TATA CAPITAL
Cleantech Finance

Financing India's Net Zero Ambitions

THEMATIC TRACK SUMMARY

Venue: Jacaranda 1

Date: February 23, 2022

Time: 11:30 AM - 01:00 PM (IST)

Suggested Citation

World Sustainable Development Summit (2023), Financing India's Net Zero Ambitions, Thematic Track Summary (Rapporteur: Dr Vatsala Sharma), New Delhi: The Energy and Resources Institute.

Actionable Messages

Message 1: The Sustainable Banking and Finance Network (SBNF), with more than 60 members of central banks across countries, and banking associations of other countries should share best practices and lessons from respective experiences in attracting capital market solutions for financing.

Message 2: Institutional and risk understanding must be developed. Capital flows are going into the utility sector because of the understanding that the counterparty is SEKI, which is a robust entity and therefore the risks are low.

Message 3: Banks' ability to assess a project and sort of participate is an extremely lengthy process, whereas for NBFC, they are able to do things better and faster because institutional knowledge and understanding is far superior.

Message 4: GCF responds to country-specific needs so that countries can program and implement accordingly.

Narrative

The thematic track session titled, "Financing India's Net Zero Ambitions" was conducted as part of the World Sustainable Development Summit (WSDS) - the annual flagship initiative of The Energy and Resources Institute (TERI). India's Nationally Determined Contributions (NDCs) clearly state that a critical enabler of climate change is finance. It is estimated that to achieve India's Nationally Determined Contributions (NDCs) under the Paris Agreement, the country requires approximately INR 162.5 lakh crores (USD 2.5 trillion) from 2015 to 2030, or roughly INR 11 lakh crores (USD 170 billion) per year. In 2021, India put forth enhanced ambitions on climate action and announced the Panchamrit targets, which include adding 500 GW of non-fossil fuel-based energy capacity and meeting 50% of its energy requirements through non-renewable sources. Such enhanced ambition requires mobilization of green finance at a much faster pace. The aim of the session was to discuss the role of private players, institutional investors and their vision, key reforms required and mechanisms that can be built into the existing policy discourse.

The moderator for the session was **Mr. Manish Chourasia, Managing Director and CEO, TATA Cleantech Capital.** The session started with the opening remarks by **Mr. Manish Chourasia,** who highlighted that India's commitment of meeting the net zero target by 2070 must be seen in the context that India is likely to grow at the rate of 6-7% per annum, which will lead to a rise in emissions as our economic system is such that each unit of GDP leads to emissions. To decouple economic growth from emissions, it is necessary to change the model of development. This requires overhauling existing policies, technologies, businesses, and a key enabler in this transition is financing.

According to Tata Cleantech estimates, India roughly needs around 1.15 trillion USD to enable this transition. He highlighted that to mobilize these resources, both domestic savings and capital flows will be required. However, international capital flows come with currency risk, hence requiring hedging. Talking about costs, Mr. Chourasia said that costs of projects are upfront, and it would be a business case if the cost of capital is reduced.

Mr. Manikkan Sangameswaran, **Executive Director & CEO, Radiance Renewables**, said that for making any infrastructure project, 70–75% finance comes from debt and 25–30% from equity. We can have all the technology and business models in the world, but if there is no financing, there is no business on the ground. He said that as we embark on the net zero commitment, the concern is that banks are able to reach sector limits which may not happen immediately. We need to start thinking about the quantum of finance we need for net zero now, because we can't think about five-seven years down the road. Therefore, market mechanisms like bond markets would have to be more energized at present.

Mr. Shalabh Tandon, **Regional Head of Operations & South Asia Head of Climate Business, International Finance Corporation**, highlighted that there is a need to use our capital judiciously and to give a signal to international investors that a particular sector in a particular country is right for international financing, and that will come when we finance any project in any emerging market. In countries like India, development of capital market holds the key but they have to take the next big leap. He further said that currency risk is another big challenge. Multilaterals can play a very effective role of an anchoring investor to make a huge difference when you have skin on hedging. For long-term sustainable finance, there needs to be domestic sources of financing. Swap hedging and others are all temporary measures; for a long-term financing, there is a need to channelize the savings whether through insurance companies or through provident fund.

Mr. Virender Pankaj, **CEO, Aseem Infrastructure Finance Limited** said that for financing in net zero, we need to focus on making it work commercially, economically, and from a risk perspective. We'll have to talk specifically about risk and make it viable. He further added that one thing we need to understand is, global availability of capital is inversely proportional to risk; so, low-risk markets attract much more capital than high-risk markets. People invest in high-risk markets because they want higher returns.

Mr. Peter Mwandri, **Associate Data Analyst & Data Modelling, Green Climate Fund (GCF),** introduced GCF and informed that the GCF is supporting developing countries and dealing with the challenge of climate change while promoting partnership towards low carbon emissions and climate residential pathways. Till date, the GCF has approved USD 11.4 billion and India is leading in that initiative.

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“	GCF is supporting developing countries and dealing with the challenge of climate change while promoting partnership towards low carbon emissions and climate residential pathways. Till date, the GCF has approved USD 11.4 billion and India is leading in that initiative. ***Mr. Peter Mwandri,*** ***Associate Data Analyst & Data Modelling, Green Climate Fund (GCF)***
“	A green and better economic recovery from the pandemic can truly accelerate our progress toward a climate-friendly, nature-positive, and truly sustainable transformation. ***Mr. Shalabh Tandon,*** ***Regional Head of Operations & South Asia Head of Climate Business, International Finance Corporation***
“	India’s commitment of achieving net zero by 2070 must be seen in the context that India is likely to grow at the rate of 6-7% per annum, which will lead to a rise in emissions as our economic system is such that each unit of GDP leads to emissions. To decouple economic growth from emissions, it is necessary to change our model of development. This requires overhauling existing policies, technologies, businesses, and a key enabler in this transition is financing. ***Mr. Manish Chourasia*** ***Managing Director & CEO, TATA Cleantech Capital***