Title of the Side Event:

Tapping Green Bonds to finance India's INDC

Opening the side-event, session Moderator- Mr. Axel Olearius, Head Climate Policy Support Programme, GIZ Germany outlined the COP 22's focus is on operationalizing the Paris agreement by mobilizing and accessing climate finance for mitigation and adaptation in developing countries.

Laying the session agenda he urged the panel to explore the role of innovative financial instruments such as green bonds in accessing climate finance, especially private investments, in meeting India's climate change mitigation goals especially those on energy efficiency.

The panel discussed India's climate mitigation portfolio potential especially the investment pipeline in energy efficiency in India, insights to investor concerns and priorities, and how green bonds could be structured to attract greater private sector participation.

The first panelist, Ashish Chaturvedi, GIZ India, stressed that Green bond have advantages offering potentially reputation and lower coupon rate benefits. In 2015 alone, India issued green bonds worth over $ 1 billion and going forward developing India specific Green Bonds Principles and certification standards (aligned with global standards) need to be developed.

The second panelist, Mr Shankar Gopal, Chief General Manager (Finance), Energy Efficiency Services Limited (EESL) drew a business case to consider developing Green bonds focused on a enery efficiency portfolio. Detailing the upcoming five year appetite, Mr Gopal shared that EESL alone plans to raise over $4 billion from Green Foreign Currency Bonds/ Green Masala Bonds over the next five years. The first tranche of $100 million is expected to be raised by Q1 2017. Mr Gopal also thanked the role of GIZ and the World Bank in assisting EESL in structuring the upcoming Green bonds.

The third panelist, Mr. Gaurav Bhagat, Head of Capital Markets (South Asia) and Executive Director, Standard Chartered, shared case examples of recent public and private sector Green bond issuances from India highlighting the tenor and coupon rates.

The fourth panelist, Ms Xueman Wang, Coordinator, Global Platform for Sustainable Cities (World Bank), underlined the risks to energy efficiency portfolio based Green bonds in terms of credit rating of potential borrowers (e.g. municipal governments) and the lack of standardization of energy efficiency portfolio to enable financial product structuring. Citing India's LED lighting initiative as a good example to raise Green bonds, Ms Xueman shared credit risk enhancement structures such as Asset Backed Securities (ABS) which can to develop an energy efficiency Green Bonds portfolio.

The fifth panelist, Mr Sean Kidney, Climate Bond Initiative, outlined efforts made at CoP-22 which an help raise uptake of Green verification methods such as offering stock exchanges led financial indices. He outlined a vision that the next CoP would be on raising Green financing from capital markets.

Post panel discussion, Moderator, Mr. Mr. Axel Olearius, concluded that new business models such as those by EESL have made it possible for energy efficiency technologies to reach markets and attain commercial viability. Similar development of suitable risk-sharing mechanisms can create opportunities for raising green bond investments. Credit risk enhancement and financial instrument structuring, monitoring and reporting arrangements including Green certification can unlock the India potential for energy efficiency backed Green Bonds. The key would be to work in synergy with capital markets.

In his concluding remarks, Dr Ajay Mathur, Director General (TERI), stressed that money follows the path of least resistance and while no one approach can fit all scenarios, the key would be to puncture the resistance impairing the monetary flows by adopting innovative approaches such as those applied by EESL in India, forging partnerships and fast track skill development to enable scaled up roll out.

The key challenge however remains that of time as all of the above needs to be accelerated to allow for a meaningful achievement of INDCs.