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Green Bond Market in India: “Growth prospects unlimited”

Workshop series initiated to foster sustainable Green Bond market growth in India

19 January 2017, Mumbai

Holding a first Green Bond workshop in Mumbai on 19 January 2017, focusing on the topics *Definitions, Selection & Verification*, the Strategic Alliance (STA) on [Green Bond Market Development in G20 Emerging Economies](#), hosted about 80 participants from a wide range of Indian financial institutions as well as policymaking and regulatory bodies, industry, investment firms and environmental consultancies. The workshop was supported by the [Indian Banks' Association](#) (IBA), the STA's domestic implementation partner. The event was further supported by the [Fixed Income Money Markets and Derivatives Association of India](#) (FIMMDA).

Mr. K. Unnikrishnan, DY Chief Executive of **IBA**, opened the workshop and expressed the need for “creating a sustainable environment for all of us”, highlighting the role of Green Bonds to mobilize the resources required. Against the background of [the government's 175 GW renewable energy target](#) to be achieved by 2022 in order to reduce emissions intensity of GDP by 33-35 percent, Mr. Unnikrishnan welcomed this workshop as one of the first and very timely steps in India to sensitize the financial sector and build a platform for Indian stakeholders to share knowledge and international best practices.

Mr. Alexander Sattler, representative of the **German Central Bank** (*Bundesbank*) in India, put this into international context and welcomed the growing attention for the role of green finance in tackling the environmental and climate change-related challenges, reflected for instance in the G20 Green Finance Study Group. **Ms. Nina Roth**, Senior Advisor Sustainable Finance at **GIZ**, introduced the **STA's objective and approach**, pursuing capacity building workshops and advisory support in order to support the development of a prospering and sustainable Green Bond market.

Mr. Venkat Nageswar, Chairman of **FIMMDA** and deputy managing director of State Bank of India, elaborated in his key note speech on the economic costs of pollution in India and the associated challenges, urging that “to sustainably build-up India's infrastructure will not be cheap.” Green Bonds can however contribute significantly to facilitate the enormous investments required as they help accessing funds that were not available before, with particular growth potential for the solar, wind and low carbon transport industries. Mr. Nageswar gave however into consideration the need to be careful about the green label, and to build respective capacities in the Indian Green Bond market.

In the first session, **Ms. Richa Agarwal**, Head Division of Corporate Bonds at the **Securities and Exchange Board of India (SEBI)**, the regulatory authority of the corporate bond market, gave insights into the discussion of **creating a regulatory framework** for Green Bonds in India. The current consultation process focusses on topics such as defining eligible project categories, potential tax incentives, and the scope of disclosure requirements.

The technical part of the workshop was opened by **Mr. Christopher Kaminker**, Head of Research of Climate & Sustainable Financial Solutions at **SEB**. He explained both the **drivers and challenges** of the development of Green Bond markets and pointed out the **rationales for issuers and investors** to engage in the market. In this introduction to the topic, he illustrated the **rise, rapid growth and current state** of Green Bond markets. Moreover, he introduced the [Green Bond Principles](#), internationally recognized voluntary process guidelines. In alignment with the Green Bond Principles, Mr. **Christopher Flensburg**, Head of Climate & Sustainable Financial Solutions at **SEB**, explained the [five pillars developed by SEB](#) – define, select, verify, monitor, communicate – that guide an issuer in establishing a **robust Green Bond framework** in order to build investor confidence.

The value of verification or **external review** in the Green Bond market was further explored by **Mr. Harald Francke Lund**, Senior Advisor at **CICERO**, an independent non-profit climate change research center and the world-leading provider of second opinions on Green Bonds. As a major strength of the instrument he views the function of Green Bonds as *communication tool* for issuers to signal their “green” ambitions to investors but advocates the need for institutions and practices that **promote environmental integrity and transparency** in the Green Bond market. Pointing to the relevance of robust external reviews in this regard, he described the landscape of different forms of external review ranging from second opinions, to auditing, certification schemes and ratings.

In order to apply and discuss the knowledge gained throughout the workshop, participants split up into sub-groups to **analyse two second opinions in breakout sessions**. Participants identified critical aspects relevant for both issuers and investors and grasped the chance to raise further questions, share their ideas and jointly discuss. The workshop was complemented by three **cases studies** presented by recent Indian Green Bond issuers and investors, including EXIM, Axis and YES Bank. Their representatives shared the banks’ motivations for looking at Green Bonds as new source of funding, described the steps and processes established for issuing Green Bonds and named the various benefits they experienced, i.e., diversifying the investor base, accessing deeper pools of overseas capital and realizing an “excellent pricing,” as **Mr. David Rasquinha**, Deputy Managing Director at **EXIM Bank** stated. He also shared the lessons learned, particularly regarding the expectations of international investors concerning data and disclosure, recommending addressing the concerns and requirements of both mainstream and dedicated green investors, respectively. He also emphasized the crucial value of acquiring a pre-issuance external review in order to counter greenwashing concerns, and demonstrate compliance with the bond’s green credentials. **Mr. Yousuf Syed**, Head of International Debt Capital Markets and Fixed Income IR at **Axis Bank**, added the bank’s experience from launching the first ever Green Masala Bond transaction for NTPC, which saw strong participation from high quality European investors and hence enabled NTPC to execute and price the transaction intraday at the tighter end of the final price guidance of 7.48% for INR 20bn. **Mr. Rajnesh Trivedi**, Executive Director of Sustainable Investment Banking at **YES Bank** complemented his predecessors by outlining key steps towards mainstreaming Green Bonds in the Indian market, including regulatory and policy issues referring to definitions and methodologies, incentive and investment mandates. Finally, being asked about the prospects for the Indian Green Bond market, **Mr. Rasquinha from EXIM** shared his view that – particularly against the background of the huge investment needs generated by the government’s solar and wind power expansion agenda – the opportunities were boundless.

Summarizing the key-takeaways of the workshop, **Per Engstrom**, Chief Representative of **SEB in India**, called for a continued and strengthened dialogue on Green Bonds for jointly promoting sustainable solutions for India.

All presentations are available on www.emergingmarketsdialogue.org.