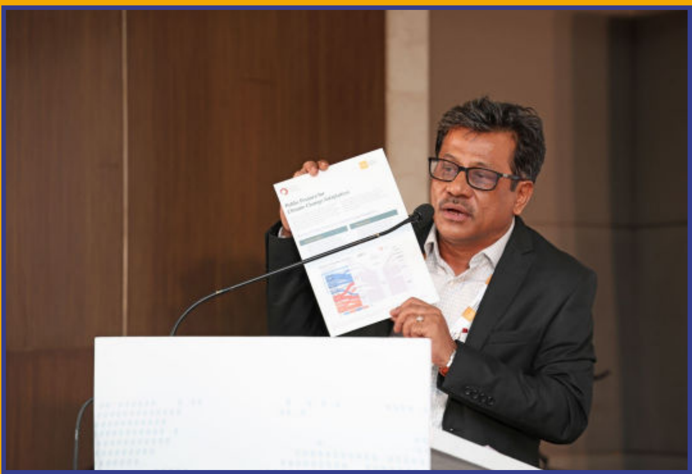
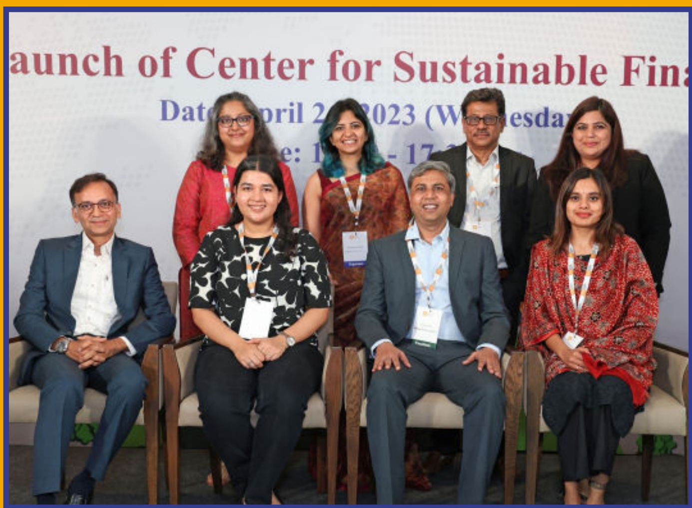
CLIMATE POLICY INITIATIVE

CSF Center for Sustainable Finance India

Launch Event for
CENTER FOR SUSTAINABLE FINANCE INDIA





Event Report

We are pleased to present a brief report of the launch of the Center for Sustainable Finance (CSF).

CSF is a knowledge and networking hub to accelerate the shift in India's financial sector towards more sustainable practices. This will be achieved through research and analysis, creating a platform for stakeholder dialogue and knowledge sharing, and capacity building. CSF is established and managed by Climate Policy Initiative (CPI). CPI is an analysis and advisory organization with deep expertise in climate finance and policy.

CSF was launched on April 26, 2023 in Mumbai. We convened delegates from diverse backgrounds including regulators, policymakers, private and public lenders / investors, philanthropies and other ecosystem enablers to discuss and deliberate on mainstreaming green finance and climate risk.

We welcome suggestions, comments, and collaborations to further the goal of CSF.

AGENDA

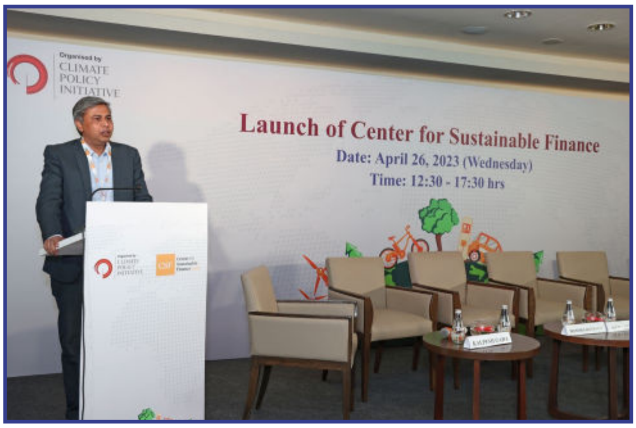
Date: *April 26, 2023 (Wednesday)* | ***Time:*** *1230 – 1730 hrs*

Venue: *Hotel Trident, Bandra Kurla Complex, Mumbai, India*

Time	Session	Speakers
12:30 - 13:45	Networking Lunch and Registration	
14:00 - 14:05	Welcome Remarks	Vivek Sen, Associate Director, CPI
14:05 - 14:10	Keynote Address – Recorded Message	Barbara Buchner, Global Managing Director, CPI
14:10 - 14:20	Presentation on Center for Sustainable Finance	Neha Khanna, Manager, CPI
14:20 - 14:30	Launch of Center for Sustainable Finance	Dhruba Purkayastha, India Director, CPI Vivek Sen, Associate Director, CPI Neha Khanna, Manager, CPI

Time	Session	Speakers
14:30 - 15:30	Panel Discussion: Mainstreaming Green Finance: From ambition to action	Kalpesh Gada, Advisor, CPI (Moderator) • Manish Chourasia, Managing Director, Tata Cleantech Capital • Neha Kumar, Head of South Asia Programmes, Climate Bonds Initiative • Pramod Rao, Executive Director, Securities and Exchange Board of India • R. K. Singh, CGM, Small Industries Development Bank of India • Sharmila Chavaly, Ex-principal Financial Adviser, Northern Railways • Shubhashis Dey, Director–Climate Policy & Climate Finance, Shakti Sustainable Energy Foundation
15:30 - 16:00	Networking Break	
16:00 - 17:00	Panel Discussion: Mainstreaming Climate Risk: Are we doing enough?	Upendra Bhatt, Co-Founder & Managing Director, cKinetics (Moderator) • Anand Viswanathan, EVP and Head, Market & Liquidity Risk and ERM & Model Risk, Axis Bank • Ashwini Kumar Tewari, Managing Director & Board Member, State Bank of India • Chandru Badrinarayanan, CEO, Blue Sky Analytics • Runa Sarkar, Professor, Indian Institute of Management, Calcutta • Ramraj Pai, CEO, Impact Investor Council • Suman Chowdhury, Chief Economist, Head–Research, Acuite Rating
17:00 - 17:10	Closing Remarks and Key Takeaways	Dhruba Purkayastha, India Director, CPI

Barbara Buchner, *Global Managing Director, Climate Policy Initiative*



Vivek Sen, *Associate Director, Climate Policy Initiative*

Panel 1: Mainstreaming Green Finance: From Ambition to Action

Left to right: Kalpesh Gada, *Climate Policy Initiative*, Manish Chourasia, *Tata Cleantech Capital*, Neha Kumar, *Climate Bonds Initiative*, Pramod Rao, *Securities and Exchange Board of India*, R. K. Singh, *Small Industries Development Bank of India*, Sharmila Chavaly, *ex- Northern Railways*, Shubhashis Dey, *Shakti Sustainable Energy Foundation*

To achieve India's ambitious climate targets as outlined in the country's Nationally Determined Contributions (NDCs) under the Paris Agreement, the country will require an estimated amount of USD 2.5 trillion from 2015 to 2030, or approximately USD 170 billion annually. Closing the existing financing gap is imperative for India to achieve its climate goals and protect the country's people and economy from the impacts of climate change. This calls for a focus on mainstreaming and increasing green finance in India's financial system. In this context, the first session on 'Enabling green finance flows to meet the financing gap in India' brought together panellists representing policymakers, regulators and financial institutions to discuss existing bottlenecks and opportunities for mainstreaming green finance in the country's financial system for enabling adequate and timely action.

The panellists were asked to share their thoughts on the current state of green financing in the contexts of taxonomy and standards, policy, regulation, government budgets, lending, and private sector engagement. With the context set, follow up questions were asked around whether the financial system is geared for meeting the green finance needs of the country, and how green finance can be best enabled and augmented. The role of policies and regulation, and effective processes and methods for mainstreaming green finance were discussed. With regard to the way forward, the panellists discussed key action points around addressing the existing bottlenecks and tapping into opportunities for bridging the financing gap for climate action through mainstreaming and increasing green finance in the country's financial system.

The key takeaways of the session are presented below:

- While India's financial regulators, RBI and SEBI, are moving ahead with emphasising the need for green finance and categorising action, an anchoring point within the government system is critical for leading the process.
- While taxonomy is important, 'actonomy' is equally if not more important. While perfecting the taxonomy will take time, the time for capital providers to act is now. To demystify green finance and stimulate action, it is imperative to embed green financing frameworks into lending and to train appraising officers on how to identify green finance opportunities and how to lend within existing compliance systems.
- Evolving standards will require for a review system which cross references various standards and shows where market players are on the green journey. Awareness raising and training of verifying agencies on various standards is required as well.
- Different segments of green businesses are at different stages of maturity. Funding is not a constraint for viable businesses. Some segments need robust project implementation frameworks while other segments have the technology in place but need appropriate policy support for the corporate sector to come in.
- India's attractiveness as a green finance destination cannot be separated from its overall investment attractiveness.

Potential Action for Scaling-up Green Finance

1

Lower hedging costs, improved sovereign rating and further improved communication (to global investors) about the India story, for deeper tapping into international pools of capital

2

Repurpose DFIs into 'green'; sharper focus on green bonds (on the liability side) by DFIs and providing credit enhancement can reduce cost of capital and improve market access for green borrowers

3

Sovereign support through full or partial credit enhancement to move capital into where it needs to go

Panel 2: Mainstreaming Climate Risk: Are we doing enough?

Left to right: Upendra Bhatt, *cKinetics*, Anand Viswanathan, *Axis Bank*, Ashwini Kumar Tewari, *State Bank of India*, Chandru Badrinarayanan, *Blue Sky Analytics*, Runa Sarkar, *Indian Institute of Management*, *Calcutta*, Ramraj Pai, *Impact Investor Council*, Suman Chowdhury, *Acuite Rating*

India is one of the most vulnerable countries to the impacts of climate change, ranking 7th out of 181 in the Global Climate Risk Index 2021. Given India's vulnerability to climate change, impact of climate risks will be felt across the board, including the financial sector. In the last year, we have seen increased focus on climate risk Reserve Bank of India (RBI). The second session discussed key aspects of understanding, measuring and managing climate risk.

The focus of the panels was on challenges in mainstreaming climate risk. The panellists were asked their views on topics pertaining to difference between ESG and Climate Risk, importance and challenges of measuring and managing climate risk for financial institutions, and if carbon emissions can be used as a proxy for measuring climate risk.

The key takeaways of the session are presented below:

- ESG is a larger assessment of all social, environmental and governance factors and environment is only one part of this assessment. Climate is even more specific and granular within the environmental pillar. So, while ESG assessments have their role to play, they may not be able to capture the essence of climate risk accurately.
- There is a lot of momentum In mainstreaming climate risk in India of climate risk in India. Some industries such as insurance are slightly ahead in measuring climate risk, however, others in the financial sector are also catching up, owing to initiatives by Reserve Bank of India (RBI).
- Carbon intensity of the portfolios can be reduced to manage transition risk. This does not mean that we do not finance sectors that are important for economic growth. It means that within our portfolios, we add more green assets to balance carbon intensity.
- The adage let us not make 'great' the enemy of 'good' applies to climate risk too. Perfecting data collection, analysis will take time, but we must start somewhere.
- A challenge with climate technologies is that there is a lot that is unknown- it is unknown unknowns. So, it is difficult to quantify risk.

Potential Action for Mainstreaming Climate Risk

1

Better geographical data to measure physical risks is required. Climate analytics companies can provide granular climate data using GIS and satellite technologies which can help assess climate risks more accurately.

2

Training and capacity building is needed at multiple levels on climate risks. A conversation and collaboration between different parts of the financial system (DFIs, banks, VCs and so on) on identifying gaps and action points is much needed.

3

RBI has recommended banks to adopt TCFD recommendations and undertake scenario analysis and stress tests. Banks and other FIs should make efforts to abide by these recommendations.

4

Since ESG is a broad concept and climate risk is more granular, a rating product which might include aspects of both physical and transition risk to assess climate risk of a company/portfolio might be beneficial.

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