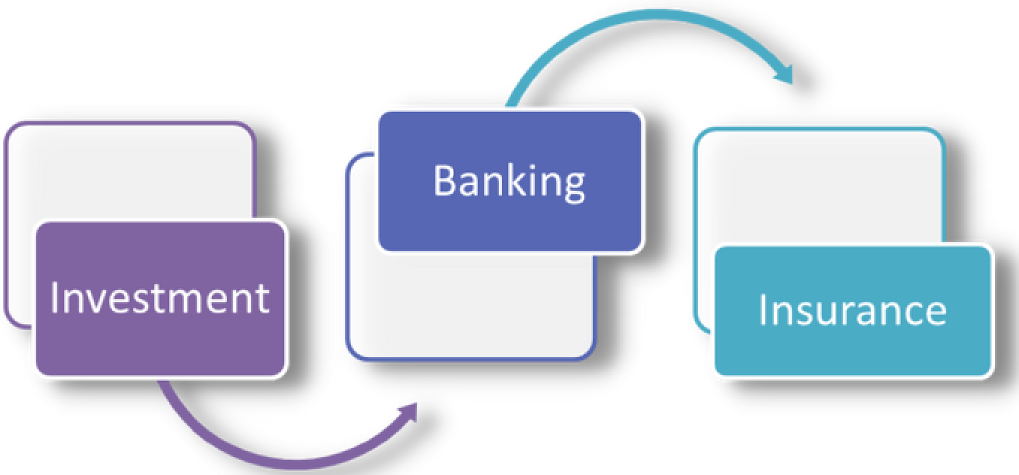
GREEN FINANCE

The menace of climate change has to be tackled at the earliest and that would indubitably require green finance as it would lay the foundation for green future. As the World pledges to achieve the net-zero targets to reverse the climate change, green finance can set the way to creating green jobs, reduction in green house gas emissions etc. Green finance is not limited to investments in financial services or products but is inclusive of all activities of finance.

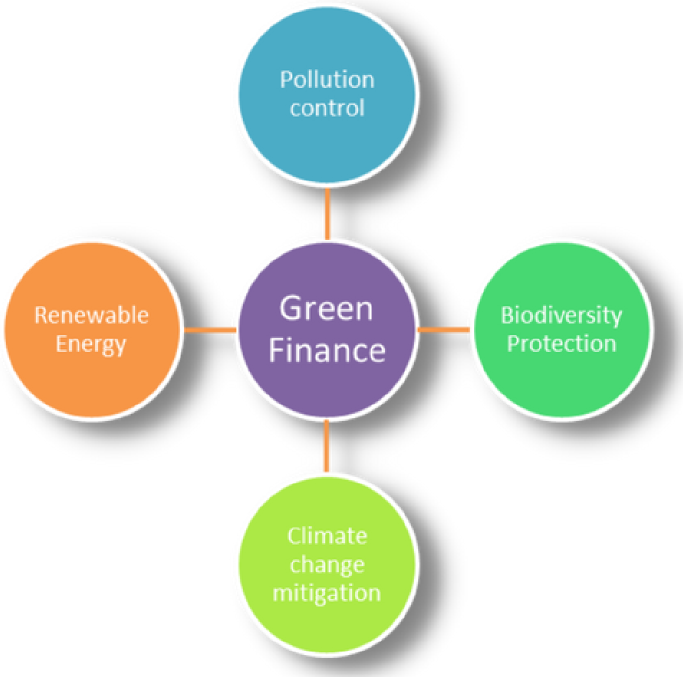


What is Green Finance?

"Green finance is a broad term that can refer to financial investments flowing into sustainable development projects and initiatives, environmental products, and policies that encourage the development of a more sustainable economy. Green finance includes climate finance but is not limited to it. It also refers to a wider range of other environmental objectives, for example industrial pollution control, water sanitation, or biodiversity protection.

for example industrial pollution control, water sanitation, or biodiversity protection. Mitigation and adaptation finance is specifically related to climate change related activities: mitigation financial flows refer to investments in projects and programs that contribute to reducing or avoiding greenhouse gas emissions (GHGs) whereas adaptation financial flows refer to investments that contribute to reducing the vulnerability of goods and persons to the effects of climate change.[1]"

"Green finance is often used interchangeably with green investment. However, in practice, green finance is a wider lens including more than investments as defined by Bloomberg New Energy Finance and others. Most important is that it includes operational costs of green investments not included under the definition of green investment. Most obviously, it would include costs such as project preparation and land acquisition costs, both of which are not just significant but can pose distinct financing challenges [2]."

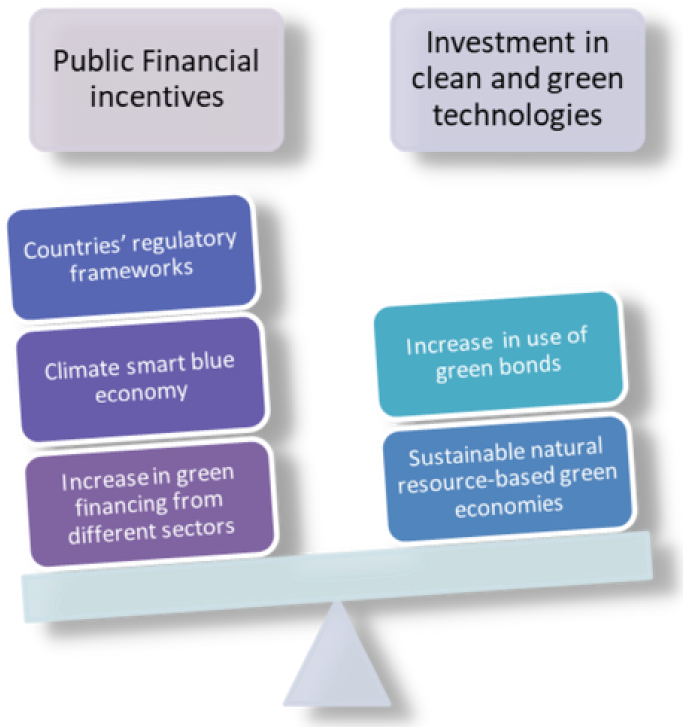


[1] Höhne / Khosla / Fekete / Gilbert (2012): Mapping of Green Finance Delivered by IDFC Members in 2011, Ecofys (https://www.idfc.org/wpcontent/uploads/2019/03/idfc_green_finance_mapping_report_2012_06-14-12.pdf)

[2] Zadek and Flynn (2013): South-Originating Green Finance: Exploring the Potential, The Geneva International Finance Dialogues,UNEP FI, SDC (https://www.iisd.org/system/files/publications/south-originated_green_finance_en.pdf)

Promotion of Green Financing

The changes that are required to be made in consonance with the objective of dealing with climate change would necessitate availability of finance. Under such circumstances the promotion of Green financing becomes imperative. There are different ways through which it can be promoted.



Some examples of green financing

Green Bonds- raising money from bonds for projects that are objected towards fighting climate change. In order to support World Bank funding for qualified projects that aim to reduce climate change or aid those affected by it, the World Bank issues green bonds, which raise money from fixed income investors. Since 2008, the World Bank has issued more than 200 bonds in 25 different currencies totaling over USD 18 billion equivalent in green bonds.

in 25 different currencies totaling over USD 18 billion equivalent in green bonds.[3]

Green Mutual Funds- investment through mutual funds by investing in companies which are involved in the business of the goods and services which do not add to the adverse affect on the climate and are environment friendly.

Solar Bonds- Municipal revenue bonds known as "solar bonds" are issued to provide low-interest funding for the quicker development of affordable local renewable energy technologies like solar power.

Green Mortgage- it is a means to get money to buy a house that is environment friendly and complies with specified energy efficiency requirements. However, only if the house qualifies by having a high enough eco rating will green mortgages be available at lower interest rates than a regular mortgage from the same provider.

Green Stocks- Green stocks are investments linked to businesses that are in some way engaged in environmental protection. The companies that issue the stocks may be those that use environmentally friendly processes or materials in the production of their goods or services, or they may be those that have changed their organizational structures to lessen the impact they have on both local and global ecosystems.
Green credit cards- When customers use their Green Credit Cards to purchase environmentally friendly goods, take public transportation, conduct paperless transactions, and use less electricity, water, and gas, they are rewarded with points that may be turned into cash or donated to environmental charities.

[3] https://treasury.worldbank.org/en/about/unit/treasury/ibrd/ibrd-green-bonds