

Sovereign Green Bonds (SgrBs)

January 9, 2023

In news– The Reserve Bank of India (RBI) announced that it will, for the first-time, issue Sovereign Green Bonds (SgrBs) worth Rs 16,000 crore, in two tranches of Rs 8,000 crore each in the current financial year(2023-24).

About green bonds-

- **Green bonds are bonds issued by any sovereign entity, inter-governmental groups or alliances** and corporations with the aim that the proceeds of the bonds are utilised for projects classified as environmentally sustainable.
- Over the last few years, Green Bonds have emerged as an **important financial instrument to deal with the threats of climate change and related challenges.**
- **Green Bonds offer investors a platform to engage in good practices**, influencing the business strategy of bond issuers.
- **They provide a means to hedge against climate change risks** while achieving at least similar, if not better, returns on their investment.
- In this way, the growth in Green Bonds and green finance also indirectly works to disincentive high carbon-emitting projects.
- In August 2022, the government said it stands committed to reduce Emissions Intensity of GDP by 45 per cent from the 2005 level by 2030, and achieve about 50 per cent cumulative electric power installed capacity from non-fossil fuel-based energy resources by the same year.
- The framework for the sovereign green bond was issued by the government on November 9, 2022.
- In line with the commitment to significantly reduce the carbon intensity of the economy, the Union Budget 2022-23 made an announcement to issue Sovereign Green Bonds.

- The RBI said it will issue 5-year and 10-year green bonds of Rs 4,000 crore each on January 25 and February 9.
- **The government will use the proceeds raised from SGrBs to finance or refinance expenditure (in parts or whole) for various green projects, including in renewable energy, clean transportation, energy efficiency,** climate change adaptation, sustainable water and waste management, pollution and prevention control and green buildings.