TWO-DAY INTERNATIONAL CONFERENCE
TITLED
'CLIMATE & NATURE-BASED FINANCIAL RISKS - IMPLICATIONS FOR INDIAN BANKING AND FINANCIAL SECTOR FOR A NET ZERO ECONOMY'
JANUARY 24-25, 2023

Background

Climate change is affecting productivity in agri-food sector, acquaculture and fisheries and demands changes in technologies and practices to adopt climate change mitigation or adaptation by these sectors. The agriculture sector, together with forestry and other land uses, contributes nearly a quarter of all greenhouse gas emissions (GHGs). Half of this share comes from direct agricultural emissions, mainly from livestock, with most of the rest from deforestation of which agriculture is the main driver (OECD, 2021). Plantations, which act as carbon sink can substantially contribute to negate the carbon emitted by other sectors through innovative agroforestry projects. Indian banking and financial sector have a crucial role to contribute to India's path towards Net Zero by mitigation through their own operations and also indirectly through financing green projects in order to mitigate climate risk, biodiversity loss and other nature-based risks by partnering with multilateral financial institutions like Asian Development Bank, World Bank, UNEP, to name a few. There is a need for financial institutions to understand that globally sustainability reporting is undergoing a transition from standards set by 'Taskforce on Climate related financial disclosures (TCFD) to 'Taskforce on Nature-based financial disclosures' (TNFD). These have policy imperatives on framing rules for India's sustainable finance sector comprising issue of Green Bonds, access to Climate Funds and creation of innovative financial instruments for financing hard-to-abate sectors.

Objectives of the International Conference

- To create awareness about the significant role of Indian banking and financial sector in combating climate change while promoting biodiversity and natural capital
- To disseminate information on Global Standards for Reporting of Climate and Nature –based Financial Risks
- To explore the extent to which corporate entities and financial sector participants are aligned to such global standards
- To assess the status of innovative financing mechanisms and products for achieving Net Zero Economy and identify scope if any, for more such innovations.
- To deliberate on financial sector's role in providing green finance to grass-root level institutions like Farmer Producer Organizations /Farmer Producer Companies in driving bottom-up strategy towards Net Zero Economy

Conference Themes

Conceptual / empirical/ Case study papers can be submitted within the ambit of the following themes. The themes of the conference include, but not restricted to the following topics related to climate risks and nature-based financial risks:

- Understanding the dual role of banks and the financial sector as a mitigator and as a financial service provider of climate mitigation and nature conservation projects
- Integrating climate risks in Project Finance by banks/FIs
- Globally accepted frameworks for Sustainability Reporting
- Unravelling financial risks corresponding to disclosures under TCFD (Taskforce on Climate-related Financial Disclosures) framework
- Understanding nature-related financial risks corresponding to disclosures mandated by TNFD (Taskforce on Nature-related Financial Disclosures)
- Implications of Climate/Nature-based risks on Agri Loans/Agri-Food SME Loan Portfolios
- Green bonds issue in India and trends in Climate Bonds in Europe
- ESG Reporting, Audit and Steps to prevent Greenwashing by Corporate entities
- Potential for Agri-Plantation Companies in attracting Green Finance
- Challenges in carbon measurement in Agri-plantation sector of India
- Optimization of Carbon sequestration, Water conservation, Biodiversity and Ecosystem services in plantations
- Sustainability Reporting frameworks mandated by Govt. of India and status on Indian companies' compliance
- Carbon Accounting, Carbon Markets, Carbon Standards and Methodologies
- Status of Sustainable Finance and Sustainable investments in India and emerging markets
- Policies to accelerate Green Finance and Green Investments in India and emerging markets
- Blue Finance as an emerging variant under Climate finance

Executive Summary

India's financial sector is exposed to a range of climate and nature-based risks, which pose significant challenges for the country's transition to a net-zero economy. The banks and financial institutions finance various agribusiness projects that have different degrees of exposures to these risks. These risks include physical risks, such as the impact of extreme weather events and rising sea levels, nature-based risks, such as biodiversity loss and ecosystem degradation and transition risks arising from policy and technological changes. However, climate finance is required to achieve net-zero emissions. The financial sector is therefore exposed to environmental, social and governance (ESG) risks through its own operations as well as indirectly through financing these sensitive sectors.

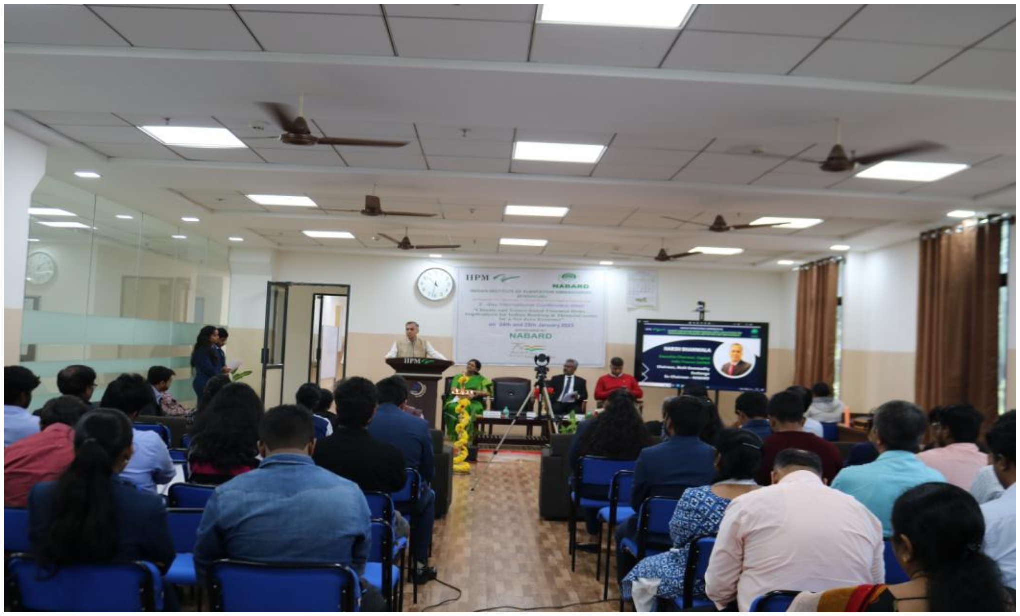
To address these risks, Indian financial institutions need to adopt a range of measures, including integrating climate and nature-related risks into their risk management processes, developing stress testing and scenario analysis capabilities, and engaging with stakeholders to understand their exposure to these risks. Financial institutions also need to focus on promoting sustainable finance and investing in low-carbon and climate-resilient infrastructure and technologies, which will be critical for achieving India's net-zero emissions target. Despite Indian government's commendable initiatives to address climate and nature-based risks, viz., roadmap for a robust voluntary carbon market in India, for carbon credits trading in the lines of energy certificates trading, there is need to scale up sustainable finance and mobilize private sector investment in green technologies and infrastructure, regulations for ESG rating providers and other ecosystem players in the transition towards Net Zero goal which are linked to most of the 17 UN Sustainable Development Goals (SDGs).

In this 2-day international conference speakers from across the country had participated to explain the importance about the transition of world towards a net zero economy and about the climate and nature-based risks and its impact on both public and private sector banks, NBFCs, Insurance companies, third-party verification providing companies like ESG rating companies and other players. Special focus on carbon credits potential of plantation companies in tea, rubber, spices and coffee were discussed and some success stories of sustainability initiatives of plantation companies highlighted.

Inauguration function

Special Address by Sri. G. Anand , General Manager, NABARD

Keynote Address by chief guest - Sri. Harsh Bhanwala, Chairman MCX & Capital First Finance Ltd. and Ex-Chairman, NABARD: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Valedictory Function & Certificate Distribution






KEY RECOMMENDATIONS

As India needs to progress towards the Net Zero emissions targeted to be achieved by 2030, the financial system needs to take cognizance of the various sources of mitigation finance as well as adaptation finance to achieve the goals of updated Nationally Determined Contributions (NDCs), wherein India is committed to reducing the emissions intensity of its GDP by 45% by 2030, with 50% of electric power generated by non-fossil fuel based sources and 'LIFE'style (Lifestyle for Environment) changes by households and individuals also, as envisaged by the updated NDC of the Government of India. In this context, the deliberations by panelists comprising chief managers of banks, Non-banking Financial companies (NBFCs) and other players like credit rating agencies and third-party verifiers providing sustainability ratings to projects asserted that the present policy changes and benchmark reporting requirements as stipulated by the country's regulators, viz., the Reserve Bank of India and the Securities and Exchange Board of India are in conformity with the trends at the global level. India's plantations agroforestry can act as carbon sink, thereby can qualify for projects under the category of 'carbon sequestration' under the Land Use and Land Use Change and Forestry (LULUCF) as per the scope defined by the Inter-Governmental Panel on Climate Change (IPCC). Hitherto, India's climate projects/initiatives have been financed through domestic sources and therefore, it is ripe time for India to contemplate and source climate finance from global multilateral financial institutions like the World Bank, IFC, UNEP and the like.

Since agriculture contributes 19-29% of the greenhouse gases (GHGs), the conference evidenced guests and speakers emphasizing on Climate-smart agriculture (CSA) which is an integrated approach to managing landscapes – Forests, Cropland, Livestock and Fisheries to optimally solve the inter-linked challenges of food security and environmental issues, including climate change. NABARD, which has been the pioneer in propagating climate-smart agriculture through various schemes, needs to source international climate finance along with agriculture finance division of all scheduled commercial banks and NBFCs to finance projects which generate carbon credits through reduction of all greenhouse gases (GHGs), including the major GHG-i.e., Carbon dioxide. NABARD being accredited as the Direct Access Entity (DAE) by the Green Climate Fund (GCF) Board, may consider to collaborate with Scheduled Commercial Banks (SCBs) in submitting green agri-plantation projects which qualify for access to GCF through multiple windows, viz., Private Sector Fscility (PSF), REDD+ etc. There is dearth of awareness with respect to Energy markets, Carbon markets, especially potential for Carbon credits projects in the Agriculture, Forestry and Other Land Use (AFOLU) which have huge potential for additional revenue generation for farmers and Farmer Producer Organisations (FPOs) in India. Infact, the agricultural officers and the agri credit managers need to be given appropriate training with regard to assessment of financial feasibility of agribusiness projects which incorporate sustainability initiatives like use of renewable energy, substitution of conventional materials with eco-friendly materials, and so on to reduce the environmental externalities from the project and consequently the carbon footprint of the project also. There are various third-party verifiers who perform the due diligence with respect to green projects and provide a rating before they could qualify for the 'green finance', viz., green bonds etc…they need to be roped in by Agri NBFCs, Grameen banks and Regional Rural Banks (RRBs) for appraising complex projects involving computation of the emissions from the agribusiness and energy requirements of the agri project.

There is clearly a consensus that emerged in the conference with regard to the need for technology like Artificial Intelligence (AI), Internet of Things (IoT) in the plantations and farmlands for collection and dissemination of real time data and analytics for the assessment of sustainability parameters, i.e., the ESG metrics. This would smoothen the process for conduct of impact assessment and thereby channelize adaptation finance for farmers and FPOs. Further, this would facilitate not only the rating providers, but also the companies for ESG reporting and charting out a path towards faster transition to its Net Zero emissions, thereby strive to conform to the UN Sustainable Development Goals (UN SDGs).

CONCLUSION

To sum it up, the international conference provided a platform for synthesizing the role of green finance in the broad area of Environment, Social and Governance (ESG) in addressing the burning issue of climate change and how these ESG risks also boil down to financial risks and need to be quantified and reported. The conference saw scholars, academicians and industry participants discussing and debating on the ways in which banks and financial institutions can incentivize their customers to go green through customisation of financial products, viz., Green deposits, reduced interest rates on green agribusiness projects, mortgage loans for green buildings and other green sectors like plantation products which have immense potential to earn carbon credits through integrated farming and agroforestry systems. Key speakers emphasized that India is poised to be one of the largest players in the global carbon market and that climate smart farming, integrated farming and plantation agro-forestry are going to be the major contributors towards generation of carbon credits. For the successful transition towards the Net Zero, which not only includes carbon, but all greenhouse gases such as Methane, Nitrous Oxide and Hydroflourocarbons, awareness has to be created amongst farmers and Farmer Producer Organisations (FPOs) to sensitise them regarding the environmental risks, particularly climate risks and how it will have a drastic negative impact on the crop yield and consequently on their financial well being. Further, they also need to be trained on strategies that can be formulated to tap the upcoming voluntary carbon market in India, thereby, 'Doubling Farmers' Income' can also be attained.