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A photograph showing the upper part of a building with a series of solar panels installed on the roof. The building has a light-colored facade with several windows. The solar panels are dark blue and arranged in a grid pattern.

Just Finance India: Mobilising investment for a just transition to net zero in India

Practical thinking on investing for development

Mobilising Finance for the Just Transition in India: Context

- ❖ **Government Policy:** India's Low-Carbon Development Strategy is rooted in the principles of equity and climate justice, and points to the importance of making the energy transition “just, smooth, sustainable and all inclusive”
- ❖ **Investment Gap:** “Scaling up financial resources internationally as well as mobilising domestic finance” is key - \$10 trillion needed for net zero (CEEW)
- ❖ **2023 – India's G20 Year:** India's G20 presidency year can be instrumental in identifying sources of capital that are suited to support transition in developing countries. Especially as the G20 is also stepping up its focus on supporting an “orderly, just, and affordable”
- ❖ **Steps Forward:** First sovereign green bond issuance in 2023. The framework includes social dimension as social co-benefits such as employment generated and number of MSME supported are acknowledged
- ❖ **Frameworks:** Business Responsible and Sustainability Report (BRSR) is now mandatory for top 1000 listed companies covering key elements of just transition (employees, stakeholders, human rights, environmental protection...)

Report Findings: Priorities for India

- **Skills:** Skilling initiatives that can help unlock the potential of the demographic dividend. Innovative sources of finance emerging (e.g. Skill Impact Bond)
- **Place:** The impacts of extreme events and of transition will be spatially diverse and need to be addressed through sector and region based strategy
- **Informality & Gender:** Informality of labour force and lower rates of participation for women key challenges. JT an opportunity to address these issues
- **MSMEs** Higher employment generation through higher capex remains a priority with focus on MSMEs
- **Private sector:** More green jobs possible through private sector engagement

Emerging Private Sector Innovations

- SBI Mutual Funds has been among the leaders in investir engagement on JT
- Top 16 companies for mandatory Corporate Social Responsibility (CSR) spending include fossil fuel-dependent firms: NTPC, Power Grid Corporation, Coal India Limited, IOCL & ONGC
- The World Benchmarking Alliance's assessment showed that companies such as Bharat Petroleum, IOC and GAIL did have explicit policies to engage with stakeholders and have adopted measures to reskill employees and provide access to green jobs

Recommendations

- 1) Strategy:** Incorporate just transition principles into sustainable finance policy to provide the incentives and regulatory signals for private investors, including an operational definition of the just transition.
- 2) Business:** Stimulate India's corporate sector to set up a just transition task force to include key social factors in their net zero plans, actions and disclosures.
- 3) Corporate social responsibility (CSR):** Integrate just transition priorities into CSR spending programmes by businesses.
- 4) Investors:** Investors, banks and capital markets need to factor in just transition principles to their net zero plans, business engagement and capital allocation.
- 5) Innovation:** Encourage just transition financial innovation and undertake pilots for place-based investment in coal-dependent regions.

Recommendations

- 6) Foreign investment:** Utilise the International Financial Services Centre at Gujarat International Finance Tec-City (GIFT) to attract foreign just transition investment.
- 7) MSMEs:** Develop a dedicated just transition strategy to enhanced access to finance for India's MSMEs.
- 8) International public finance:** Deploy capital and expertise from MDBs and DFIs to support the just transition as part of achieving India's long-term climate goals. Of particular importance will be supporting green jobs and skills development.
- 9) Blended finance:** Draw on MDBs and DFIs to introduce blended finance solutions to crowd in private capital for the just transition.
- 10) International cooperation:** Cooperate with international partners to scale up climate finance for just transition in India as well as within the G20 and United Nations (UN).