

## Comments on Consultation Paper on Green and Blue Bonds as a mode of Sustainable Finance

Name of the person/entity proposing comments: Prayas (Energy Group), Sonali Gokhale

Name of the organization: Prayas (Energy Group)

Contact details: Prayas (Energy Group), Devgiri, Kothrud Industrial Area, Pune, - 38, Tel 020-2542 0720, sonali@prayaspune.org

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Sr. No.	Extract from Consultation Paper	Issues (with page/para nos., if applicable)	Proposals/ Suggestions	Rationale
1	Whether introducing coloured bonds (blue bonds for blue economy, yellow bonds for solar power) will help increase channels for funding to green projects?	Page 8, Para 9.8	We suggest green bonds or sustainable finance bonds to be mapped to the end uses as specified in Regulation 2(1)(q) of the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations (NCS Regulations) defining 'green debt security'. Hence, the various aspect of blue economy as detailed in Para 9. may be added to the end uses in Regulation 2(1)(q) of the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations (NCS Regulations) defining 'green debt security'.	It is good to have a single set of master regulation for sustainable finance for ease of reference and compliance by issuers. Further, colour coding of bonds may lead to higher compliance related red tape and cost for issuers. Also, given the fact that this market is at a nascent stage in India, the colour coding might lead to market fragmentation.
2	Disclosure Requirements Clause 1 of Chapter IX of the SEBI circular dated December 17, 2021	Page 11, Para 10, f.  In addition to the existing disclosure requirements in the offer documents, the issuer may provide information on processes by which the issuer identifies and	In addition to the existing disclosure requirements in the offer documents, the issuer <u>shall</u> provide information on processes by which the issuer identifies and manages perceived social and environmental risks	We believe mandating the aforementioned disclosures that such disclosures may lead to more transparency in actual application of funds raised

		manages perceived social and environmental risks associated with the project(s) proposed to be financed/ refinanced.	associated with the project(s) proposed to be financed/ refinanced.	under a particular issue and curb greenwashing potential to some extent. We also believe that this will provide an opportunity for investors to discern between instrument issuances regarding their perceived social and environmental impact.
3	Disclosure Requirements Clause 1 of Chapter IX of the SEBI circular dated December 17, 2021	<p>Page 11 and 12, Para 10, g.</p> <p>“Appointment of third party reviewers/ certifiers/ auditors:</p> <p>Such appointment is optional for the issuer.</p>	Such appointment is <u>mandatory</u> for the issuer. However, any such appointment of reviewer/ certifier/ auditor shall be disclosed in the offer document(s).	We believe mandating aforementioned third party reviewers/certifiers/auditors will lead to crucially enhanced transparency in the end use of the funds raised under a specific green bond instrument, alignment with green objectives and tracking post issuance fund allocation to various projects. Further, this mandate may also help curbing greenwashing in instrument issuances.
4	Disclosure Requirements Clause 1 of Chapter IX of the SEBI	Page 12 and 13, Para 10, h.	In addition to the existing disclosure requirements for measurement of	We believe that mandating such disclosures on impact reporting

	circular dated December 17, 2021	In addition to the existing disclosure requirements for measurement of impact reporting, the following may also be included: a. "Impact Reporting:	impact reporting, the following <u>shall</u> also be included: a. "Impact Reporting:	will lead to more transparency in actual application of funds raised under a particular issue.
5	Greenwashing	Page 14, Para 11.8  11.8. Feedback is sought regarding addition of such 'alternative' debt securities as defined by ICMA to be considered as eligible 'green debt securities'. An indicative description of the same is as follows: a. Green Revenue Bonds which limit exposure to the green project being financed and does not provide recourse to the issuer may b. Green Project Bond which provides for credit exposure to a single / multiple green projects, with or without recourse to the issuer c. Green securitized bonds collateralized by cash flows from the projects.	We do not recommend the inclusion of such 'alternate' debt securities as defined by ICMA to be considered as eligible 'green debt securities'.	The most effective response to curbing greenwashing is improvement in transparency and monitoring of end use of funds raised under green bonds framework. Alternate debt securities with advanced instrument level structuring, limited recourse to issuers and credit enhancement features are intended to attract debt capital towards slightly riskier sectors and are priced accordingly with higher risk premiums. Comingling the differing value propositions of alternate debt securities with green bonds may lead to distortion in debt raising. In the case of green bonds, it is

prudent from the end use monitoring, issuer accountability and transparency perspective to encourage separate instruments under Regulation 2(1)(q) of the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations (NCS Regulations) defining 'green debt security'.

6 NA

NA

We recommend that Credit Rating Agencies (CRAs) under the aegis of SEBI, should include the following information in the credit rating press release document for each green bond instrument under SEBI's green bond framework:

1. Whether the instrument is in compliance with the Regulation 2(1)(q) of the Securities and Exchange Board of India (Issue and Listing of Non-

In the spirit of fostering transparency and safeguarding investor interests, CRAs should also track and publicly present the data on compliance of the green bond instruments with extant SEBI regulations for green bonds. It will also be a good method to alert investors if there is any change or serious adverse observation regarding compliance of the green bonds

			Convertible Securities) Regulations (NCS Regulations) defining 'green debt security'.	instruments with SEBI regulations.
			2. Any change to the status of the compliance.	
7	NA	NA	We recommend all disclosures pertaining to green bonds registered under SEBI's green bond framework to be public and easily accessible, through a dedicated website	This will improve transparency and issuer accountability and motivate investors to choose green bonds for their portfolios.
8	NA	NA	We recommend that there should be a Special Empowered Task Force or Group within the SEBI which will study the various green bond instruments issued and an overview of impact assessment by the same. This Task Force may bring out half yearly or annual reports/compendium detailing observations, trends of impact assessment, non compliance, etc.	This study based approach will help both issuers and investors to remedy avoidable problems as well as develop newer methods of impact assessment, monitoring of green objectives, etc. This evidence based approach will only aid green bond policy formulation and maturation.