green Projects can **lower energy costs, strengthen energy security, revitalize the regional economy, and enhance resilience in the event of disasters**.

## Other Related Concepts

- **Green Bonds:** A [green bond](#) is a **debt instrument** with which capital is being raised to fund 'green' projects, which typically include those relating to renewable energy, clean transportation, sustainable water management etc.

- **ESG Fund:** [ESG Fund](#) is a combination of three words i.e. **environment, social and governance**. It is a kind of **mutual fund**.
  - Its investing is used synonymously with **sustainable investing or socially responsible investing**.

[Source: PIB](#)

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