

## **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.

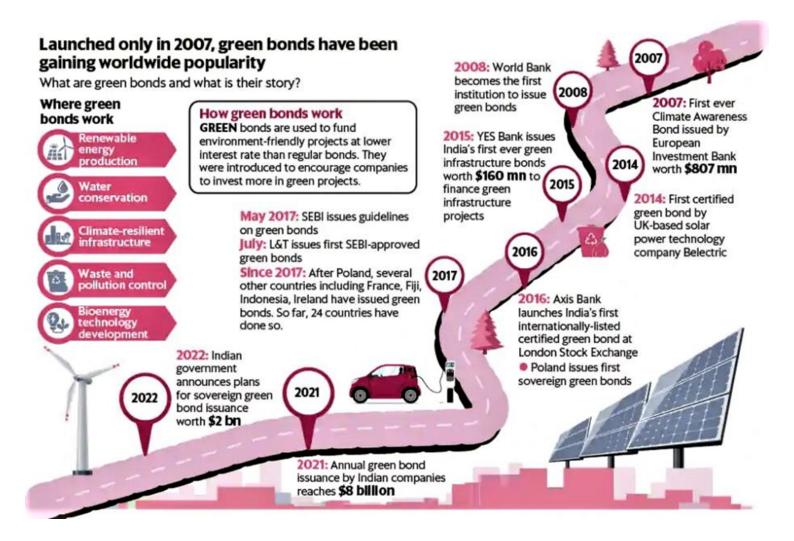
**Green bonds work like any other bond**. An issuer sells the bonds and pays interest on them. Meanwhile, it uses the funding to start climate-friendly and/or sustainable projects.

**SEBI** is the regulating authority for green bonds.

<u>Aim</u>: 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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