Comments on the Draft Framework for the Taxonomy

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The Ministry of Finance's draft Framework of India's Climate Finance Taxonomy is a timely step to facilitate steering of financial flows towards high climate impact areas across various sectors and activities in the country. We especially welcome the fact that the objectives of this taxonomy enshrine the prevention of greenwashing. The Framework in its current form is a strong beginning towards climate finance stewardship for the country. We believe that incorporating some suggestions detailed below in our submission, has the potential to ensure a well administered, transparency oriented, comprehensive climate finance ecosystem for the country.

S. No.	Para/Sub Para No	Comments	Rationale
1	Section 2, Para 2.1	Inclusion of human development related impact areas in objectives of the Draft Taxonomy: In Section 2. Objectives of the Climate Finance Taxonomy (page 16), the three objectives of a) Mitigation, b) Adaptation & c) Support transition of hard-to-abate sectors, all point towards mainly emission curbing, improvement in emission intensity, energy efficiency, R&D/innovation for developing new support technologies as focus areas. The current framework needs to pay more heed to b) Adaptation. We recommend adding human development impact focus areas especially to point b) Adaptation.	The justification for this suggestion is that by its very nature, a sectoral transition away from business-as-usual operations towards pro climate technology supported operations will mean significant disruptions to the people involved in & impacted by such activities. For e.g., the transition in the electricity sector which may mean eventual downsizing of India's coal fired thermal power plant fleet in favour of renewable energy, and, consequent downsizing of coal mining, will present problems of providing livelihoods to the employees of these plants through reskilling, resettlement of families, easing the economic loss to the local communities where such plants are located, etc. Further,

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<tr><td></td><td></td><td></td><td>sectors such as fisheries, agriculture, tourism will also get deeply affected by the transition and will need help/finance in order to adapt and retain resilience.
Inclusion of these human development impact areas to the objectives of the framework, will ensure that due attention will be paid to these direct fallouts of the transitions that each sector will have to undergo as its response to climate change. India's climate finance taxonomy must champion finance for just transition objectives as equally important alongside with financing of scientific and technological responses to climate change. Enshrining this principle in the taxonomy in Phase 1 itself, will provide a strong, clear signal to market participant and regulators and encourage financing to these areas.</td></tr>
<tr><td>2</td><td>Section 5, para 5.2</td><td><table>
<tr><td>Category</td><td>Existing Qualifying Criteria</td><td>Suggested Qualifying Criteria</td></tr>
<tr><td>Climate Supportive Tier 1</td><td>c) Adaptation and resilience building</td><td>c) Adaptation and resilience building including reskilling, rehabilitation, resettlement of employees, local communities impacted by the transition activities.</td></tr>
<tr><td>Climate Supportive Tier 2</td><td>c) Activities, projects or measures that improve</td><td>Activities, projects or measures that improve</td></tr>
</table></td><td>Similar to the above points, we recommend explicitly adding points related to human development impacts to the Constituent Elements of the Taxonomy as part of Section 5. Approach to the classification of activities, projects and measures contributing towards India's climate commitments, Page 24 onwards. Hence for the three blocks, namely, Climate Supportive Tier 1, and Transition Supportive, the revised table could</td></tr>
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			adaptation and enhance resilience but may lead to unmitigated GHG emissions due to technological constraints such as access to viable technologies.	adaptation and enhance resilience but may lead to unmitigated GHG emissions due to technological constraints such as access to viable technologies, support reskilling, rehabilitation, resettlement of employees, local communities impacted by the transition activities.	look something like the one presented below:
		Transition Supportive	Activities, projects and measures that improve energy efficiency and/or reduce emission intensity in sectors where absolute emission avoidance is currently not viable due to lack of alternative technology.	Activities, projects and measures that improve energy efficiency and/or reduce emission intensity in sectors where absolute emission avoidance is currently not viable due to lack of alternative technology, support reskilling, rehabilitation, resettlement of employees, local communities impacted by the transition activities.	
3	NA	Pathway for Taxonomy adoption: The current Framework (in Phase 1) seems to be more oriented towards being a classification tool for climate positive activities. It would be good if the Framework were to include a glidepath for a taxonomy adoption pathway for the various financial sector regulators such as the Reserve Bank of India (RBI) & Securities &			Inclusion of such an indicative pathway in Phase 1 itself would be a good step for smooth rollout of the taxonomy through a concerted institutional response and

		Exchange Board of India (SEBI) for various forms of finance (debt/equity/hybrids/private capital/alternate investment funds (AIFs). It would be helpful for domestic as well as international market participants for the glidepath to throw light on the potential integration of this taxonomy into extant regulatory frameworks for banks/NBFCs/FIs (governed by RBI) and capital markets (governed by SEBI). The SEBI has published various circulars defining 'green bonds/securities' with a specified list of end use sectors and activities[1]. The RBI as well has introduced the Green Deposit Framework defining the contours of the product for banks with a specified list of end use sectors and activities[2].	well-informed market participants.
4	NA	Adding transparency enhancing information management: One of the key factors for successfully encouraging, supporting and managing the climate finance journey from domestic and international sources for a complex country like India, is the perceived reliability and transparency of the application and impact measurement of the funds raised. To this end, we believe that the Framework may include a section on agencies responsible for end use and accountability monitoring of climate finance raised from various sources. One potential pathway for achieving this could be a portal based data warehouse housed under the Ministry of Finance where all climate finance loans/investments/grants/budgetary dispensations related data pertaining to end use monitoring and impact assessment would be collated at the national level in close concert with the primary regulators for the specific investment type. For e.g. data pertaining to climate finance loans made by Indian banks/Non Banking Finance Companies (NBFCs) could be shared by RBI, data pertaining to capital market instruments for climate finance could be shared by SEBI and so on. This national level portal could have an additional tier of subnational teams collating state level data to track state governmental climate finance assistance or assistance from international multilateral institutions, etc. The details of this data warehouse portal housed under MoF could be fleshed out in Phase 2 of the Framework.	Providing for the pathway to this transparency enhancing feature at the Phase 1 stage will bolster both domestic and international market participants' confidence in financing pro climate areas in India.
5	NA	Integrating achievements from other national efforts towards climate action into the hard-to-abate sector plan in the draft Framework:	It would be good for the Framework's Sectoral Technical Committees (STCs) to incorporate

[1] https://www.sebi.gov.in/legal/circulars/feb-2023/revised-disclosure-requirements-for-issuance-and-listing-of-green-debt-securities_67837.html

[2] https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12487&Mode=0

		In 2022, the Central Government introduced the Carbon Credit Trading Scheme (CCTS)[3]. The steering committee for the same consists of members from different Ministries and relevant organizations under the Chairmanship of Secretary, Ministry of Power and Co-Chairmanship of Secretary, Ministry of Environment, Forest, and Climate Change. CCTS identified nine sectors – Aluminium, Chlor Alkali, Cement, Fertiliser, Iron & Steel, Pulp & Paper, Petrochemicals, Petroleum refinery, and textile for gradual transition through GHG emission intensity targets. It would be good for the Framework's hard-to-abate sector focus of Iron & Steel and Cement sectors to learn from and integrate the transition plans for these from the CCTS experience and plans. In December 2024, the SEBI along with the Industry Standards Forum (ISF comprising of ASSOCHAM, FICCI & CII) have formulated industry standards in order to bring about standardisation in implementing Business Responsibility & Sustainability Reporting (BRSR). These standards include computation methodologies for GHG intensity, energy footprint, water usage metrics, Carbon Accounting Proxy (CAP) methodology Scope 1 & 2 emissions, etc.	critical inputs for their design thinking on various pathways for transition of hard to abate sectors.
6	Section 6, para 6.4	Under Section 6. Sectoral Coverage on the Power Sector (Page 27), we recommend the inclusion of offshore wind energy projects in the commentary. The Central Government has approved Viability Gap Funding (VGF) scheme for offshore wind energy projects at a total outlay of Rs.7453 crore[4]. We also recommend adding Energy Storage Systems (ESS) and emerging long duration storage technologies to the commentary under the same Section 6. Sectoral Coverage on Power Sector (Page 27), given that multiple battery energy storage systems auctions have been held across the country over the last year.	Suggestions for enhanced focus on certain areas of energy efficiency and evolving technologies.
7	Section 6, para 6.9	Under Section 6. Sectoral Coverage on the Mobility Sector (Page 28), we recommend the inclusion of electrification of long-distance trucking solutions as an area of evolving interest and innovation, to the commentary.	Suggestions for enhanced focus on certain areas of energy efficiency and evolving technologies.
8	Section 6, para 6.11	Under Section 6. Sectoral Coverage on the Buildings Sector (Page 28/29), we recommend the inclusion of improvement in efficiency of air conditioning units as an area of evolving innovation and policy focus, to the commentary.	Suggestions for enhanced focus on certain areas of energy efficiency and evolving technologies.

[3] https://beeindia.gov.in/en/programmes/carbon-market
[4] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2026699

In conclusion, we find that the Draft Framework is a well-intentioned and welcome first step towards supporting climate finance efforts for the country. We hope that the suggestions detailed above are helpful towards making the Draft Climate Finance Taxonomy more comprehensive, accessible, transparent and a true facilitator of climate finance towards myriad areas of focus that would benefit most from the same.

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