



KAMARAJ IAS ACADEMY
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Sovereign Green Bonds

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Why is in news? RBI announces indicative calendar for issuance of Sovereign Green Bonds

In February 2022, the finance minister in her budget speech announced that India would issue sovereign green bonds **to fund green infrastructure** (public sector projects).

These green bonds will play an important role in the government's borrowing programme for the financial year 2023.

Green bonds are **issued by companies, countries and multilateral organisations** to exclusively fund projects that have positive **environmental or climate benefits** and provide investors with fixed income payments.

The projects can include **renewable energy, clean transportation and green buildings**, among others.

Proceeds from these bonds are earmarked **for green projects**. This is unlike standard bonds, the proceeds of which can be utilised for various purposes at the discretion of the issuer.

The **first green bond was issued in 2007** by the **European Investment Bank**, the EU's lending arm.

This was followed a year later by the World Bank. Since then, many governments and corporations have entered the market to finance green projects.

Green bonds work like any other bond. An issuer sells the bonds and pays interest on them. Meanwhile, it uses the funding to start climate-friendly and/or sustainable projects.

SEBI is the regulating authority for green bonds.

Aim: They are aimed at energy efficiency, pollution prevention, sustainable agriculture, fishery and forestry, the protection of aquatic and terrestrial ecosystems, clean transportation, clean water, and sustainable water management.

They also finance the cultivation of environmentally friendly technologies and the mitigation of climate change.

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Launched only in 2007, green bonds have been gaining worldwide popularity

What are green bonds and what is their story?

Where green bonds work

- Renewable energy production
- Water conservation
- Climate-resilient infrastructure
- Waste and pollution control
- Bioenergy technology development

How green bonds work
GREEN bonds are used to fund environment-friendly projects at lower interest rate than regular bonds. They were introduced to encourage companies to invest more in green projects.

May 2017: SEBI issues guidelines on green bonds
July: L&T issues first SEBI-approved green bonds
Since 2017: After Poland, several other countries including France, Fiji, Indonesia, Ireland have issued green bonds. So far, 24 countries have done so.

2022: Indian government announces plans for sovereign green bond issuance worth **\$2 bn**

2021: Annual green bond issuance by Indian companies reaches **\$8 billion**

2008: World Bank becomes the first institution to issue green bonds

2015: YES Bank issues India's first ever green infrastructure bonds worth **\$160 mn** to finance green infrastructure projects

2016: Axis Bank launches India's first internationally-listed certified green bond at London Stock Exchange
● Poland issues first sovereign green bonds

2007: First ever Climate Awareness Bond issued by European Investment Bank worth **\$807 mn**

2014: First certified green bond by UK-based solar power technology company Belectric

