

27<sup>th</sup> Jan, 2023

GS-3 - Economy Environment.

3. Discuss the various impacts of sovereign green bonds on investors and environment.

Green bonds are issued by sovereign entities (Intergovernment group, corporates etc.) - with aim to utilise these proceeds for projects that are environmentally sustainable.

Reserve bank of India recently released 1st tranche of sovereign green bonds.

Importance of these bonds

- Demand side → world bank group - International Financial Cooperation  
- climate change effect - threatening communities & environment → Increased risk  
These requires additional financing ← Agriculture → Food Security  
↓  
Water
- Supply side - sovereign green bonds - emerging as a potential financial market to address climate change issues, challenges.

Impact of these bonds

1. On Investors

i) Provides platform for Industrial Investors



for good practice, Influence business strategy of bond issuers

2. Help investors hedge risks - due to threat of climate change & losses → gain - in Return on investment

3. As per International financial cooperation, these bonds will help to finance sustainable projects and reduce carbon intensity

2. Environment ⇒ Aid to achieve India's climate targets  
India - Panchamith target → Reduce Gross domestic product emission intensity by 45% by 2030 and produce more than 50% electricity from non-fossil fuel source.

for this in budget 2022-23, India brought sovereign green bonds.

Way forward

Pais <sup>climate</sup> targets and Glasgow climate commitments without adequate financing from developed countries, Initiative of Green bonds by India - will tap a potential investors to finance public projects and reduce carbon intensity.