



India's Green Finance Plan

Source: LM

India is turning to **Contracts for Difference (CfD)** as a central mechanism to mobilize nearly **USD 1 trillion in green finance** for its **500 GW renewable energy target by 2030**.

- CfD is a financial agreement between **renewable energy producers and the government to stabilize revenues**. If market prices fall below an agreed strike price, the government pays the producer the difference and if prices rise above it, the producer returns the surplus.
 - CfDs reduce risk and are widely used in Europe for renewable projects.
- **Green finance** encompasses financial products and services designed to promote environmental sustainability. To meet its **Paris Agreement targets**, India needs **USD 2.5 trillion by 2030**.
- **India needs USD 10 trillion by 2070 for its net zero goal, focusing on green finance as essential for development.**
- Green Financing Initiatives in India: India finances renewable energy through the [National Clean Energy and Environment Fund \(NCEEF\)](#) funded by coal cess.
 - [Indian Renewable Energy Development Agency \(IREDA\)](#) concessional loans.
 - [Priority Sector Lending \(PSL\)](#) mandated by the Reserve Bank of India.
 - [Green, Social, and Sustainability \(GSS\) Bonds](#).
 - [Carbon markets and credits](#), and crowdfunding platforms like Bettervest for rural projects.

CLIMATE FINANCE

Climate finance refers to local, national or transnational financing—drawn from public/ private/alternative sources of financing—to support mitigation and adaptation actions against climate change.

PRINCIPLES OF CLIMATE FINANCE

- ☐ Polluter Pays
- ☐ Common but Differentiated Responsibility and Respective Capability (CBDR-RC)

Multilateral Climate Funds Coordinated by UNFCCC

- ☐ **Global Environment Facility (GEF):** Operating entity of financial mechanism (1994)
- ☐ **Kyoto Protocol (2001):**
 - ▶ **Adaptation Fund (AF):** Gives developing countries full ownership of adaptation projects
 - ▶ **Clean Development Mechanism (CDM):** To carry out emission-reduction projects in developing nations
- ☐ **Green Climate Fund (GCF):** estd. - 2010 (COP 16)
 - ▶ Funds under it - **Least Developed Countries Fund (LDCF)** and **Special Climate Change Fund (SCCF)**
- ☐ **Long-Term Climate Finance:**
 - ▶ **Cancun Agreements (2010):** Mobilize and provide scaled-up funds in short and long term
 - ▶ **Paris Agreement (2015):** Developed nations agreed to establish new collective goal of at least \$100 billion/year by 2025
- ☐ **Loss and Damage Fund (2023) (COP27 & COP28):**
Financial assistance to nations most vulnerable and impacted by effects of climate change

Climate Investment Funds (CIFs) under World Bank

- ☐ Clean Technology Fund
- ☐ Strategic Climate Fund

INDIA'S INITIATIVES REGARDING CLIMATE FINANCE

Fund	Objective
■ National Adaptation Fund for Climate Change (NAFCC) (2015)	■ For vulnerable Indian states
■ National Clean Energy Fund (2010-11)	■ Advancing clean energy (started with initial carbon tax on industrial coal use)
■ National Adaptation Fund (2014)	■ Bridging gap between required and available funds
■ Intended Nationally Determined Contributions (INDCs) (2015)	■ Nationally binding targets adopted under UNFCCC
■ Climate Change Finance Unit (2011)	■ Leads on global climate finance issues

Challenges to Climate Finance

- ☐ Gap between national needs and climate finance under NDCs
- ☐ Least Developed Countries receive much less approved funding in per-capita terms from the multilateral climate funds
- ☐ Slow rate of approvals
- ☐ Failure in securing viability-gap funding



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Read more: [National Green Financing Institution](https://www.drishtiias.com/printpdf/india-s-green-finance-plan)

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