



Mobilising **Just Transition Finance** Towards India's Sustainable Net Zero Future

A BRIEFING PAPER

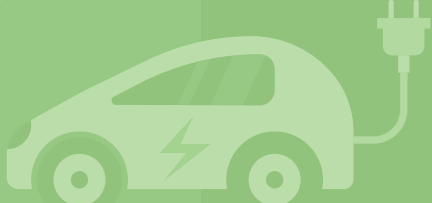
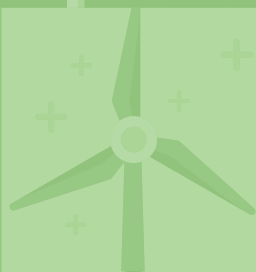
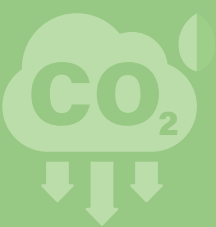
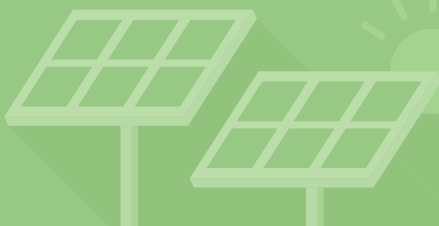
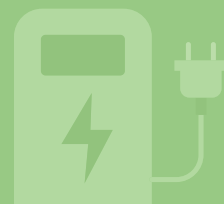
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NET
ZERO





CONTEXT

Countries world over have recognised the risks of global warming and are committing to transition towards a sustainable, net-zero future. India too has adopted the target of achieving net carbon emissions by 2070 and is progressively undertaking policy and fiscal measures to support net zero with highly ambitious sectoral targets. However, as India embarks to decarbonise its economy at a rapid pace and scale, some workers and communities may lose out as the emission-intensive industries either reduce their operations, or old supply chains become inefficient, and are replaced with new ones. New jobs and opportunities will emerge in place of old ones, but they may not transpire at the same time, sector, place or require the same skill sets as in the case of the jobs and opportunities lost. Moreover, unless women, youth and other vulnerable communities are intentionally made a part of the transition, policies and initiatives set in place to facilitate the transition may fail to represent their interests. Curtailing these distributional, recognitional and other equity challenges of energy shifts and safeguarding those who are vulnerable to them will be necessary to ensure that no one is left behind and that India's transition is a **just energy transition**.

Understanding a Just Transition

The United Nations defines a just transition as “ensuring that no one is **left** behind or **pushed** behind in the transition to low-carbon and environmentally sustainable economies and societies.” The International Labour Organisation (ILO) defines this transition as “greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities, and leaving no one behind.

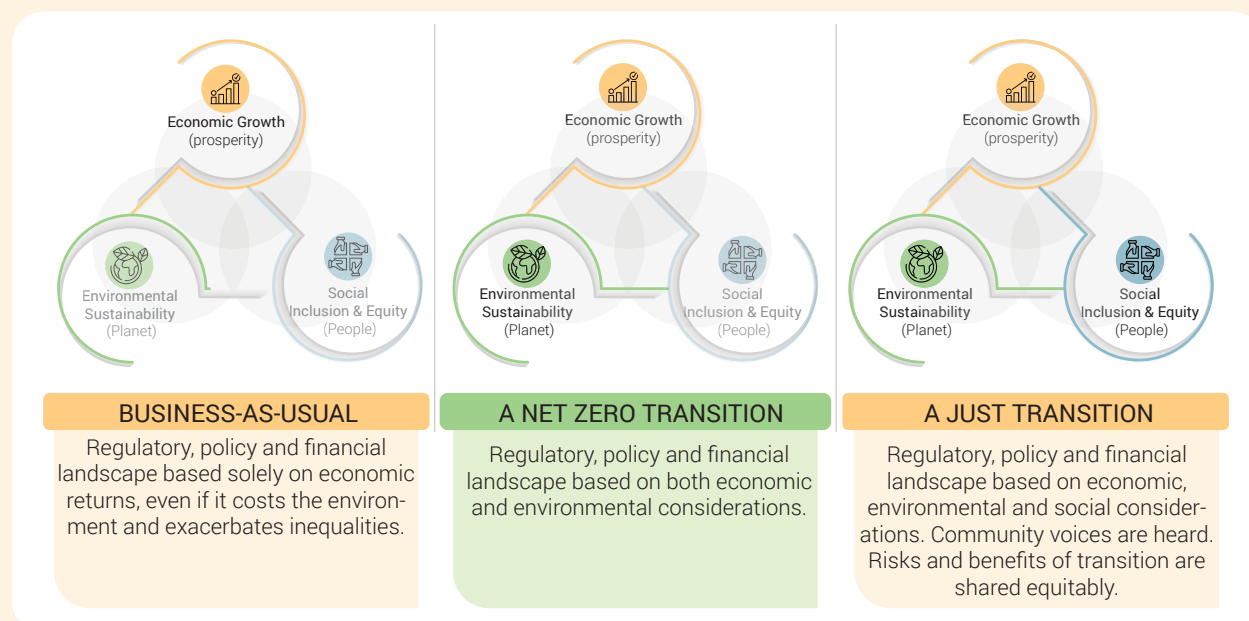


Figure 1: Transition from a Business-as-Usual to a Net-Zero to a Just Future

Source: Adapted from the the concept of triple-bottom-line and people-planet-prosperity; [ILO Just Transition Finance Tool](#)

1 United Nations Committee for Development Policy 2023. Just Transition, CDP input on the 2023 ECOSOC theme (Accelerating the recovery from the coronavirus disease (COVID-19) and the full implementation of the 2030 Agenda for Sustainable Development at all levels). Accessed at <https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/CDP-excerpt-2023-1.pdf>



FINANCING TRANSITION IN INDIA

India is striving towards decarbonising its growth and has adopted focused targets for expanding its non-fossil energy capacity and renewable energy share, reducing carbon emissions and intensity by 2030, and achieving net-zero emissions by 2070.² The country has also undertaken an array of policy and fiscal measures towards it, which has led to a 1.5x increase in RE installed capacity in India in the last decade, with states like Gujarat (14.41%), Rajasthan (14.22%), Tamil Nadu (11.63%), Karnataka (11.25%), and Maharashtra (9.20%) leading the RE capacity installation. (MNRE, 2023) Impetus to electrification of fleets under the Faster Adoption and Manufacturing of Electric Vehicles in India (FAME) Phase I, Phase II, and PM E-DRIVE has led to a substantial increase in EV registrations from 2,344 in 2014-15 to 1,510,257 in 2024-25.

Though impressive, India's energy transition is far from being over, as only a miniscule amount of the total potential capacity across RE sources, except biopower and small hydro, has yet been harnessed. Reaching the potential will require continued development in technology, markets, and capacities, all of which will need adequate finance and investment.

Transition Finance: Current Status & Challenges

India is estimated to require US\$ 10.1 trillion worth of cumulative investment to achieve its net zero by 2070 (CEEW, 2021; IFC, 2023; CPI, 2024). About US\$ 6.6 trillion is expected to come from conventional sources of capital, including domestic investments from the private sector, foreign direct investments (FDI) in green technologies, and potential funding from other domestic sources of finance.

Not only does this leave a deficit of US\$ 3.5 trillion, but considering that these investments only cover the asset buildup, there is a serious gap in financing for human aspects of this transition.

Given the huge social and economic dependencies of certain regions, their local economies, and vulnerable people on India's conventional energy systems, when framing and estimating transition finance needs, it is imperative to include financing towards the establishment of social-nets, reskilling/upskilling, livelihood diversification, and rehabilitation support, in addition to capital requirements towards the greening of infrastructure and technology.

Public finance can only do so much. Current subsidies under national missions/policies and central, centrally sponsored, and state schemes can cover a maximum of ~65% of the cost gap for battery-energy storage, offshore wind, solar PV, EV, and green hydrogen (IISD, 2024). Considering that this is sourced through tax receipts and other fees, there is a limit to which the States can responsibly expand this corpus, **highlighting the need for private and other public co-financing.** Qualitatively, this co-finance must also align with the government's intention and provide a cover for schemes like Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and Prime Minister Employment Generation Programme (PMEGP) where complex documentation, lack of collateral, and other procedural gaps prevent the skill development and livelihood benefits from reaching the bottom of the pyramid, which are also the ones most impacted through this transition.



² 'India's Stand at COP-26,' Ministry of Environment, Forest and Climate Change (MoEFCC), February 2022. Accessed at <https://pib.gov.in/PressReleasePage.aspx?PRID=1795071>



Private and other public co-financing struggles with lack of incentives and market based returns, especially in soft interventions where the impact may not be as tangible as that in case of infrastructural and technology development. While some NBFCs, social impact investors, and other agencies have curated their own social metrics, a lack of a common comprehensive framework that could guide financial stakeholders for allocating funds to these activities has also hindered investment at scale and at systems' level in this regard.³

Table 1: Some examples of financing for hard v/s soft interventions

Hard Interventions	Soft Interventions
 Infrastructural Development Financing for building solar farms, wind turbines, energy storage systems; and upgradation of electricity grids for integration with RE	 Training and Education Financing for capacity building, skilling and reskilling of all, particularly those most impacted by the transition, to sustain their livelihoods and make available a skilled workforce for future jobs.
 Technology and Innovation Financing for technology development, proof of concept and scale up of low-carbon energy alternatives such as LC3 cement in the building sector, smart traffic management systems and electric batteries in transport etc.	 Policy Strengthening Financing research and evidence generation for policy reforms towards an inclusive and equitable transition. Policies related to skilling, promotion of nano and micro entrepreneurship, local value creation are some examples. Financing development of strategy and pathways that guide operations of such policies is also critical.  Social Nets and Rehabilitation Financing social security for workers, the most vulnerable communities, women and youth, ensuring that they have access to affordable healthcare, education/training, decent pay and retirement benefits etc.

Private and other financiers could also have a narrow understanding of softer interventions for managing human aspects of this transition, focusing primarily on the skilling and reskilling activities with limited focus on those most impacted and vulnerable to such shifts. Skilling and capacity building for green jobs is an essential component for both, driving a just energy transition. However, for this transition to be holistic, a range of other interventions are also required and must be financed. Enhancing community infrastructure in vulnerable areas to environmental rejuvenation of

³ The Government of India in May 2025 released a draft framework of the Climate Finance Taxonomy for India. The draft framework outlines the approach, objective and principles for classifying projects and activities, towards facilitating greater resource flow to climate-friendly technologies and activities. Accessed at "Draft Framework of India's Climate Finance Taxonomy", Press Communique, Department of Economic Affairs, Ministry of Finance, Government of India, May 2025.



degraded lands, to supporting market linkages for alternative livelihoods, etc. Additionally, skilling programs meant particularly to enable just transitions must target workers who will be impacted by the energy transition and build their capabilities based on their education levels and skill transferability.

Through conscious investments, partnership and collaboration, financiers can build upon each other's strengths to ensure that workers, communities and others most vulnerable to this energy shift in hard-to-abate sectors can not only survive but thrive under a net-zero economy.

TRANSITION FINANCE TO JUST TRANSITION, AND WHO CAN PLAY A ROLE

Just transition finance refers to “financing driven towards a low-carbon future that also takes account of the justness principles.” (ILO) **India is estimated to need over one trillion dollars in just energy transition for the phasing down of operations in coal and thermal power plants by 2050.** About 48% of this finance is needed for non-energy investments related to costs of coal mine reclamation and repurposing, labour support and transition, economic diversification, community resilience, revenue substitution and energy price support, planning, capacity development, and governance (iFOREST, 2024). Significantly, more finance will be needed for a just transition of the whole economy in India (Table 2). **Here is how different financial stakeholders can play a role.**

Table 2: Role of Key Actors in the Just Energy Transition

S. No.	Key Actor & Role	Role to Play	Work in Tandem with
1.	Central and State Governments	- Identify schemes/initiatives that link with energy transition and justice, track and monitor progress, and ensure better efficacy for bottom of the pyramid. - Design and operationalize dedicated climate/green funds and funding vehicles.	Civil Society and Academia for scheme convergence and optimization. Private Consultants for fund designing.
2.	Scheduled Commercial Banks (SCBs)	Enable affordable financial products for MSMEs, particularly micro enterprises for just energy transition of supply-chains.	RBI and SEBI for regulations
3.	Foreign Portfolio and Domestic Investors	Embed social KPIs within their green investments, nudged through risk guarantees and regulatory support	Philanthropies and Other Investors for risk guarantees Policymakers for regulatory nudges Private Consultants for KPI building



S. No.	Key Actor & Role	Role to Play	Work in Tandem with
4.	CSR Funders	- Commit long term to just and green projects, albeit through phased funding as per CSR rules. - Encourage higher community buy-in and impact KPIs within funded projects.	Civil Society for project design and implementation
5.	Philanthropies	- Provide concessional funding and readiness support for pilots. - Fund projects that are “systemic” but “unbankable” (have lower ROI)	Civil Society for project design and implementation
6.	Multilateral Development Banks (MDBs)	- Invest in scale-up and replication of good practices and pilots in just energy transition space. - Fund policy strengthening towards just energy transition at sub-national levels, particularly where funding from other sources dry up.	Civil Society/ Think Tanks for data, research and coordination support Sub-national Governments for notification and adoption of policy changes

The Central and State Governments, in context of their fiscal constraints, could optimise their investments, track and monitor the efficacy of their schemes and initiatives. Financial tools such as **green bonds**, **social bonds**, and **concessional capital vehicles** can be leveraged to mobilise private capital towards transition-oriented projects. The Tamil Nadu Green Climate Fund, a SEBI-registered social impact fund, is an example as it seeks to align diverse financing streams with the State's climate objectives. Similarly, green municipal bonds, like the ₹100 crore issuance by Vadodara Municipal Corporation, have demonstrated potential in financing urban infrastructure for sustainability. Social bonds, issued at the state level, could support inclusive development outcomes such as equitable access to clean energy or resilient livelihoods. To ensure a just transition, it is essential that social KPIs—such as job creation, gender equity, or health benefits—are integrated into the design and evaluation of these mechanisms. Structuring such financial instruments offers a ripe opportunity for collaboration with consultants, academics, and practitioners to ensure they are time-relevant and context-sensitive.⁴

Scheduled Commercial Banks are increasingly expanding their transition finance portfolio and evolving their internal risk rating models to account for energy and climate aspects.

- Under BSR-1 reporting on Basel III Framework, SCBs mandatorily disclose information on composition of their funds, including but not limited to finance injected into renewable energy

⁴ Green Finance Framework Document for Vadodara Municipal Corporation, for Green Bonds. Accessed at <https://vmc.gov.in/pdf/Account/E.%20MUNICIPAL%20BONDS/4.%20GREEN%20MUNICIPAL%20BONDS/1%20VMC-GREEN%20FINANCE%20FRAMEWORK.pdf> and Media Release by Climate Bonds Initiative. Accessed at <https://www.climatebonds.net/resources/press-releases/2024/02/vadodara-municipal-corporation-initiates-india-and-asias-first>



projects.

- Some SCBs⁵ such as State Bank of India and YES Bank Ltd have also made responsible banking (social impact assessment, skill development and other initiatives) an **explicit** part of their mandate, tracking and disclosing impact under their annual compliance reports.

Furthermore, a tremendous opportunity lies for SCB to move the needle on just transition financing in India by offering affordable loan products for MSMEs. By facilitating transition finance for them, particularly micro enterprises that form the backbone of the industrial sector but are often “credit-invisible” due to lack of registrations, credit history and other formalities, SCBs can support make the energy transition penetrate deep down into the supply-chains. With micro enterprises reflecting a better women representation than small and medium enterprises, this also means including gendered narratives in the just transition trajectory.

While **Foreign Portfolio Investors** and **domestic capital markets** are increasingly channeling funds into renewable energy through corporate bonds, mainstream capital can be further aligned with a just transition by embedding social KPIs—such as workforce reskilling, community rehabilitation, and resilience building—into green and sustainability-linked bond frameworks ⁶. To catalyze this, concessional finance, risk guarantees, and regulatory nudges may be necessary to underwrite the social components that typically fall outside the risk-return threshold of traditional investors.

With faster economic growth, over 20,000 Indian companies invest over US\$ 3 billion annually in CSR initiatives⁷, primarily focused on education, healthcare, rural development, and environmental sustainability. With established on-ground presence and ongoing programs, these **CSRs** can supplement the just transition efforts by in principle committing to long-term support with phases aligned to their funding cycles (usually one year) and adopting the risk mitigation and community engagement frameworks (similar to international funders) for a more localised and focused impact.

Philanthropies can further be potent enablers and partners to provide concessional funding for just transition pilots. With these pilots, readiness support including feasibility assessments, capacity building, community mobilisation, documentation and knowledge transfer, which may seem to be ‘low-returns on investment’ or ‘unbankable’ for a private investor but are crucial for the effectiveness of the net zero intervention, could be funded by the philanthropic capital. Shell Foundation, Dasra and EdelGive Foundation are a few of the many philanthropic funders who have supported energy transition in and across states in India with social equity considerations.

Multilateral and bilateral development banks (MDBs) have a unique role to play in converging these efforts towards a higher scale and impact. MDBs have already been an important source of finance for India's development and decarbonisation goals. Since 2016, the World Bank has

5 In 2010-11, the Punjab National Bank (PNB) had policies to ensure availability of all necessary approvals and permissions, including from the Pollution Control Board, and compliance with environmental and social safeguards, including rehabilitation and resettlement of project-affected projects, as **pre-loan disbursement conditions**. PNB's current Financing Framework also checks for the potential social risks emerging from manufacturing, use and disposal of the product/project resource. | Source: Punjab National Bank, CSR Report 2010-11. Accessed at <https://www.pnbindia.in/document/csr-activities/Reports2010-11.pdf> and Punjab National Bank, Business Responsibility & Sustainability Report, 2023-24. Accessed at <https://www.pnbindia.in/downloadprocess.aspx?fid=sJIGddlx1Ht9oQ3HCp46Q==>

6 Green Bonds can fund the infrastructural/asset development, while Sustainability Linked Bonds can be raised for softer, social aspects of transition. Public Finance, through schemes and benefit transfers, can supplement this by enabling concessional capital.

7 Ministry of Corporate Affairs, CSR reporting dashboard: <https://www.mca.gov.in/content/csr/global/master/home/home.html>



Philanthropic foundations are leading the way

Philanthropic foundations have come forth to pilot just transition initiatives to support mining communities in fossil fuel-dependent countries like Vietnam, Indonesia, and South Africa. According to the Global Philanthropy Tracker that monitors 32 high-income countries, philanthropic outflows of US\$ 69 billion (led by the US contribution of US\$ 49 billion) were observed in 2021 to global causes: education, health, international affairs & development, humanitarian aid & emergency response, social infrastructure, and religion. Cross-border philanthropy focusing on climate mitigation increased by threefold to US\$ 3 billion in 2021 from US\$ 900 million in 2015. In 2022, donors on the Edelgive Hurun India Philanthropy list increased their climate and sustainability-focused donations by 46% to US\$ 28 million.

funded 16 projects on affordable, efficient, and clean energy in India, worth a total of US\$ 5,850 million, of which 28% were grants and the rest were loans and costs. The Asian Development Bank has backed 116 energy projects in the country with a total value of US\$ 14,491 million, with almost all of it being loans.

Leveraging Markets: Asian Development Bank has successfully raised capital ~ US\$160 Million through Reg-S Bonds via IFSC in GIFT City

The Asia Infrastructure Investment Bank (AIIB) has funded 10 energy projects worth a total of US\$ 1433 million, with 91% of it being loans and the rest 9% equity-backed investments. Similar investments have also been made by other MDBs in India, clearly depicting their significance as high-scale investors. By making social outcomes and considerations a part of their investment projects, from designing to implementation and monitoring stage, MDBs can make headway towards promoting people-centric just energy transition in developing countries like India.

Progress towards Just Transition Financing by MDBs

MDBs are already aligning themselves with the purpose and need of a just transition. In their Just Transition High-Level Principles⁸, released in 2021 to articulate their understanding on how they can support this kind of a transition, MDBs highlighted their focus on financing, policy engagement, technical advice and knowledge sharing in line with country priorities for achieving decarbonisation, promoting socio-economic outcomes, supporting affected workers and communities, enhancing access to sustainable, inclusive and resilient livelihoods for all etc. Further, MDBs like the World Bank and the Asian Development Bank have come up with their own just transition mandates to enhance the social equity component within their portfolio. The World Bank launched its **Just Transition Taxonomy 2024**, which identifies 57 eligible economic activities across governance, people, and communities and repurposing of former coal mining lands and associated assets to guide WB's investments towards a just coal transition.

⁸ Multilateral Development Banks. 2021. MDBs' Just Transition High-Level Principles. Manila: Asian Development Bank. Accessed May 28, 2025. <https://www.adb.org/sites/default/files/related/603041/Statement-MDBs-Just-Transition-High-Level-Principles.pdf>.



The Asian Development Bank, on the other hand, has a holistic 4P approach that focuses at **People** (just transition, protecting livelihoods, and affordable electricity), **Policy** (policies and regulations to accelerate energy transition), **Power** (promoting a scalable, market-based model for energy transition), and **Partnership** (with national and international stakeholders for fund mobilization).⁹

CALL TO ACTION: PARTNERSHIP FOR HIGHER SCALE AND IMPACT

Partnership is a key for unlocking the potential of financiers in supporting a people-centric and just energy transition in India. Public and private financiers (MDBs, philanthropies, and social impact investors) can approach this through:



Amplifying Government Efforts: A multi-stakeholder approach is necessary for the Central and State Government to sharpen and amplify its efforts towards just energy transition.

- The Central and State Governments can partner with **financiers** for channelizing concessional finance towards just energy transition, especially for soft interventions. **Private and social sector players** can offer technical assistance for pilots. The Memorandum of Understanding (MoU) signed between the Andhra Pradesh State Skill Development Corporation (APSSDC) and Suzlon Energy to train 12,000 people in key renewable energy projects and establish five skill labs in select ITIs and polytechnic colleges is an example of a partnership that the government can build upon.
- Funds from the District Mineral Foundations (DMFs) set up by state departments to fund initiatives that benefit people and areas affected by mining-related operations can be further channelized towards ramping up activities that support economic diversification and capacity-building efforts in concerned areas. Partnership with **local CSOs** and **community representatives** can prove beneficial in identifying these possibilities.
- Partnership with **MDBs** is crucial for governments to amplify their initiatives and impact. MDBs, with their multi-State and country experience/expertise, can effectively guide the design and structuring of concessional finance vehicles at sub-national level. MDBs can also supplement DMF funding towards infrastructure development, education, and capacity-building programs that can enable local-level transitions into a diversified and resilient economy.



Catalyzing Transition Lending: SCBs and other financial institutions can adapt their risk models and credit policies to support emerging transition sectors like renewable powered MSMEs and clean mobility. Decarbonising hard to abate industries such as steel, cement and chemicals while safeguarding affected workers and communities require tailored financial solutions. Banks can collaborate with DFIs, public agencies, and philanthropic capital through blended finance structures, where **first-loss risk**

⁹ Swati Dsouza, Climate Change Specialist (Just Transition), "ADB's Energy Transition Mechanism (ETM) and Partnerships." Asian Development Bank. September 2024. Accessed at <https://ieefa.org/sites/default/files/2024-09/2024Conf%20ADB%27s%20Energy%20Transition%20Mechanism.pdf>



is covered by public/philanthropic sources, DFIs provide second-loss guarantees or concessional debt, and governments offer interest subvention. These tools can support the **design of new loan products** for industrial retrofits, green reskilling, and economic diversification. By effectively harnessing the differential weight system introduced in the Priority Sector Lending (PSL) by the RBI, banks can also enable access to finance for DRE solutions to transition affected and climate vulnerable districts and communities with low credit flows.¹⁰



Complimenting Performance Credit: MDBs particularly can structure a Just Transition Tranche that carries covenants to lower the cost of financing on achieving a certain threshold of verifiable impact through economic/social impact assessments, making climate projects more attractive and accessible, particularly for regions and sectors in need of a just transition. Currently, there is no mainstream credit for just transition focused investment opportunities, leaving room for only blended finance instruments.

Axis Bank's ESG Policy as a Good Practice

Axis Bank's ESG Policy is aligned to a variety of standards for environment & social risk assessment of lending portfolio. Among these are the IFC Performance Standards (PS1 to PS8) Framework 2021 for Environmental and Social Sustainability and the World Bank Group General Environment, Health & Safety (EHS) Guidelines and Sector Specific Guidelines. The IFC Standards, particularly, emphasizes risk-based, outcome-oriented, stakeholder inclusive approaches to sustainability.

- PS1 requires companies to identify vulnerable groups, engage stakeholders and manage systemic social risks. In specific contexts, this could relate to workers and communities impacted by decarbonisation.
- PS2 ensures decent work conditions, non-discrimination and worker engagement – and can be leveraged to support skilling and reskilling of workers.
- PS3 applies when clean energy infrastructure displaces communities, supporting equitable compensation, livelihood restoration and non-coercive relocation.
- PS4 emphasises on Free, Prior and Informed Consent (FPIC) and benefit sharing among communities.



Augmenting Innovative Finance: Private, social sector and other players who could potentially contribute to the energy transition can raise additional capital from innovative means such as the newly operationalised Social Stock Exchange¹¹. Other public-private-partnership models can also support this. Udaipur Urja in Rajasthan that promotes clean cooking fuel while supporting local farmers and their families through credits earned from a linked carbon project is an example. There are other

¹⁰ With effect from FY 2024-25, the RBI has introduced a differential weight system, in which a higher weight (125%) shall be assigned to the incremental priority sector credit in the identified districts with lower per capita credit flow compared to districts with high credit flow, which will receive a lower weight (90%) for PSL. In other words, banks will be incentivised to lend money to these lower credit districts, to fulfill their PSL targets. In relation to just transition, it is critical to ensure that the credit is able to flow to transition affected and climate vulnerable districts. By prioritising lending for activities related to social infrastructure, RE, agriculture and allied activities and MSMEs for building community resilience and holistic development in these locations, banks can enable this.

¹¹ The Social Stock Exchange is still at a nascent stage. Operational challenges are being identified and resolved.



initiatives like the Vivriti Capital Climate Finance Project in India and USAID-UNSDFC Clean Energy Partial Credit Guarantee where the main focus is on energy transition but these initiatives can be learnt from and refined into a just transition partnership model. Similar blended finance instruments that harness public finance to de-risk investment for private investors can lead the way.

Vivriti Capital Climate Finance Project

The transaction (57331-001) under the FAST (Faster Approach for Non-Sovereign Transactions) Framework entails debt financing through the issuance of senior secured non-convertible debentures (NCDs) of up to \$25,000,000 (in Indian rupee equivalent) by Vivriti Capital Limited (VCL) for the Vivriti Capital Climate Finance Project in India with a focus on lending to enterprises and retail borrowers for solar energy generation, wind energy generation, and waste management, with at least 30% of the facility to be utilized for loan towards electric vehicle ecosystem financing, including financing of charging stations, battery swapping stations, and the purchase of new electric vehicles. The USAID and USDC partnership, on the other hand, was with two impact NBFCs to unlock credit for SMEs borrowing to invest in rooftop solar systems. USAID-USDFC provided a partial pari-passu portfolio guarantee.

Other examples that can be further customized for India are:

- **Green Equity:** The World Bank's Green Equity Approach and ADBs' venture fund promote green equity investments into companies and financial institutions working towards clean energy, climate solutions, and sustainable development. *Such instruments can support a just transition by investing equity into financial institutions or companies decarbonizing hard-to-abate sectors, phasing out fossil assets, or creating green jobs. These structures can be targeted to incentivize firms that commit to reskilling workers, supporting affected communities, or financing MSMEs in transitioning regions. By using equity to anchor blended funds or condition investment on social KPIs, these vehicles can crowd in additional capital for inclusive, transition-aligned enterprises.*
- **Green Bonds:** The World Bank listed its green bonds on the Luxembourg Stock Exchange, and ADB chose SGX (Singapore) to access a wider investor base and institutional participation for its issuances. *While traditional green bonds focus on environmental outcomes, these instruments can be structured to finance just transition objectives by incorporating social co-benefits such as reskilling, job creation, or regional economic diversification into the use-of-proceeds framework or through dedicated 'just transition' tranches.*
- **Carbon Markets:** The World Bank's Carbon Finance unit supports credit-generating projects that can offer gap funding or community benefits and can be aligned with just transition goals if carbon revenues are earmarked for reskilling, community infrastructure, or local economic diversification. MDBs, including the World Bank, have also committed support to the Global Capacity Building Coalition on Climate Finance, which aims to help EMDEs develop the institutional capacity to access and deploy carbon finance. *For carbon markets to effectively support just transition financing, benefit-sharing mechanisms and social co-benefit criteria must be integrated into project design and credit allocation.*



Promising Developments in Carbon Markets

The **Ministry of Environment, Forest and Climate Change (MoEFCC)** has notified the **Carbon Credit Trading Scheme (CCTS)** under the **Energy Conservation Act, 2001**, with the objective of creating a structured domestic carbon market to drive cost-effective emission reductions across sectors. As India transitions toward net zero, CCTS can play a pivotal role in enabling a Just Transition by channeling finance into cleaner technologies, particularly for MSMEs and hard-to-abate sectors, while fostering inclusive growth. Its design presents an opportunity to embed social co-benefits—such as livelihood support, regional equity, and workforce resilience—directly into market mechanisms. By aligning credit allocation and project eligibility with development priorities, CCTS can evolve from a carbon compliance tool into a catalyst for equitable climate action.

Other notable developments are also in effect in the carbon market. Gold Standard is already widely known for giving significant weightage to social co-benefits in addition to environmental safeguards. All certified projects under the Gold Standard for the Global Goals (GS4GG) must contribute to at least two SDGs, in addition to climate action (SDG 13). Now, Verra has developed a new methodology that enables the generation of high-integrity carbon credits through the early retirement of coal plants, paired with new renewable energy.

CONCLUSION

Financing people-centric just energy transition for a country like India requires all hands on deck. Both domestic and international financial flows need to be augmented to fuel India's journey towards its 2070 goals. Apart from enhancing standalone investments, this will have to be approached in a collaborative and a 'whole of an ecosystem' manner where financial stakeholders collaborate with each other to de-risk and invest. Moreover, such partnerships must harness community voices, and be based on strong monitoring, evaluation and learning frameworks to guide such investments.





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N O T E S



NOTES

Climate Finance Accelerator

The Climate Finance Accelerator is a strategic initiative by Vasudha Foundation to unlock innovative financing pathways for India's clean energy transition and climate action. Designed as a collaborative platform, it brings together policymakers, investors, businesses, and experts to align financial flows with climate goals and enable informed decision-making. The initiative focuses on improving the availability and usability of climate finance data, fostering dialogue, and promoting coordinated action across key sectors. Through targeted stakeholder consultations and thematic roundtables, the Accelerator creates space for ideas, partnerships, and solutions to emerge—strengthening the bridge among capital, energy and climate goals.

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This Briefing Paper is a part of Vasudha's knowledge series on mainstreaming discourse on People-centric Energy Transitions in India.

