

Urgent action needed to accelerate alignment of financial system to transit to a low carbon economy

says Naina Lal Kidwai, Global Commissioner, The New Climate Economy

NEW DELHI, 3 August 2015: Ms. **Naina Lal Kidwai, Global Commissioner of the New Climate Economy and Member of UNEP Inquiry International Advisory Council and past president of FICCI**, today called for immediate steps to make the transition to a low carbon economy, stating that apart from increasing productivity, it will allow India to enjoy cleaner air, live in more compact, connected and coordinated cities and have wider access to water and electricity.

Speaking at a conference organized by **FICCI** jointly with ICRIER on 'Strategies for Sustainable Development: Climate Action, Financial Reform', **Ms. Kidwai said** that financial institutions have a role to play and can help finance the transformation to a clean, sustainable future. A growing number of financial institutions are incorporating climate risk into their operations and channeling financial flows toward low-carbon, climate-resilient opportunities. Major investors with around half of total institutions assets (US\$45 trillion) now subscribe to responsible investing principles, she added.

Ms. Kidwai said that there is an urgent need to accelerate the transition to a green economy by better aligning the financial system to the resilience and the long-term success of the real economy. The UNEP India Inquiry led by FICCI which is under way is intended to support such actions by identifying best practice, and exploring financial market policy and regulatory innovations that would support the development of a green financial system. The FICCI-UNEP report looks at how to align the financial sector towards a green agenda. The report would map current best practices, draw together principles and frameworks, catalyze new thinking, and ultimately lay out a series of options for advancing a green financial system.

On the occasion, Dr. Isher Judge Ahluwalia, Chairperson, ICRIER, along with the dignitaries launched the New Climate Economy's India Report, prepared by World Resources Institute and ICRIER, titled 'India: Pathways to Sustaining Rapid Development in a New Climate Economy'.

According to the New Climate Economy (NCE 2014) report, the investments we make over the next 15 years will be decisive for the future of our climate system and economy. Around US\$ 90 trillion globally will need to be invested in cities, land use and energy infrastructure between now and 2030 to deliver development and growth.

The NCE report lists 11 important areas for reform of energy systems, land use and cities, in order to boost development and reduce poverty in a sustainable manner. The report calls for power subsidy and electricity sector reforms, setting energy efficiency standards, fuel taxes to promote a more efficient fuel mix, policies to reduce, high cost of finance for renewable energy, restructuring of public spending on agriculture, livestock sector reforms, forestry initiatives, reform of land regulations, expansion and renewal of urban infrastructure and strengthening of urban local government.

In a video message to the delegates, **Mr. Prakash Javdekar, Minister for Environment, Forest and Climate Change**, stated that the actions initiated by India is a demonstration to the world on the way forward for sustainable

development. India's is committed to "use what is needed, not what is produced and use only the required quantity" of natural resources and completely avoid waste.

The Minister said that the world needs to accept that changes would be required in lifestyles so that "we are able to give to our future generations a bit more than what we have inherited." India, he said, was doing its bit and added that the developed countries were duty-bound to do more so that the COP21 in Paris produces a successful outcome.

Dr. Rajat Kathuria, Director and Chief Executive, ICRIER, in his address, pointed out that the Global Commission on the Economy and Climate is a major international project to analyse and communicate the economic risks and opportunities that arise from climate change. The purpose of the New Climate Economy (NCE) is to develop robust evidence across the world to mainstream the economic argument for climate policy.

He said that like many other developing countries, India's cities not only face severe infrastructure bottlenecks and service level deficits that undercut economic performance, but poorly managed urban growth, directly impacts health and quality of life. Worsening air pollution in Indian cities is estimated to have caused 620,000 premature deaths per annum (WHO). It also adds significantly to overall carbon emissions (close to half of India's net greenhouse gas emission originate in urban areas). These challenges present NCE and its partners, ICRIER and WRI, with an opportunity to craft a nimble policy-driven research collaboration that can build on their continued engagement in India to systematically provide a sustained set of high quality research products of sufficient granularity to meaningfully inform the on-going urban reform process, including insights on implementation.

In his presentation Mr. Manish Bapna, Executive Vice President and Managing Director, World Resources Institute, said that there are major opportunities in three key sectors of the global economy – energy, cities and land use. By improving efficiency, investing in infrastructure, and stimulating innovation across these sectors and the wider economy, India and the world can deliver strong growth with lower emissions.

Mr. Bapna said that in middle-income countries, high interest rates and low debt availability hinder low-carbon energy. In India, the cost and terms of debt alone can add 24-32% to the cost of utility-scale wind and solar PV projects. The government should implement innovative financing and distribution models to unlock the potential of renewable energy. Development finance institutions can provide the support required through equity, loans, guarantees, and insurance products to expand renewable energy and energy efficiency in middle- and low-income countries.

Dr. A Didar Singh, Secretary General, FICCI, said that the development of infrastructure in developing countries was tardy with huge gaps in the targeted infrastructure that will be required by 2050. Hence, sustainable development is the need of the hour. This could be achieved if justifiable and feasible economic models are created to encourage the private sector's participation.