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Sovereign Green Bonds

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Why is in news? Union Finance Minister Smt. Nirmala Sitharaman approves India's First Sovereign Green Bonds Framework

Union Ministry for Finance & Corporate Affairs approves the final Sovereign Green Bonds framework of India.

This approval will further strengthen India's **commitment towards its Nationally Determined Contribution (NDCs) targets**, adopted under the Paris Agreement, and **help in attracting global and domestic investments in eligible green projects**.

The proceeds generated from issuance of such bonds will be deployed in Public Sector projects which **help in reducing carbon intensity** of the economy.

The Framework comes close on the footsteps of India's commitments **under "Panchamrit"** as elucidated by the Prime Minister, Shri Narendra Modi, at COP26 at Glasgow in November, 2021.

Green bonds are **financial instruments that generate proceeds for investment in environmentally sustainable and climate-suitable projects**.

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

By virtue of their indication towards environmental sustainability, green bonds command a relatively **lower cost of capital vis-à-vis regular bonds and necessitates credibility** and commitments associated with the process of raising bonds.

India's first Sovereign Green Bonds framework was formulated and as per the provisions of the framework, **Green Finance Working Committee (GFWC)** was constituted to validate key decisions on issuance of Sovereign Green Bonds.

Further, **CICERO**, an independent and globally renowned Norway-based Second Party Opinion (SPO) provider, was appointed to **evaluate India's green bonds** framework and certify alignment of the framework with ICMA's Green Bond Principles and international best practices. After due deliberation and consideration, CICERO has rated India's Green Bonds Framework as **'Medium Green' with a "Good" governance score**.

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