


Chapter 10

Green Finance Paradigm Shift in Financing Green Projects

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ABSTRACT

Funding of green projects requires massive finance. The rising concerns on identifying and developing alternative sources of energy, sustaining the ecological balance through energy replenishment and protecting environment, reduction of green house gas formation and carbon emissions are superordinate goals. The policy makers across the globe are concerned about the rising global temperature and attempts are made at addressing carbon emissions by countries through the carbon credit mechanism. However, this is an arduous path as there is lack of awareness and knowledge amongst the public unaware of their contributions to gas emissions. This secondary research paper focuses on the crucial role of governments in monitoring and regulating the green finance sector. This chapter throws light on the various facets of government in channelizing and monitoring the funds under the green umbrella and additional measures to promote green financing.

DOI: 10.4018/978-1-6684-9872-9.ch010

1. INTRODUCTION

Green House Gas (GHGs) formation and carbon emissions is a crucial concern towards environment sustainability. The declining natural and fossil fuel, increasing industrialization and economies of scale are some factors contributing to the green house formation. China, United States of America and India are major contributors to gas house formation nearing 50% of the globe's carbon emissions. (Mishra & Singh, 2024) The directives of Paris Agreement 2016, India has been constantly raising its Nationally Determined Contributions to 33-35% by 2030, with latest revision being made in 2022 to 45% reduction in the carbon emissions. India has set a goal net-zero emissions by 2070 and estimates an \$1 trillion requirements in climate financing. The Government of India has allowed a 100% FDI indicating its keen concerns in addressing the climate change issues.

Some of the following targets are determined by India in the direction of maintaining the global temperature at 1.5 degrees and capping the carbon emissions from the industries:

- 450 GW of renewable energy installation by 2030, which requires an estimated \$500billion investment
- Decentralized renewable energy like solar rooftops, battery enabled power are viable sources of clean energy. But the implementation of such energy alternatives across the country requires an estimated \$18billion by 2024
- To create a provision for carbon absorption equivalent of 2.5 to 3 billion tonnes
- Drive the Electrical Vehicles Motor segment accompanied with incentives to produce original equipment and models under the Made-in-India initiatives.

Renewable sources of energy alternatives are discovered, but the projects lack appropriate financing. The viability of the projects, specified usage of funds and slow pace of commercialization of the green projects.

1.1 Green Financing

Financing of those projects which focus on environment sustainability, protecting the natural resources and developing of alternative energy supply chains fall under the horizon of green financing. An exclusive investment in energy preservation sector and energy efficacy will help India in achieving its targets.(Rana et al., 2022) Though there is no exclusive definition for green financing, the underlying principle for the constitution of 'green project' could broaden the purview of 'green finance'.

The Principles for a 'project' to be called as a 'Green Project' are

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