



CII-ITC Centre of Excellence
for Sustainable Development



Confederation of Indian Industry

CII INDIA SUSTAINABILITY TASK FORCE

Key Recommendations and
Action Framework



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Published by

- i) Indian Institute of Management Ahmedabad (IIM A), Sargam Marg, I I M, Vastrapur, Ahmedabad, Gujarat 380015; and
- ii) Confederation of Indian Industry (CII), The Mantosh Sondhi Centre; 23, Institutional Area, Lodi Road, New Delhi 110003, India, Tel: +91-11-45771000; Email: info@cii.in; Web: www.cii.in;

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Foreword

India is at a pivotal stage in its development journey. As articulated by Honourable Prime Minister, we must strive to be a Viksit Bharat (developed, high-income India) by 2047 while achieving net-zero emissions by 2070 and enhancing our rich human and natural resources. Simply stated, Viksit Bharat must also be a Harit (green and prosperous) Bharat.

Thus India needs to become a highly competitive economy while simultaneously safeguarding its people, climate, clean air, water, biodiversity and forest cover. Our enterprises, large and small, need to act to protect and preserve our human and natural resources. Mobilising finance at scale for this type of sustainable development is central to our endeavours. In turn, global and domestic investors are looking for credible, transparent frameworks that provide clarity on what counts as “green” and “transition” activities. Domestic financial institutions are seeking tools that reduce risk and unlock opportunities. Indian enterprises need practical pathways to transform their business models while protecting jobs, communities and the environment.

To assist Indian enterprises on their sustainable development journey, the Confederation of Indian Industry has constituted a high-level India Sustainability Taskforce. The Taskforce comprises senior representatives drawing from business, policy-making, and academic backgrounds. This publication presents the Taskforce’s principal recommendations and proposed action framework, drawing on the analysis developed for the detailed technical report.

This Report seeks to lay out an integrated framework for India’s enterprises to address the sustainability challenge. This framework knits together: an overall national strategy, coordinated policies across Ministries and States, a phased India Climate Finance Taxonomy, well-functioning resource (particularly carbon) markets to price negative externalities, a Green Finance Institution (GFI) to mobilise necessary capital, and consistent enterprise action supported by a strengthened and internationally aligned Business Responsibility and Sustainability Reporting (BRSR) architecture for disclosures and assurance. At the heart of this framework is a closed loop: define eligible activities, report verified performance, price emissions, invest through dedicated finance mechanisms, and track implementation outcomes. All this can be achieved using the time-bound Implementation Matrix set out in Section 7 to support on-the-ground implementation.

The Taskforce Report aims to be practical and institutionally grounded. It builds on consultations with regulators, industry, investors, and academia, and draws on global best practice while staying true to India’s priorities. Above all, it is intended as a catalyst for constructive dialogue and decisive action.

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We commend this Report to policymakers, regulators, financial institutions, corporates, and civil society, and invite all stakeholders to engage in shaping the path forward.

Shri Jayant Sinha

Chairman, India Sustainability Taskforce

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Co-Chairman, India Sustainability Taskforce

Acknowledgements

The India Sustainability Taskforce (ISTF) was constituted to develop a roadmap that cuts across sectors and across the economy. The broad objectives include making Indian industries investment ready, enhancing corporate sustainability performance and improving transparency, leveraging technology for a sustainable future, balancing competitiveness, promoting carbon markets and sustainability policy ecosystem. The Taskforce has been working on a pro-bono basis, solely based on their passion to devise sustainable development policies for India. We believe that it will be a valuable contribution to combat the multi-faceted challenge of building Viksit Bharat.

Accordingly, we would like to acknowledge and appreciate the Taskforce Members for their contributions across many meetings, both online and offline:

- Mr. Jayant Sinha, Task Force Chairman; President, Everstone Group and former Union MoS Finance & Civil Aviation
- Mr. Ajay Tyagi, Task Force Co-Chair; IAS and former Chairperson, Securities and Exchange Board of India (SEBI)
- Mr Emmanuel Faber, Chair, International Sustainability Standards Board
- Professor Amit Garg; IIM Ahmedabad
- Mr. Rajat Gupta; Senior Partner, McKinsey & Company
- Mr. Shailesh Haribhakti; Vice Chairman, GOvEVA
- Mr. Shaun Kingsbury; Partner, Co-Chief Investment Officer and Head of Industrial Climate Solutions, Just Climate
- Mr. Rajnish Kumar; Independent Board Director with many listed companies and Former Chairman, State Bank of India
- Dr. Arun Majumdar, Chester Naramore Dean, Stanford Doerr School of Sustainability
- Mr. Amish Mehta; Managing Director & CEO, Crisil Limited
- Mr. T V Narendran; CEO & Managing Director, Tata Steel
- Mr. Vipin Sondhi; Independent Director, Former MD & CEO, Ashok Leyland
- Mr. Nigel Topping, Founder Ambition Loop, UN Climate Change High Level Champion

The Taskforce has also benefited greatly from the perspectives of business leaders actively driving sustainability within their companies, including:

- Ms. Madhulika Sharma; Chief Sustainability Officer, ITC Limited
- Mr. Prabodha Acharya; Chief Sustainability Officer, JSW Group
- Mr. Thakur Pherwani; Chief Sustainability Officer, TVS Motor Company

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- Mr Arun Misra; Executive Director, Vedanta Limited and CEO, Hindustan Zinc Ltd.
- Mr. Ankit Todi; Chief Sustainability Officer, Mahindra Group

We would like to extend special thanks to Professor Amit Garg and his team at IIM Ahmedabad – Dr. Vidhee Avashia, Mr. Aditya Dwivedy and Mr. Sanjay Kumar Jain for their rigorous research support, to Ms. Radhika Kak, Independent Researcher, for her research support, and to Mr. Arjun Sinha for leading the drafting process for this Report.

We also appreciate the support provided by the Confederation of Indian Industry (CII) for their management and facilitation of this Report. Special recognition is due to the CII team, Ms. Seema Arora, Mr. Shikhar Jain, Ms. Swati Tewari and Ms. Neha Kaul, for their diligent and tireless efforts throughout this project.

List of Abbreviations

Abbreviation	Full Form
AIF	Alternative Investment Fund
ASEAN	Association of Southeast Asian Nations
ASIC	Australian Securities and Investments Commission
AUASB	Australian Auditing and Assurance Standards Board
BRSR	Business Responsibility and Sustainability Reporting
CBAM	Carbon Border Adjustment Mechanism
CBI	Climate Bonds Initiative
CCC	Carbon Credit Certificate
CCTS	Carbon Credit Trading Scheme
CEA	Central Electricity Authority
CEEW	Council on Energy, Environment and Water
CERC	Central Electricity Regulatory Commission
CRIF	Central Road and Infrastructure Fund
CSRD	Corporate Sustainability Reporting Directive
DEA	Department of Economic Affairs
DFI	Development Finance Institution
DNSH	Do No Significant Harm
EEX	European Energy Exchange
EPR	Extended Producer Responsibility

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Abbreviation	Full Form
ESCert	Energy Saving Certificate
ESEF	European Single Electronic Format
ESRS	European Sustainability Reporting Standards
EU ETS	European Union Emissions Trading System
FBIL	Financial Benchmarks India Pvt. Ltd.
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FSA	Financial Services Agency
GCIL	Grid Controller of India Limited
GEI	Greenhouse Gas Emission Intensity
GFI	Green Finance Institution
GGRF	Greenhouse Gas Reduction Fund
GHG	Greenhouse Gas
GIB	Green Investment Bank
GIFT	Gujarat International Finance Tec-City
ICM	Indian Carbon Market
ICVCM	Integrity Council for the Voluntary Carbon Market
IFRS	International Financial Reporting Standards
IFSC	International Financial Services Centre
IFSCA	International Financial Services Centres Authority
IPSF	International Platform on Sustainable Finance
IREDA	Indian Renewable Energy Development Agency

Abbreviation	Full Form
ISSB	International Sustainability Standards Board
ITMO	Internationally Transferred Mitigation Outcome
iXBRL	Inline eXtensible Business Reporting Language
KMP	Key Managerial Personnel
KPI	Key Performance Indicator
MCA	Ministry of Corporate Affairs
MDB	Multilateral Development Bank
MNRE	Ministry of New and Renewable Energy
MOEFCC	Ministry of Environment, Forest and Climate Change
MOU	Memorandum of Understanding
MRV	Measurement, Reporting, and Verification
MSME	Micro, Small and Medium Enterprise
NBFC	Non-Banking Financial Company
NCEF	National Clean Energy Fund
NDC	Nationally Determined Contribution
NIIF	National Investment and Infrastructure Fund
NSCICM	National Steering Committee for Indian Carbon Market
PAT	Perform, Achieve and Trade
PCAF	Partnership for Carbon Accounting Financials
PSL	Priority Sector Lending
RB-CRIS	Reserve Bank Climate Risk Information System
RBI	Reserve Bank of India

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Abbreviation	Full Form
REC	Renewable Energy Certificate
RGGI	Regional Greenhouse Gas Initiative
SBTi	Science Based Targets initiative
SEBI	Securities and Exchange Board of India
SSBJ	Sustainability Standards Board of Japan
TCFD	Task Force on Climate-related Financial Disclosures
TSC	Technical Screening Criteria
UDAN	Ude Desh ka Aam Nagrik
VGF	Viability Gap Funding
XBRL	eXtensible Business Reporting Language

1. The Case for Action

1.1 Why this report and why now

India needs to rapidly scale sustainability-aligned investments to meet the country's climate and development goals. Trillions of dollars in green investment are required for India's net-zero transition by 2070, far beyond current capital flows (Sinha 2023). This report aims to lay out an integrated sustainability framework for India that will help to close the gap by creating the right policies and regulations to channel sufficient finance into sustainable infrastructure, clean energy, and resilient industries at the pace and scale needed.

The problem: Key bottlenecks currently impede sustainable development in India. There are fragmented definitions of what counts as “sustainable” or “transition” activities, creating confusion for investors. The quality of reported data requires further strengthening as current disclosures are evolving and dynamic. For instance, only approximately 17.7% of large Indian companies explicitly report net-zero targets, indicating nascent transition planning (Garg et al. 2025). Available capital tends to be short-term and expensive; developers struggle to secure long-tenor, low-cost financing, resulting in higher project costs or delays. Overall, the high cost of capital and inadequate risk mitigation have kept green investment flows at roughly a quarter of what is needed (Climate Policy Initiative 2022). These challenges reinforce one another: unclear standards lead to poor data, which raises perceived risks and financing costs, creating a vicious cycle.

The solution: This report proposes an integrated sustainability framework to systematically tackle these barriers: **Taxonomy → Reporting and Assurance → Carbon Pricing → Financing → Enterprise Implementation**. In sequence, the elements establish a common language for sustainable activities, improve transparency and data integrity, create a credible price and compliance signal for emissions, mobilise dedicated financing mechanisms, and drive on-ground execution. Verified implementation outcomes should then inform the next cycle of taxonomy, reporting, market and financing design. By addressing definitional, informational, pricing, and financial gaps together, this report provides a cohesive strategy to mobilise significantly more capital into India's sustainable development, with confidence and speed.

2. Integrated Sustainability Framework for India

The integrated sustainability framework consists of six building blocks.

Delivering this framework will require a whole-of-government approach to coordinate policy across Union ministries and States, embedded within a broader whole-of-society effort involving regulators, enterprises, financial institutions, communities and citizens.

Figure 1: Integrated Sustainability Framework Architecture

A simplified schematic illustrates the flow:



In the above flow, each node feeds into the next. For example, the taxonomy’s criteria are used to tag company disclosures. Those tagged disclosures inform corporate transition plans and identify investable projects. Carbon markets use verified emissions performance to create a price signal and compliance discipline. Financing mechanisms then utilise this pipeline information and the carbon-price signal to allocate capital. Finally, enterprise action leads to project implementation and verified outcomes on the ground. Those outcomes should feed back into taxonomy review, disclosure design, carbon-market calibration and GFI pipeline selection.

2.1 Principles that guide every design choice

The following core principles inform all recommendations in this report.

- **Alignment with national goals:** All frameworks and tools must support India’s declared climate and development targets (NDCs, Net Zero 2070, “Viksit Bharat 2047”).

- **No significant harm:** Ensure that actions to promote sustainability in one area do not cause unacceptable harm in others.
- **Pathway-based pragmatism:** Embrace transition steps and interim improvements on the road to full sustainability, recognising national circumstances.
- **Global interoperability:** Align with international standards and taxonomies, while tailoring to India's context, to facilitate cross-border investment and comparability.
- **Inclusivity and just transition:** The framework must include MSMEs and be supportive of communities to ensure a just transition.
- **Transparency and credibility:** Maximise transparency, data integrity, and accountability to build trust in sustainable finance.
- **Outcome-oriented innovation:** Prioritise actions that directly facilitate capital investment and measurable emission reductions or resilience outcomes, leveraging innovation.

2.2 India's starting position

India has made initial strides in sustainable development, but key components remain fragmented. On the reporting front, SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework is already in force, mandating ESG disclosures from the top 1,000 listed companies since FY2022–23. This has laid a foundation of transparency: over a thousand companies are now reporting on standardised sustainability indicators (Garg et al. 2025). Furthermore, SEBI introduced BRSR Core in 2023–24, a focused set of key sustainability metrics subject to phased third-party assessment or assurance for covered entities, marking an important step toward credible data (SEBI 2023). India should build on and strengthen the existing BRSR architecture by streamlining disclosures, progressively aligning them with ISSB and other emerging global norms, improving digital reporting and establishing a phased assessment-or-assurance roadmap. In short, while India has established a strong foundation for sustainability reporting, there remains scope to further strengthen and align it with global best practices.

India released a draft of the Climate Finance Taxonomy in 2025 (Ministry of Finance 2025), which is an encouraging move toward a unified classification of green activities. The draft taxonomy aligns broadly with international norms and includes provisions for transition activities and MSME considerations (Ministry of Finance 2025 press release). Yet it remains at the draft stage: technical screening criteria for each sector are to be detailed via annexes, and the taxonomy is not yet formally adopted or applied by regulators and investors. For now, different institutions use varying definitions of "green". This fragmentation underscores the urgency of finalising a national taxonomy to anchor green finance decisions. Finally, building ecosystem capacity for emissions measurement and reporting, especially for MSMEs embedded in large domestic and export-oriented value chains, is essential. Regulators and leading corporates should jointly support standardised tools, training programmes, and digital platforms that help smaller entities generate usable emissions data, thereby strengthening BRSR Core value-chain disclosures and improving access to sustainable finance.

India's corporate transition plans and climate strategies at the company level are in the very early stages. As noted, only around 18% of large companies have declared long-term net-zero targets (Garg et al. 2025), and even fewer have published detailed transition roadmaps. There is no mandatory requirement yet for firms to produce climate transition plans, although global investors are increasingly expecting such plans. The concept of transition plans is emerging: some leading corporates have started linking decarbonisation goals with capital expenditure plans, but a standardised approach (akin to TCFD or ISSB requirements for transition planning) is not in place domestically.

In terms of financing instruments, several pieces exist but are not connected into a cohesive system. India has a growing green bond market (both domestically and international issuances) and the Government issued its first sovereign green bonds in 2023, signalling policy commitment. Priority-sector lending includes renewables, and specialised credit lines (e.g., from the World Bank or bilateral agencies) support some green projects. The RBI has advanced its climate-risk and sustainable-finance work through, among other measures, its 2024 Draft Disclosure Framework on Climate-related Financial Risks and the development of the Reserve Bank–Climate Risk Information System (RB-CRIS), and institutions like IREDA (Indian Renewable Energy Development Agency) provide sectoral financing. Despite these, there is no dedicated green investment bank or unified green finance institution to orchestrate financing at scale. Blended finance is used sporadically, not systematically.

Where does this leave India? We have the basic ingredients: a disclosure regime, an initial taxonomy draft, some green financial instruments, and clear climate commitments, but they are not yet baked into a comprehensive, functional system. The chapters that follow set out how this can be achieved in a practical and internationally credible way.

2.3 How the World Defines Sustainability & Enforces Compliance

This section examines how five jurisdictions (the European Union, United Kingdom, Japan, Australia, and South Korea) define “sustainability” in finance and enforce compliance. (Table 1)

2.4 “What to Adopt, and What to Avoid”: Lessons for India's Framework

Drawing from the above comparative analysis, here is a summary of what India could emulate in designing its sustainable finance framework:

What India Could Emulate:

- **Comprehensive Taxonomy with Technical Criteria:** Adopt the EU's rigor in defining what's green. Use science-based thresholds (e.g., emission intensity, energy efficiency levels) for different sectors to qualify an activity as sustainable. This brings credibility and clarity. Publish these in a single taxonomy document accessible to all (like the EU's Taxonomy Compass).

Table 1: Sustainable Finance Frameworks – Jurisdiction Comparison

Jurisdiction	Taxonomy Status	Transition Category	Mandatory Reporting - Scope and Timing	Assurance Path	Digital Tagging
European Union	In force. The EU Taxonomy Regulation and its delegated acts define environmentally sustainable activities and related disclosure rules.	Yes. Transitional activities are recognised under strict technical screening criteria, Do No Significant Harm requirements and other safeguards.	CSRD remains mandatory for undertakings within scope. First-wave companies reported for FY2024. Requirements for later waves were postponed by two years, and the scope was narrowed by Directive (EU) 2026/470.	Limited assurance is required. EU law no longer mandates a future move to reasonable assurance. Harmonised limited-assurance standards are due by 1 July 2027.	ESRS and Article 8 XBRL taxonomies have been developed. Sustainability tagging will become mandatory only after the European Commission adopts the relevant taxonomy through the ESEF regulatory technical standards.
United Kingdom	Not proceeding. In July 2025, HM Treasury concluded that a UK Taxonomy would not be the most effective tool and should not form part of the UK sustainable-finance framework.	No national-taxonomy category. Transition finance is being pursued through other policy, disclosure and market instruments.	TCFD-aligned climate disclosure remains mandatory for specified large companies. UK SRS S1 and S2 were issued in February 2026 and are available for voluntary use; mandatory application remains subject to FCA and Government implementation.	No blanket mandatory sustainability-assurance requirement. A voluntary FRC oversight and registration regime for sustainability-assurance providers is being implemented, with legislation intended when Parliamentary time allows.	No sustainability-specific mandatory tagging under UK SRS as of July 2026. Existing iXBRL requirements relate principally to financial accounts and tax filings.
Japan	No single national green taxonomy. Government Basic Guidelines on Climate Transition Finance and sector-specific technology roadmaps are in use.	Yes. Transition finance is supported through Government guidelines and sector roadmaps, with emphasis on credible pathways, transparency and avoiding carbon lock-in.	Mandatory SSBJ application for Prime Market companies is phased by market capitalisation: ¥3 trillion or more for fiscal years ending March 2027; ¥1-3 trillion for March 2028; ¥500 billion-1 trillion for March 2029. Timing for other Prime Market companies will be determined later.	Mandatory assurance begins one year after each disclosure cohort. For the first two years, assurance covers specified information only; subsequent expansion will be reviewed in light of international practice.	EDINET already uses XBRL. The FSA is developing the 2027 EDINET taxonomy to incorporate the ISSB sustainability disclosure taxonomy for the new sustainability-disclosure regime.

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Jurisdiction	Taxonomy Status	Transition Category	Mandatory Reporting - Scope and Timing	Assurance Path	Digital Tagging
Australia	Voluntary. Version 1 of the Australian Sustainable Finance Taxonomy was launched in June 2025, with governance arrangements and market-implementation pilots underway.	Yes. The taxonomy includes green and transition activities, subject to activity-specific eligibility criteria.	Mandatory climate reporting under the Corporations Act is phased across three cohorts: Group 1 from financial years beginning on or after 1 January 2025; Group 2 from 1 July 2026; Group 3 from 1 July 2027.	Sustainability reports must be reviewed or audited as prescribed under the Corporations Act and AUASB requirements. Assurance is phased before 1 July 2030; full audit is required from 1 July 2030.	No mandatory sustainability-specific digital tagging. ASIC permits voluntary XBRL or iXBRL lodgement for financial reports.
South Korea	Government K-Taxonomy guidelines are in use and were updated in December 2024. They are applied through green-bond and green-credit guidance rather than as a generally binding economy-wide statutory taxonomy.	Yes. Transition activities are included subject to the applicable K-Taxonomy criteria and guidance.	Mandatory sustainability disclosure begins in 2028 for KOSPI-listed companies with consolidated assets of at least KRW10 trillion and expands in 2029 to companies with at least KRW5 trillion. After review, further expansion to companies with at least KRW2 trillion may begin from 2030.	Mandatory third-party verification begins in 2030. The verification scope and provider requirements are to be specified through implementing rules.	Sustainability disclosures will be filed as part of statutory corporate business reports from 2028. The July 2026 roadmap does not yet specify a sustainability-specific XBRL mandate.

Sources: European Commission and EUR-Lex; EFRAG; HM Treasury and Department for Business and Trade; Japan Financial Services Agency and Ministry of Economy, Trade and Industry; Australian Securities and Investments Commission and Australian Sustainable Finance Institute; Republic of Korea Financial Services Commission and Ministry of Climate, Energy and Environment. Updated July 2026.

Note: The Digital Tagging column distinguishes sustainability-specific tagging requirements from existing financial-report XBRL or iXBRL systems. Jurisdictions differ in legal scope, implementation dates and the relationship between taxonomy, disclosure and assurance.

- **Include a Transition Category:** Like Australia and Korea, drawing also on the EU's treatment of transitional activities and Japan's transition-finance guidelines, create a space for investments that cut emissions in heavy sectors. Ensure they have clear conditions and end-dates. This helps drive decarbonisation of coal, oil, gas, steel, etc., rather than ignoring them. For example, financing gas-based power or industrial retrofits can be labelled "transition" if aligned with a net-zero by 2070 pathway (India's stated target) with specified milestones. This encourages transition finance while preventing greenwashing (since it's not labelled outright green, but transition).
- **Mandatory Climate and ESG Disclosures (Phased):** Legislate mandatory climate risk disclosure for large companies in line with TCFD/ISSB, much as the UK/Australia have done. Phase it in by company size/listing status. Leveraging the existing powers of SEBI and MCA, annual sustainability reporting could be encouraged, with the BRSR serving as the reporting vehicle. This could be further enhanced to align with ISSB standards, ensuring financial relevance. Build on BRSR's existing coverage of the top 1,000 listed entities. The enhanced BRSR 2.0 framework could begin with the top 500 listed entities within two years and then be progressively extended to the remaining entities within the top 2,000, as well as selected large or high-emitting unlisted entities, over a five-year period.
- **Digital Reporting Infrastructure:** Invest in systems to collect and disseminate ESG data digitally, following the EU model. Mandate XBRL tagging of key ESG metrics in annual reports. This will make Indian companies' data easily usable globally and improve analysis. Perhaps incorporate into the MCA21 portal or create a new "Green Business Registry" for filings.
- **Assurance Roadmap:** Declare upfront that assurance will be required in the future and create a roadmap. SEBI should publish a prospective, phased assessment-or-assurance roadmap for material sustainability disclosures, with the scope and level of verification increasing as company data systems and provider capacity mature. This is akin to the EU's phased approach and will greatly enhance trust in reported data over time.
- **Transition Plans & Net-Zero Commitments:** Require (or strongly encourage) companies to prepare climate transition plans similar to the UK's TPT approach. These should include interim targets (2025, 2030) for emissions or renewable energy, capital expenditure plans for decarbonisation, etc. Possibly integrate this into the regulatory framework as a "comply or explain" requirement for all listed companies by a certain date.
- **Anti-Greenwashing Oversight:** Like the Financial Conduct Authority (FCA) in the UK and the Australian Securities and Investments Commission (ASIC), empower the regulators to crack down on exaggerated claims. SEBI can issue guidelines that state that any fund labelled ESG/Green must adhere to certain criteria (perhaps similar to SEBI's circular on mutual fund ESG schemes). The Advertising Standards Council of India could develop rules for environmental claims in ads, referencing the Ministry of Consumer Affairs if needed. Essentially, set an expectation that misuse of "green" labels will face scrutiny and sanctions.

The plan should also highlight:

- i. liability on the entities and potential liabilities on the directors or key managerial personnel for providing false, inaccurate or unsubstantiated 'green' claims;
 - ii. creation of safe harbour provisions for supporting claims or disclosures made in good faith in the sustainability reports to be provided;
 - iii. specifying clear sanctions including penalties and other legal consequences.
- **Interagency Coordination:** Form a Sustainable Finance Taskforce (if not existing) that includes the Ministry of Finance, RBI, SEBI, Ministry of Power, Ministry of Environment, etc., to ensure the taxonomy and disclosure requirements are holistic. This mirrors how multiple UK departments wrote the Green Finance Strategy and how multiple Korean ministries shaped their taxonomy. Such coordination also helps align finance policy with energy and industrial policies (so that, for example, India's taxonomy supports sectors in the National Hydrogen Mission, etc.).
 - **International Alignment:** India can consider emulating global peers like Japan by aligning its sustainability reporting framework with international standards. Progressive convergence toward the ISSB standards, with minimal deviations and clear published comparisons, may provide greater confidence to foreign investors and enable Indian companies to more seamlessly access international markets by meeting global disclosure expectations.

3. Climate Finance Taxonomy

3.1 Purpose of the Taxonomy

A green or climate finance taxonomy is a structured classification of economic activities that are consistent with a country's climate goals and transition pathway. For India, the taxonomy is intended to serve three connected, vital purposes:

1. **Direct Attention:** By identifying activities that are climate-supportive, transition-supportive, or focused on adaptation and resilience, the taxonomy signals to companies, financiers, and policymakers where economic activity needs to expand and where it needs to change.
2. **Support Policymaking:** The taxonomy allows for the linkage of each of these activity classifications to policy instruments that can support these goals, such as priority sector lending, concessional capital, fiscal incentives, blended finance, or targeted regulatory support.
3. **Support Finance:** The taxonomy gives banks, capital markets, insurers, and global investors a common reference for what qualifies as climate-aligned, helping them to allocate, price, and disclose capital flows with greater confidence.

A well-defined and structured taxonomy can support better-informed, more efficient decision-making, and mitigate greenwashing by eliminating subjective interpretations of what qualifies as “green”. Without a clear classification, disclosure remains fragmented, policy support is at risk of being diffuse, and finance flows continue to face high search and verification costs.

3.2 India's Current Starting Point

India's taxonomy work is already in motion. The Department of Economic Affairs (DEA), Ministry of Finance, has issued the Draft Framework of India's Climate Finance Taxonomy, which identifies the taxonomy as a tool to facilitate greater resource flows to climate-friendly technologies and activities, support India's climate commitments, and advance the country's Net Zero 2070 pathway while maintaining reliable and affordable energy access.

The draft covers climate mitigation, climate adaptation, and transition support for hard-to-abate sectors. It follows a phased approach: the framework, objectives, and principles are developed first, while sectoral annexures will later classify specific activities, projects, and measures. The sectors that will be initially covered are power, mobility, buildings, agriculture, food and water security, and hard-to-abate sectors, with iron and steel and cement considered at the outset.

3.3 Global Benchmarking and Interoperability

India's taxonomy should be designed with global interoperability in mind while retaining India-specific pathways. This means that the taxonomy should be legible to international investors and aligned, where possible, with widely used approaches to classification, disclosure, and verification, without importing criteria that are not feasible in India's development, energy-security, and MSME context.

For India, this points toward a pragmatic interoperability model. India may consider retaining country-specific pathways, particularly in relation to development needs, energy security, MSME realities, and hard-to-abate sectors, while progressively building comparability with widely used frameworks through transparent annexures, explanatory guidance, and, over time, mapping or equivalence notes where useful. This approach remains consistent with the DEA draft framework, which combines interoperability with contextual pathways, DNSH (Do No Significant Harm), proportionality, phased development, and periodic review.

Once the sectoral annexures are issued, the DEA should publish a mapping of Indian categories against relevant international taxonomies, identifying equivalence, partial alignment, and material differences rather than asserting blanket interoperability. This mapping reduces due-diligence friction, supports labelled-finance credibility, improves cross-border comparability, and increases investor confidence.

3.4 Key Design Principles for India's Taxonomy

Building on the DEA draft framework, the guiding design principles are:

1. **Contextual Pathways for India:** Activities should be assessed against transition pathways and trajectories that reflect Indian conditions, including the country's stage of development, energy security needs, and the pace at which technologies are available and affordable. Immediate compliance with the most stringent global standards may not be feasible in every sector in the short run.
2. **Do No Significant Harm (DNSH):** An activity recognised under one objective of the taxonomy should not cause significant harm to other climate, environmental, or social objectives of the framework. This principle ensures that gains in one area (e.g., mitigation) are not offset by losses elsewhere (e.g., in adaptation, water, biodiversity, or community welfare).
3. **Just Transition Safeguards:** The taxonomy must protect workers, communities, and regions reliant on high-emission sectors from disproportionate economic burdens. Consequently, transition criteria for high-impact industries, specifically coal, steel, and cement, must mandate provisions for local employment retention, workforce reskilling, and livelihood preservation.
4. **MSME Proportionality:** Smaller enterprises should not face the same compliance, reporting, or documentation burden as large listed entities. The taxonomy should include simplified and proportionate criteria for MSMEs, supported by capacity-building.

5. **Interoperability with Global Taxonomies:** While reflecting India's own circumstances, the taxonomy should remain legible to international investors and consistent, where possible, with widely used global frameworks, reducing due-diligence costs for capital flowing into India.
6. **Support for Transition Activities:** The taxonomy should recognize transition activities that move hard-to-abate sectors towards lower emissions over time, subject to clear conditions and credible pathways.
7. **Pragmatism on Eligibility Criteria:** Eligibility criteria should be set at the project level, not at the company level. Standards should be technology-neutral; rather than naming specific technologies, they must meet certain environmental performance criteria, allowing flexibility and innovation.

3.5 Taxonomy Categories: Green, Transition, Adaptation, and Enabling Activities

India's taxonomy covers four broad categories of activities, plus a layer of financial-sector enablers:

1. **Green or Mitigation Activities:** Activities, projects, and measures whose primary contribution is to avoid greenhouse-gas emissions or reduce emission intensity, including non-fossil electricity generation, energy efficiency improvements, low-emission mobility, and similar technologies.
2. **Transition Activities:** Activities, projects, and measures that improve energy efficiency or reduce emission intensity in sectors where absolute emission avoidance is not yet technologically or economically feasible, with eligibility tied to credible improvement pathways for the relevant sector.
3. **Adaptation and Resilience Activities:** Activities and measures that enhance the resilience of people, assets, ecosystems, and value chains to climate impacts (e.g., early warning systems, climate-resilient agriculture, drip irrigation, sustainable water and flood management). Given India's geography and agro-climatic diversity, adaptation is treated as a category in its own right and is not a subset of mitigation.
4. **Enabling Services:** Professional, technical, and data services that support the identification, evaluation, and verification of taxonomy-eligible activities (e.g., evaluation, auditing, certification, green-project verification, emissions accounting, and climate-data systems). Research and development (R&D) activities that directly support taxonomy objectives are also considered within this category.
5. **Financial-Sector Enablers:** Financial-sector activities directed towards climate-aligned lending, investment, and risk transfer (such as insurance and risk-transfer instruments) that support the operation of the taxonomy as a whole.

3.6 Hard-to-Abate Sectors and Transition Activities

Sectors like iron and steel, cement, aluminium, and certain sections of the chemicals industry are essential for building the physical infrastructure required to achieve Viksit Bharat, but are also the most difficult to decarbonise. In the taxonomy, these sectors should be addressed primarily through transition categories rather than as automatically green activities. Transition eligibility should be linked to credible emission-reduction trajectories, defined improvement pathways, and sectoral criteria developed through official guidance and sectoral annexures to avoid locking in carbon-intensive practices or asset stranding.

Coal-linked activities require particular caution. The taxonomy should not classify unabated coal expansion as green. However, narrowly defined transition or remediation activities (such as retirement and repurposing of old plants, coal gasification with reduced emission intensities, biomass/biochar blending in thermal plants, and coal bed methane capture) may qualify within the transition category. To ensure alignment, projects must be evaluated at the project level and be subject to defined emission-intensity benchmarks, DNSH safeguards, anti-lock-in tests, and sunset conditions evaluated by Sectoral Technical Committees.

3.7 Activity and Project-Level Eligibility

India's Climate Finance Taxonomy should apply primarily at the level of activities, projects, assets, measures, or capital expenditure, rather than at the level of companies as a whole. This is consistent with the DEA draft framework, which is structured around eligible activities, projects, and measures.

This activity-level approach allows finance and policy support to flow to specific climate-supportive or transition-supportive undertakings, including within diversified companies and hard-to-abate sectors, without treating the entire enterprise as taxonomy-aligned. It also reduces the risk that a limited share of eligible activity is used to claim favourable treatment for a company's broader operations. Company-level information remains relevant for disclosure, portfolio assessment, and reporting of taxonomy-aligned metrics, but this should be understood as a disclosure and alignment interface, not as the default basis for determining taxonomy eligibility.

3.8 MSME Proportionality and Usability

MSMEs play a central role in India's economy and in the value chains of larger listed enterprises. The taxonomy should not treat MSMEs in the same way as large listed entities. It should incorporate proportionality as a design principle, including simplified criteria, lighter documentation requirements, and capacity-building support.

To be usable for MSMEs in practice, clear self-assessment tools must be deployed to help smaller enterprises identify whether their activities fall within the taxonomy schedule. Detailed checklists, documentation pathways, and phased compliance arrangements are best developed in consultation with MSME stakeholders, banks, NBFCs, and large value-chain anchors.

3.9 Dynamic Schedule and Update Mechanism

The taxonomy framework should be implemented through a periodically reviewed technical schedule. The schedule lists activities, projects, and measures by sector and category, and is expected to evolve over time as technologies, transition pathways, and policy priorities change. International experience, including iterative updates by the European Union and ASEAN, supports this living-document approach.

Updates to the schedule should occur through a neutral technical mechanism that brings together relevant technical expertise, stakeholder consultation, and appropriate regulator interface. Consistent with DEA's framework, detailed activities, projects, measures, and technical screening criteria should be developed through sectoral annexures and Sectoral Technical Committees or equivalent expert processes. This mechanism should be transparent in its rules of inclusion and exclusion and should publish revised schedules on a regular cycle to maintain its integrity as a credible, rules-based, and transparent document.

4. Carbon Markets and the Financing Loop

4.1 Carbon Markets as the Pricing and Accountability Layer

Within India's integrated sustainability framework, carbon markets serve as the critical pricing and accountability layer. While the Climate Finance Taxonomy provides the classification and eligibility definitions and the proposed BRSR 2.0 reporting architecture would generate verified, decision-useful disclosures, carbon markets introduce the necessary economic consequences and compliance discipline to drive corporate action. Their primary function is to alter economic incentives, reward companies that outperform designated environmental benchmarks, and impose a direct, tangible cost on entities that fall short.

It is essential to present carbon markets primarily as pricing and accountability mechanisms, not as standalone financing solutions. Carbon markets change the relative economics of low-carbon versus high-carbon production, whereas financing institutions like the Green Finance Institution (GFI) solve a complementary but distinct market failure: reducing financing barriers, sharing technology risks, and lowering capital costs for projects that remain capital-intensive or commercially immature.

Furthermore, establishing a self-reinforcing, "closed-loop" financing system where carbon pricing funds climate investments is not an automatic outcome of market trading. Standard certificate trading moves value privately between market participants and does not generate public or state revenue. To close the loop and channel carbon-market value into public climate investment, the State must take a separate, legally defined step to capture public revenue and route it through a dedicated financing intermediary.

4.2 Retaining the Intensity-Based Baseline-and-Credit Architecture

During India's current rapid industrialisation and urbanisation phase, a baseline-and-credit architecture is far better aligned with the country's macroeconomic development context than an immediate absolute emissions cap. India has massive developmental capital requirements, including building out the physical infrastructure necessary to achieve Viksit Bharat. An emissions-intensity-based design allows industrial production to grow to meet national development objectives while placing an economic penalty on weaker emissions performance and rewarding superior carbon efficiency.

Under this system, covered entities are assigned a greenhouse-gas-emission-intensity (GEI) baseline rather than a hard limit on total emissions. This allows the country to balance industrial competitiveness with decarbonisation goals, driving efficiency improvements without strangling economic growth.

Over the medium to long term, India should plan a transition toward greater absolute emissions discipline through a published review pathway. This transition must proceed on a transparent, pre-determined schedule linked directly to sectoral emissions plateaus, technological readiness, and the commercial viability of deep-decarbonisation alternatives. Establishing such a pathway gives enterprises the long-term visibility required to plan large-scale capital investments without facing premature, growth-limiting absolute constraints.

4.3 Market Prerequisites: Targets, MRV, and Price Discovery

For a national carbon market to function effectively and establish a credible, investable price signal, several regulatory and institutional prerequisites must be met:

1. **Credible and Stringent Target-Setting:** Sectoral benchmarks and emissions-intensity targets must be transparent, technically grounded, and progressively more stringent. If targets are set too loosely, an oversupply of certificates will flood the market, suppressing the carbon price and weakening the incentive for industrial decarbonisation.
2. **Robust Measurement, Reporting, and Verification (MRV):** A high-integrity market relies on a high degree of confidence in data quality. Facility-level MRV must be verified by independent, accredited verifiers to ensure that each issued Carbon Credit Certificate (CCC) represents a genuine, additional, and permanent emission reduction. Integrating CCTS MRV with the proposed BRSR 2.0 digital data architecture would minimise compliance duplication and strengthen transaction confidence.
3. **Liquidity and Broad Market Participation:** A functioning market requires sufficient volume and active trading to enable genuine price discovery. This involves establishing reliable registries, clearing and settlement infrastructure, and approved exchange platforms. The inclusion of sectors must be phased carefully; for example, the power sector, which would massively expand emissions coverage and liquidity, should be treated as a separate regulatory module because of its complex tariff, distributional, and state-finance implications.
4. **Offset Integrity Guardrails:** The expansion of the carbon market to include offsets (credits from non-obligated sectors like forestry or agriculture) must follow an integrity-first sequence. The supply of low-cost offsets must not be allowed to weaken the scarcity of compliance certificates or depress the market price. Offset methodologies must align with international benchmarks like the ICVCM Core Carbon Principles to ensure additionality, permanence, and leakage control.

4.4 The Reference Price Range and CBAM Relevance

To provide long-term investment certainty for high-emitting and trade-exposed sectors, India can examine a pre-published price-collar methodology. This approach guides market discovery within a defined range while preventing the extreme price volatility that has historically plagued certificate markets.

The Taskforce Report examines an analytical, illustrative reference range:

1. Lower Reference Boundary (US\$22 per tCO₂e): This level is informed by the World Bank's global weighted-average carbon price.
2. Upper Reference Boundary (US\$60 per tCO₂e): This level is informed by the rounded, equal-weighted basket of three mature compliance markets (the EU ETS, UK ETS, and the California–Quebec linked market).
3. Illustrative Discovered-Price Case (US\$35 per tCO₂e): This represents one illustrative price that could be discovered within the reference range.
4. Lower-Price Sensitivities (US\$5 and US\$10 per tCO₂e): These cases are retained solely to illustrate the impact of choosing a lower policy floor or the outcome if weak early-market conditions prevail. They also align with historical domestic energy-efficiency certificates (ESCerts), which have had low compliance value (~US\$2.50 per tCO₂e equivalent).

Critical Policy Caveat: These reference values used in this analysis are illustrative policy scenario inputs only. They are not recommended Indian carbon prices, observed domestic market prices for related/similar instruments, forecasts, or official Government commitments. Any actual price collar would need to be formally settled, denominated in Indian rupees, and tested rigorously against domestic marginal-abatement costs, industrial competitiveness, and macroeconomic affordability.

CBAM and Export Competitiveness: The carbon price signal is increasingly critical for India's trade-exposed industries (steel, cement, aluminium, fertilisers, refining, and petrochemicals). Under the European Union's Carbon Border Adjustment Mechanism (CBAM), which entered its definitive phase on 1 January 2026, exporters of carbon-intensive goods must account for embedded emissions. The deduction of a domestic carbon price under CBAM rules is not automatic; it requires that a carbon cost was effectively paid, adequately evidenced, and net of any free allocation or rebates. A well-designed domestic registry, robust MRV, and a transparent carbon-pricing layer are essential to generate an auditable, entity-level record of carbon costs paid, ensuring Indian exporters can claim valid deductions and protect their international competitiveness.

4.5 The Money Flow: Private Certificate Value vs. Public Revenue

A critical structural distinction exists between the private value of certificate trading and public fiscal revenue:

1. **Private Certificate-Trading Value:** When an obligated entity that underperforms its target buys a Carbon Credit Certificate (CCC) from an overperforming entity, the financial payment moves entirely between private market participants. This transfer is economically vital because it establishes a price signal and penalizes underperformance, but it does not flow to the public treasury and is not budgetary revenue.
2. **Public Carbon Proceeds:** Public revenue arises only where the State captures value through a legally defined fiscal mechanism. This includes environmental compensation levied on unresolved non-compliance, proceeds from a phased auctioning of certificates, a dedicated carbon levy or cess, or direct budgetary appropriations. Only these legally captured public proceeds can be allocated, earmarked, or transferred to public funds or vehicles like the GFI.

The Current-Law Position: Under the base-case, current-law architecture of India's Carbon Credit Trading Scheme (CCTS), there is no Government-owned certificate pool or auction mechanism. Therefore, under current law, the automatic GFI revenue stream derived from CCTS is exactly zero.

The Policy Proposition: Establishing a recurring financing loop between carbon pricing and capital deployment requires the Government to introduce a separate, legally enabled public-revenue capture and appropriation mechanism. Private trading value cannot capitalise the GFI. Where Government establishes a specifically designated GFI-linked public-revenue mechanism, 100% of the net legally appropriable proceeds generated through that mechanism should be allocated to the GFI through the applicable legal and appropriation route. Experience from India's Central Road and Infrastructure Fund (CRIF) and the National Clean Energy Fund (NCEF) highlights that nominal earmarking is insufficient; a legally protected, operationally credible, and actually appropriated transfer mechanism is required to ensure that public revenues are fully and transparently deployed for climate action.

4.6 Suggestive Scenario Outcomes: Potential GFI Flows

To assist policymakers, the Taskforce modelled suggestive scenarios using a transparent calculation chain (the ISTF Carbon-Market Companion Model).

To isolate the effect of carbon prices and maintain strict comparability across scenarios, all non-price variables are held constant. The model assumes a 10% public-capture share (applying a hypothetical public-pricing mechanism to 48.051 MtCO₂e, which is 10% of the reconstructed CCTS baseline of 480.51 MtCO₂e), a 90% revenue-realisation rate, a 100% GFI allocation share (for a specifically designated GFI-linked mechanism), and a 95% transfer factor to account for timing differences in public accounting.

The 10% public-capture share is a modelling sensitivity and is not an observed or recommended Indian percentage.

These common assumptions produce the following suggestive, illustrative annual GFI flow scenarios:

1. Current-Law Base Case: ₹0 (No public-revenue capture channel exists under CCTS today).
2. US\$5 Lower-Price Sensitivity: Approximately ₹1,951 crore (early-market sensitivity or very weak floor).
3. US\$10 Lower-Price Sensitivity: Approximately ₹3,902 crore (sub-collar sensitivity).
4. US\$22 Lower-Reference Case: Approximately ₹8,584 crore (illustrative outcome at the globally informed lower reference boundary).
5. US\$35 Illustrative Discovered-Price Case: Approximately ₹13,656 crore (market discovers a price within the range).
6. US\$60 Upper-Reference Case: Approximately ₹23,410 crore (outer mature-market reference sensitivity; not a forecast).

These figures are scenario outcomes to demonstrate the arithmetic relationships under alternative pricing and capture designs; they are not current revenue, forecasts, or Government spending commitments.

4.7 Headline Taskforce Recommendations

The Taskforce recommends that the Government of India and relevant regulators implement the following ten strategic actions to build a high-integrity carbon market and link it to transition finance:

1. **Retain Emissions-Intensity Design:** Maintain the baseline-and-credit architecture through India's current rapid industrialisation phase, establishing a published, criteria-based review pathway toward absolute caps only as sectors plateau and low-carbon technologies mature.
2. **Publish a Post-2026–27 Target Trajectory:** Sectoral emissions-intensity targets must be progressively tightened and published well in advance so that market participants can form credible, long-term compliance and investment expectations.
3. **Establish a Price-Collar Methodology:** Notify and enforce a transparent price collar in Indian rupees. Test the collar boundaries against Indian marginal-abatement costs, trade exposure, and expected certificate supply and demand.
4. **Specify the Collar's Operating Rules:** Clearly define the institutional roles, funding sources, intervention triggers and volume limits for defending the floor, for example through a reserve-purchase facility, and the ceiling, including through the release of a legally created reserve supply where such a mechanism has been established, ensuring that the collar is operational rather than nominal.

5. **Legislate a Public-Revenue Channel:** Select and implement a legally authorised fiscal mechanism, such as phased certificate auctioning, a carbon levy/cess, or structured environmental compensation, to generate public transition resources, keeping public proceeds strictly distinct from private certificate trades.
6. **Formally Earmark Proceeds to the GFI:** Where Government establishes a specifically designated GFI-linked public-revenue mechanism, 100% of the net legally appropriable proceeds generated through that mechanism should be allocated to the GFI through the applicable legal and appropriation route.
7. **Sequence Offsets Integrity-First:** Phasing of the offset mechanism must be conditional on the maturity of verifier capacity, registry controls, and additionality methodologies. Align offset rules with global benchmarks like the ICVCM Core Carbon Principles to prevent oversupply from undermining compliance market scarcity.
8. **Align with CBAM Requirements:** Design the national CCTS registry, MRV protocols and evidence templates to generate an auditable, per-tonne record of carbon costs effectively paid, supporting the evidence required for Indian exporters to substantiate any eligible CBAM deduction, subject to the applicable EU requirements.
9. **Resolve Legacy System Transitions:** Publish a transparent transition and settlement pathway, including the treatment of outstanding PAT obligations and ESCerts and any conversion mechanism that may be found legally and technically appropriate, to prevent double counting, target confusion or certificate oversupply.
10. **Module the Power Sector Separately:** Treat utility power generation as a separate analytical and regulatory module, resolving plant-specific baselines, state-owned generator treatment, and cost pass-through tariffs before deciding on its formal integration into CCTS.

5. Green Finance Institution

5.1 Financing India's Net-Zero Ambitions: Scale of the Challenge

India has pledged to become a net-zero economy by 2070, with interim targets of a 45% cut in emissions intensity and 50% non-fossil electricity capacity by 2030. Estimates of the cumulative investment required to reach net zero by 2070 range from approximately US\$10.1 trillion (CEEW 2021) to US\$22.7 trillion under NITI Aayog's 2026 assessment (NITI Aayog 2026). Mobilising capital at this magnitude will be a central development challenge in the coming decades.

5.2 The Green Finance Gap in India

The shortfall between climate finance needs and actual investment is already stark. Recent analyses indicate that India's annual green investment flows remain well below the levels needed. In 2021–22, for example, roughly US\$50 billion of climate finance was mobilised versus an estimated annual requirement of around US\$170 billion, under 30% of the necessary investment (Climate Policy Initiative 2024).

Domestic sources presently dominate India's mitigation finance, accounting for approximately 83% in 2021–22, while international sources accounted for approximately 17% (Climate Policy Initiative 2024). While India has largely financed its clean energy expansion internally so far, meeting future targets will require a much higher infusion of global capital.

5.3 Long-Term Projects, Short-Term Finance: Mismatch in Tenor

A fundamental structural challenge is the mismatch between the long-term nature of green projects and the short-term horizon of most available financing. Clean energy and low-carbon infrastructure projects typically involve high upfront capital expenditure and payback periods extending 15–20 years or more. However, India's banking sector, which supplies most infrastructure credit, is geared toward short- to medium-term lending. Commercial banks are generally unwilling to offer the kind of 15+ year loans that utility-scale renewable energy, electric mobility, or green hydrogen projects require.

India's capital markets have yet to fill this gap. India's corporate bond market, at about 16–19% of GDP, needs to be strengthened, compared to major economies, where the ratio often exceeds 50% of GDP (for example, in the United States). Moreover, domestic

bonds tend to be of short duration (typically 3–5 years) and accessible mainly to the most creditworthy issuers. There are a few avenues for smaller or riskier green ventures to raise long-term fixed-rate debt.

5.4 High Cost of Capital and Perceived Risks

Another major hurdle is the elevated cost of capital for green investments in India, driven by real and perceived risks. Investors, especially conservative institutions like pension and insurance funds, view many net-zero aligned projects as high-risk, which leads them to demand high returns or avoid these sectors altogether. Even relatively mature clean energy segments such as solar and wind power face financing costs in India that are more than double those in advanced economies. This risk premium reflects concerns about India's market and policy environment, as well as technology-specific uncertainties. Developers of emerging solutions (battery storage, offshore wind, green hydrogen, carbon capture, and others) encounter particularly steep capital costs because these technologies lack long track records and bankable revenue models. Reducing the cost of capital is not a peripheral financing issue; it is a central determinant of whether new green technologies can be adopted at scale.

5.5 Sovereign and Currency Risks Deter Foreign Capital

India's sovereign ratings remain investment grade, but country-risk perceptions, emerging-market risk premia, currency risk and project-level uncertainties continue to raise the cost of international capital for Indian clean investments.

Currency risk further compounds the challenge. Most green projects generate revenue in Indian rupees, whereas international investors typically lend in hard currencies like US\$ or EUR. Hedging long-term currency exposure is effectively impossible or very costly: rolling short-term hedges can add 6–8% to annual financing costs. This greatly raises the effective cost of foreign capital for Indian projects. As a result, many global institutional investors shy away from committing funds at scale to India's climate endeavours. Conservative foreign capital (for example, North American and European pension funds) sees unmitigated currency risk as a major barrier. A dedicated FX-risk facility, backed by public, multilateral, or blended-finance capital, could absorb part of this tail risk more efficiently than individual project investors can.

5.6 Limited Climate Risk Management and Financial Capacity

India's financial sector is still in the nascent stages of integrating climate considerations into risk assessment and investment decision-making. Most banks and non-bank lenders today lack the data, analytical models, and trained personnel required to evaluate climate-related risks and opportunities rigorously (Reserve Bank of India 2022). Few have dedicated green

finance strategies or substantial green portfolios. Climate factors remain largely absent from formal credit risk assessments, leading to mispricing of risk: for instance, lenders might underestimate the credit risks posed by carbon-intensive assets (like coal power or diesel vehicle loans) while overestimating the risks of newer clean technologies.

Awareness is growing: some banks have begun climate scenario analyses or joined voluntary initiatives like PCAF, and the RBI issued draft climate-risk disclosure guidelines in 2024 while advancing a green taxonomy initiative. Despite this progress, building institutional capacity will take time. In the interim, the shortage of in-house expertise and reliable information contributes to risk aversion among lenders and a slower uptake of green lending and investment opportunities. Bridging this gap will require targeted interventions: training programmes, better climate risk models, and centralised data to improve transparency and benchmarking.

5.7 The Case for a Dedicated Green Finance Institution

The current market gaps highlight the potential value of establishing a dedicated Green Finance Institution in India. Such an institution should not be designed as another conventional public lender. It should be an impact-oriented blended-finance platform, operating like a merchant bank and general partner, with the ability to structure transactions, deploy catalytic capital, anchor funds, and crowd in domestic and global private investment. It would have the mandate and flexibility to deploy financial instruments geared towards climate goals.

A dedicated green finance institution could build out the ecosystem for climate-aligned investing in multiple ways. First, it would mitigate risks that deter commercial financiers, for example, by providing credit guarantees, insurance, or junior capital that absorb initial losses, thus encouraging banks and investors to participate in green projects. Second, it should mobilise patient, long-duration capital through its funds, guarantees, catalytic instruments and partner financial institutions, overcoming the tenor mismatch in the current system without operating as a conventional balance-sheet lender. Third, such an institution can take on the role of a knowledge and capacity hub, disseminating expertise on climate risk and innovative financing structures across the financial sector. Investing in understanding new technologies and developing financing models (e.g., for battery storage or hydrogen projects) would reduce information gaps and build confidence among mainstream lenders and investors.

To be effective from inception, the Green Finance Institution should combine sound underwriting with targeted risk-taking. It will need in-house capability to appraise complex green projects and to guide partner financial institutions in risk assessment and pricing. The GFI should also be allowed measured, selective participation in projects, taking limited equity or junior-debt positions where necessary to build credibility with private lenders and investors.

Special attention must be paid to mid-corporate and SME-level projects, which often face the highest cost of capital and weakest access to finance. The GFI can extend concessional or credit-enhanced support in these segments, encouraging mainstream lenders to enter new markets. For mid-corporates and MSMEs, green credit should primarily flow through banks and NBFCs using standardised taxonomy-aligned products, supported by partial credit

guarantees or first-loss cover from the GFI and allied facilities. This risk-sharing architecture enables smaller borrowers and distributed projects to access affordable finance without over-extending the GFI's own balance sheet, aligning with stakeholder inputs that the GFI should catalyse, rather than replace, mainstream credit channels.

5.8 Mandate, Objectives, and Key Performance Indicators

The Green Finance Institution (GFI) should be designed with a clear, implementable mandate that directly supports India's sustainable development targets and mobilises finance at scale. Its core mission should be to mobilise investment at scale and reduce the weighted-average cost of capital for green infrastructure, transition, adaptation, and resilience projects. As an indicative ambition, the GFI could contribute to catalysing up to US\$1 trillion of investment over 5–10 years, subject to detailed institutional design, capitalisation, and pipeline development. The Institution should actively support taxonomy-aligned projects in renewable energy, storage, clean transportation, green buildings, sustainable agriculture, industrial decarbonisation, green hydrogen, offshore wind, MSME supply-chain transition, adaptation, and resilience. It should combine concessional and commercial capital as an impact-oriented blended-finance platform, with special attention to the missing middle, including mid-corporates, MSMEs, and first-of-a-kind technologies.

To ensure focus and accountability, a set of key performance indicators (KPIs) should be established from the outset. These metrics will enable stakeholders to track the GFI's effectiveness in delivering climate and financial results.

The KPI framework should include private capital mobilised per unit of catalytic capital; reduction in cost of capital; emissions avoided or reduced; resilience outcomes; number and value of taxonomy-aligned projects financed; number of funds anchored; amount of MSME or mid-corporate finance enabled; volume of guarantees or FX-risk coverage provided; repayment and loss performance; and recycling of catalytic capital.

The GFI should be held to measurable ambitions from the outset. As indicative headline ambitions, subject to detailed institutional design and portfolio mix, these should include: an initial portfolio-level private-capital mobilisation ambition of at least three times catalytic capital, with a higher stretch ambition where the instrument mix and market conditions permit, drawing on the UK Green Investment Bank's reported mobilisation of approximately £3 of additional private capital for every £1 invested (UK Green Investment Bank 2015); a measurable reduction in the achieved weighted-average cost of capital for supported transactions and portfolios, including the effect of currency-risk solutions, which Sinha (2023) estimates could reduce financing costs by hundreds of basis points; a published portfolio-level estimate of tonnes of CO₂e avoided or reduced per ₹ crore of catalytic capital deployed, together with the methodology and attribution assumptions; and, over time, a financial-return objective informed by international precedent, including the UK Green Investment Bank's minimum 3.5% annual nominal return target on total investments, after operating costs and before tax (UK Green Investment Bank 2015).

Strong governance and transparency will be vital in managing the GFI's policy mandate. The Institution should have a professional, independent board comprising experts in finance, climate policy, and project development. Clear investment criteria aligned with the India Climate Finance Taxonomy (once formalised) will guide what projects can be funded, ensuring each rupee is directed to genuine green outcomes. The GFI should publish regular reports detailing its investments, carbon impact, and financial performance so that the Government and citizens can assess its effectiveness. To balance public purpose with financial discipline, the GFI may be given target financial returns, for example, the UK Green Investment Bank was required to achieve at least a 3.5% annual return on its portfolio. The GFI may accept below-market returns in early years to incubate new markets; over the long run, it should recycle its capital and become self-sustaining.

Operationally, the GFI must enjoy sufficient autonomy and flexibility. It should be empowered to structure innovative deals without cumbersome approvals, and to recruit and compensate staff with specialised skills (where necessary, outside standard public-sector pay scales). At the same time, it will operate with a memorandum of understanding (MOU) with the Government (e.g., via the Ministry of Finance) to ensure alignment with national priorities. This MOU should be signed at the highest level to ensure that the GFI is viewed as operating with the full support of the Government.

5.9 Capitalisation, Instruments, and Implementation Pathway

Translating the GFI from concept to reality will require a phased capitalisation pathway. In the first phase, the institution requires a time-bound institution-building grant, with the amount determined through a detailed operating plan and implementation budget, to build the platform, hire the founding team, complete legal and regulatory setup, prepare the white paper, develop fund documentation, build the initial project pipeline, and publish minimum viable product term sheets for priority instruments.

In the second phase, the GFI should anchor a junior equity fund-of-funds, which should be the institution's first instrument, with its target size determined by the project pipeline, sponsor commitments and intended mobilisation ratio, from MDBs, DFIs, sovereign funds, philanthropies, pension funds, and potentially domestic financial institutions. In the third phase, it would deploy catalytic equity, guarantees, concessional finance, FX-risk solutions, payment guarantees, climate insurance, and other blended instruments to mobilise commercial private capital at scale.

Where Government establishes a specifically designated GFI-linked public-revenue mechanism, 100% of the net legally appropriable proceeds generated through that mechanism should be allocated to the GFI through the applicable legal and appropriation route.

The GFI should also tap multilateral finance, including lines of credit, concessional capital, guarantees, grants and technical-assistance facilities from MDBs, DFIs and international climate funds. GIFT City / IFSC should be evaluated as the preferred location for the GFI, subject to resolution of the legal, tax, regulatory and onshore-deployment mechanics set out below, because the institution must intermediate between hard-currency capital providers

and Indian deployment opportunities. A GIFT City structure could support foreign-currency operations, tax-efficient fund structures, global investor participation and regulatory flexibility under the IFSCA framework. Operating from GIFT City may provide a more suitable cross-border regime and has the potential to lower the cost of international borrowing and improve transaction efficiency.

Once operational, the GFI should mobilise additional resources on its own strength. It should not operate as a conventional commercial balance-sheet lender. Instead, it should have the ability to operate as a merchant-bank-style platform and general partner with its own AIF or fund-of-funds, allowing it to hold, deploy, and recycle catalytic capital. The GFI can also be strengthened by capital allocations, guarantees, or anchor commitments from strategic investors and partner institutions. In functional terms, the GFI should combine investment-bank-style structuring capability with fund-management and catalytic-capital deployment capacity, rather than operate as a conventional commercial bank or typical development finance institution.

The GFI should have the ability to operate or anchor a fund-of-funds to support specialist climate funds and mobilise additional private capital. Catalytic equity can sit in the junior or first-loss layer, absorbing early-stage risk and crowding in senior equity, project equity, and debt. Over the life of a fund or project, this structure can multiply the impact of each dollar of catalytic capital by mobilising additional intermediated equity, total equity, and project capex. This logic is especially relevant for sectors that are not yet fully bankable, including green hydrogen, offshore wind, storage, e-mobility, industrial decarbonisation, and MSME-linked transition finance.

It is expected that the GFI will require some years of financial support before becoming self-sustaining through its own fee generation. International experience shows profitability is possible (the UK GIB, for example, became profitable within two years), but only after strong backing.

The launch pathway should be sequenced. First, the GFI design process should secure Government alignment through an MoU and obtain philanthropic or technical-assistance support for institution-building. Second, MDBs and DFIs should be brought in as co-sponsors and anchor capital providers. Third, a founding chair, CEO, and core team should be appointed, with deep experience in climate finance, investment banking, fund management, infrastructure, and blended-finance structuring. Fourth, a detailed institutional white paper should be prepared, the GIFT City / IFSC vehicle should be evaluated and, if appropriate, established, and minimum viable product term sheets should be developed for first-loss default guarantees, subordinated debt, FX-risk solutions, payment guarantees, and catalytic fund-of-funds commitments. Fifth, a taxonomy-tagged project pipeline should be built and pilot transactions should begin with existing institutions, banks, NBFCs, insurers, DFIs, and sectoral agencies.

6. BRSR and Enterprise Action

6.1 Evolving the Baseline: The Case for Strengthening BRSR

A credible sustainable-finance system depends on both capital mobilisation and transparent reporting on the use and impact of that capital. From a climate finance perspective, this architecture is fundamentally linked to India's macroeconomic resilience; as a capital-deficient nation facing immense green transition costs, India requires massive foreign green capital inflows to finance its climate mitigation goals, deploy renewable energy infrastructure at scale, and avoid a carbon-intensive middle-income trap. Mobilising this global capital requires globally credible standards and robust institutions.

On the reporting front, SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework is already in force, mandating ESG disclosures from the top 1,000 listed companies since FY2022–23, laying a strong foundation of transparency. While India has established this robust baseline, there remains scope to further strengthen and align it with global best practices. Rather than creating a separate new umbrella reporting framework, India should evolve its existing, operationally embedded domestic disclosure regime. Indian companies have spent several reporting cycles building internal systems around BRSR, and SEBI has invested significant policy effort in developing it. Furthermore, BRSR is no longer merely a disclosure template; it is linked to other parts of the Indian financial and governance ecosystem, including ESG mutual funds, and other market-based instruments.

To make this evolution meaningful, corporate sustainability disclosure must be reframed entirely as a core financial risk-management practice rather than a box-ticking compliance exercise. Global investors assess whether a company understands and manages material physical risks, such as water stress, heat waves, flooding, and cyclones, that could produce real financial losses and affect enterprise value. Reframing disclosures from compliance to capital-market credibility is fundamental to how India's reporting framework must be positioned.

6.2 Global Alignment and Interoperability

Currently, the BRSR 1.0 framework has only a 45% overlap with global benchmarks such as ISSB IFRS S2, which creates a disclosure gap for global capital. By re-evaluating and streamlining these indicators, the proposed BRSR 2.0 framework aims to increase global alignment to over 80%, creating a transparent system where environmental and social impact is clearly visible and verifiable to international markets.

However, ISSB's preferred approach is for jurisdictions to adopt ISSB S1 and S2 as the baseline, rather than simply mapping a domestic framework onto ISSB and treating it as equivalent. This creates a distinctive challenge for India, which is not starting from a blank slate. A credible transition pathway must respect the architecture already created, identify areas of compatibility and divergence with ISSB, and give the industry sufficient clarity on sequencing.

By pursuing progressive convergence toward ISSB standards with minimal deviations and a clear published comparison or alignment document, India can provide greater confidence to foreign investors and enable Indian companies to seamlessly access international markets. Engagement on an ISSB "passport" is highly relevant: if India is recognised as an ISSB-compliant jurisdiction, Indian companies can more credibly signal to global investors and supply-chain partners that they follow internationally accepted standards. SEBI is the appropriate Indian authority to engage with ISSB on such jurisdictional recognition.

6.3 Streamlining, iXBRL, and Phased Assurance

Harmonising the existing fragmented frameworks around a single set of core metrics, phased but credible assurance, and interoperable digital reporting systems would reduce compliance burdens while materially improving data quality for regulators, investors, and lenders. To support this, India should:

1. **Invest in Digital Reporting Infrastructure:** Mandate and phase in machine-readable iXBRL tagging of key sustainability disclosures through the appropriate regulatory framework. Standardised, digital iXBRL tagging ensures that each reported data point is embedded with a standardised code, enabling automated extraction, reducing analysis costs, and making Indian companies' data easily usable globally.
2. **Implement a Phased Assurance Roadmap:** Declare upfront a phased assurance roadmap (moving from limited to reasonable assurance over time) to greatly enhance trust in reported data. Limited assurance (auditor reviewing data for plausibility) provides moderate confidence, while reasonable assurance (full audit) provides positive confirmation that data is free of material misstatement. Converging BRSR Core metrics with mandatory assurance for key metrics is crucial.
3. **Establish Anti-Greenwashing Oversight:** Empower regulators (like SEBI) to crack down on exaggerated claims, including specifying liability on entities and directors/KMP for false or unsubstantiated "green" claims. At the same time, safe harbour provisions should be created for supporting claims or disclosures made in good faith.

6.4 The Proposed BRSR 2.0 Architecture

To prevent data overload and satisfy both universal comparability and sector-specific nuances, the proposed BRSR 2.0 structure is designed to be layered with three tiers:

1. The Super Core Layer (Tier 1): This layer consists of 11 mandatory, highly quantifiable, and auditable indicators proposed to apply to all listed entities. These cover the absolute fundamentals:
 1. Scope 1 and Scope 2 GHG emissions;
 2. GHG intensity per unit of revenue and energy consumption intensity;
 3. Proportion of energy sourced from renewables;
 4. Water withdrawal ratios and waste intensity;
 5. Air pollution reduction initiatives;
 6. Gender wage parity, MSME sourcing levels, and supplier payment timeliness.
2. The Advanced Mandatory & Voluntary Layer (Tier 2): This layer comprises 15 additional mandatory indicators demanding greater granularity, such as production-level GHG/energy intensity, groundwater withdrawal, circularity metrics, and detailed air emissions. Critically, this layer introduces two new indicators tied directly to the Department of Economic Affairs (DEA) Climate Finance Taxonomy, requiring companies to disclose whether they have undertaken projects aligned with India's NDCs.
 1. The Voluntary Sustainability Roadmap: It also includes five voluntary indicators asking companies to project GHG emissions over five years, quantify financial effects of climate risks, disclose transition plans, and report uncertainties with autocorrection mechanisms. This forward-looking, financially material disclosure directly mirrors ISSB S2 expectations.
3. The Sector-Specific Layer (Tier 3): To capture sector-specific risks without overwhelming the system, this layer comprises five sector-specific indicators applied across 22 sectors (converging into 29 unique indicators). These cover sustainable sourcing, Extended Producer Responsibility (EPR) applicability, life cycle assessments, and capex directed toward environmental improvements.

6.5 Phased Decarbonisation

India's corporate transition plans and climate strategies at the company level are currently in the very early stages, with only around 18% of large companies declaring long-term net-zero targets and even fewer publishing detailed transition roadmaps.

The implementation of mandatory climate disclosures and transition planning must be phased by company size, starting with larger entities and high-emitting, trade-exposed sectors. Simply expanding the number of reporters beyond the top listed companies yields diminishing returns for emissions coverage. A more efficient pathway is to target high-emitting, unlisted entities and align sectoral mandates with the common BRSR 2.0 template.

This phasing is especially critical for sectors exposed to the European Union’s Carbon Border Adjustment Mechanism (CBAM), such as steel, cement, aluminium, fertilisers, refining, and petrochemicals, which face substantial investment requirements for decarbonisation. The definitive CBAM regime took effect on 1 January 2026, with the first annual declarations and corresponding carbon cost declarations due by 30 September 2027. To support trade competitiveness, the domestic registry and MRV systems must be designed to meet applicable CBAM evidence, verification, and carbon-price-recognition requirements, generating an auditable, entity-level, per-tonne record of carbon costs effectively paid.

6.6 MSME Proportionality and Value-Chain Readiness

MSMEs play a central role in India’s economy and in the value chains of larger listed enterprises. However, smaller enterprises must not face the same compliance, reporting, or documentation burden as large listed entities. The taxonomy and disclosure frameworks should incorporate proportionality as a core design principle.

Rather than imposing immediate mandatory value-chain reporting, which would overwhelm smaller players, SEBI and MCA should introduce a phased roll-out supported by “BRSR Lite”. To close the loop on value-chain disclosures, BRSR Lite should evolve to include simple, choice-based emissions indicators for MSMEs in priority supply chains. This should be backed by:

1. Standardised, clear self-assessment tools and checklists to help smaller enterprises identify whether their activities fall within eligible categories;
2. Lender guidance, digital reporting support, and targeted capacity-building/training programmes run jointly by regulators, banks, NBFCs, and large value-chain anchors.

6.7 The Disclosure-to-Action Link: Transition Plans, Capex, and Outcomes

Ultimately, sustainability disclosures are not merely end-state compliance templates; they are designed to function as a core mechanism that translates corporate strategy into on-ground enterprise action and measurable environmental outcomes. In an integrated reporting ecosystem, this transition from disclosure to action is closed through a continuous, auditable loop:

1. **Establishing the Forward-Looking Roadmap:** Under the voluntary indicators of the BRSR 2.0 “Sustainability Roadmap” (Tier 2), companies are expected to move away from purely retrospective disclosures. Instead, they must project their GHG emissions and energy intensity over a five-year horizon and explicitly disclose their formal corporate transition plans and associated Key Performance Indicators (KPIs). This forward-looking approach directly mirrors international investor expectations under ISSB S2, reframing the disclosure as an active business planning and risk-management tool.

2. **Aligning Capital Allocation (Capex):** A credible corporate transition plan requires a direct link between decarbonisation targets and capital expenditure. Companies must disclose and track their dedicated R&D and capital expenditure (capex) allocated toward environmental and social impact improvements under both Tier 2 and Tier 3 (sector-specific) indicators. Specifying capex for green, transition, and adaptation-aligned projects ensures that high-level commitments are backed by genuine, on-balance-sheet financial resources.
3. **Executing Physical Projects on the Ground:** Armed with allocated capex, enterprises implement physical projects on the ground, such as transitioning supply chains, deploying energy-efficiency retrofits, or adopting low-emission processes. For diversified companies and hard-to-abate sectors, this implementation is evaluated at the activity or project level, allowing specific capital allocations to be tracked and verified independently.
4. **Reporting and Tracking Measurable Outcomes:** The loop is completed when the physical results of these projects are verified and reported through the proposed Super Core indicators as they are phased into the applicable BRSR architecture. Indicators such as Scope 1 and Scope 2 GHG emissions, renewable energy sourcing ratios, and waste or water intensity provide the market with empirical, comparable data on whether corporate capex is delivering actual emissions reductions and resource efficiency.
5. **Managing Uncertainty and Building Market Credibility:** Recognizing that long-term climate projections carry inherent uncertainties, The proposed BRSR 2.0 architecture would introduce explicit uncertainty reporting and periodic correction mechanisms. This disciplined iteration allows companies to refine their transition plans and targets based on real-world project performance data, signalling structural control over climate risks to global capital markets, and ultimately securing lower-cost financing for the next phase of enterprise growth.

7. Key Recommendations and Action Framework

The Taskforce's recommendations can be distilled into three linked priorities:

1. Build a credible carbon market and, where Government establishes a specifically designated GFI-linked public-revenue mechanism, create a transparent financing pathway through the GFI for eligible climate and transition investment.
2. Streamline and strengthen BRSR, progressively aligning it with ISSB and other emerging global disclosure norms.
3. Broaden proportionate, decision-useful sustainability reporting and enterprise transition planning, beginning with larger, high-emitting and trade-exposed entities and expanding as reporting capacity matures.

Implementation Matrix: Priority Decisions, Institutional Responsibility and Indicative Timing

Table 2 provides the consolidated implementation timetable for the principal recommendations in this publication.

Table 2: Priority Decisions, Institutional Responsibility and Indicative Timing

Workstream	Proposed coordinating and supporting institutions	Priority decisions and outputs	Indicative target window from formal commencement	Timing rationale and reference point
1. Integrated national strategy	Coordinating lead to be designated. Proposed coordinating lead: NITI Aayog, given the cross-ministerial and Centre-State scope of the workstream, working with relevant Union ministries and States.	Designate the coordinating mechanism and adopt an integrated national sustainability strategy establishing inter-ministerial and Centre-State priorities, sequencing, accountability and review arrangements.	Coordinating mechanism within 0-3 months; strategy and governance framework within 0-12 months.	The first three months allow for designation of the coordinating lead. The twelve-month outer window allows a full consultation and approval cycle across Union ministries and States.

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Workstream	Proposed coordinating and supporting institutions	Priority decisions and outputs	Indicative target window from formal commencement	Timing rationale and reference point
2. Climate Finance Taxonomy	Department of Economic Affairs, supported by relevant sector ministries and Sectoral Technical Committees to be constituted.	Finalise the taxonomy's principles, governance and periodic-update mechanism; issue the first tranche of sectoral annexures; and publish the approach for interoperability and international mapping.	0–12 months for the governance framework and first sectoral annexures; periodic review thereafter.	India moved from the July 2024 Budget announcement to publication of the draft framework in May 2025. The EU Taxonomy Regulation entered into force in July 2020 and its first Climate Delegated Act followed in 2021. These precedents support twelve months for governance and the first annexures rather than completion of the entire taxonomy (Government of India 2024; Ministry of Finance 2025; European Commission 2021).
3. CCTS target trajectory	Ministry of Power and Ministry of Environment, Forest and Climate Change, supported by the Bureau of Energy Efficiency.	Publish the sectoral GEI target trajectory beyond 2026–27, together with certificate-balance scenarios developed using the methodology and data requirements set out in the detailed technical report and accompanying Carbon-Market Companion Model, so that market participants can form credible compliance, investment and price expectations.	0-9 months and, in any event, before finalisation of the next post-2026–27 GEI target cycle.	The trajectory is required before the next target cycle so that covered entities can assess expected certificate demand, compliance requirements and investment needs. The nine-month window allows for modelling, consultation and notification before that decision point.

Workstream	Proposed coordinating and supporting institutions	Priority decisions and outputs	Indicative target window from formal commencement	Timing rationale and reference point
4. Carbon-market pricing and operations	Ministry of Power, Bureau of Energy Efficiency and CERC, with GCIL and approved exchanges responsible for their respective registry and trading functions.	Publish the methodologies and sources for the illustrative price-collar reference points; use approximately US\$22 per tCO ₂ e, informed by the World Bank global weighted-average carbon price, as the lower reference boundary and approximately US\$60 per tCO ₂ e, informed by a mature compliance-market basket, as the upper reference boundary; allow price discovery within the corridor; and retain US\$5 and US\$10 as lower-price sensitivities rather than recommended price levels; test any proposed collar against Indian marginal-abatement costs, expected certificate supply and demand, competitiveness, affordability and trade exposure; specify the intervention institution, funding source, triggers, volume limits and treatment of acquired certificates; and establish market-surveillance, registry and MRV interfaces consistent with applicable CBAM evidence, verification and carbon-price-recognition requirements.	0–12 months; CBAM-related registry, MRV and evidence interfaces operational before 30 September 2027.	The twelve-month window covers publication of the methodology, domestic testing and specification of the operating arrangements. The first CBAM annual declaration and corresponding certificate surrender are due by 30 September 2027, providing an outside reference point for the evidence and verification interfaces (European Union 2025).
5. CCTS transition, coverage and offset integrity	Ministry of Power, Ministry of Environment, Forest and Climate Change, Bureau of Energy Efficiency and CERC.	Publish the PAT and ESCert transition and settlement pathway, including treatment of outstanding instruments and safeguards against double counting; treat the power sector as a separate analytical and regulatory module and publish the decision pathway and timetable for its possible inclusion; and sequence the offset mechanism only after domestic methodologies, verifier capacity and programme-governance arrangements are sufficiently mature, anchored to recognised international quality benchmarks.	0–12 months for the transition and decision pathways; offset implementation conditional on methodology, verifier and governance readiness.	The PAT and ESCert transition and the power-sector decision pathway should be settled before full-scale CCTS operation. Offset implementation should follow only after the necessary methodologies, verifier capacity and governance arrangements are in place.

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Workstream	Proposed coordinating and supporting institutions	Priority decisions and outputs	Indicative target window from formal commencement	Timing rationale and reference point
6. Public carbon-related revenue	Ministry of Finance, led by the Department of Economic Affairs, with the Ministry of Environment, Forest and Climate Change and relevant CCTS institutions.	Determine the legally authorised fiscal instrument, collection route and appropriation mechanism; where Government establishes a specifically designated GFI-linked public-revenue mechanism, allocate 100 per cent of the net legally appropriable proceeds generated through that mechanism to the GFI through the applicable legal and appropriation route; and establish the necessary legal and appropriation authority. Private CCC trading value should remain separate from public revenue.	6–18 months for the policy decision and legal or fiscal design; operationalisation through the subsequent Budget, legislative or rule-making cycle.	The six-to-eighteen-month window covers selection of the fiscal mechanism, legal drafting and design of the collection and appropriation arrangements. Actual collection and transfer may begin later, depending on the relevant Budget, legislative or rule-making cycle.
7. Green Finance Institution	Ministry of Finance, International Financial Services Centres Authority and prospective founding sponsors.	Complete the GFI white paper and operating plan; recommend the legal vehicle and governance structure; establish the founding team and initial taxonomy-tagged project pipeline; prepare minimum viable product term sheets and fund documentation; secure prospective anchor commitments; and prepare the junior-equity climate fund-of-funds as the first flagship instrument.	0–12 months for institutional design and documentation; 12–24 months for launch preparation and anchor commitments; 18–36 months for first close.	NIIF was announced in February 2015 and its Master Fund achieved first close in October 2017. The UK Green Investment Bank moved from policy establishment to operational launch over a shorter period, while capital mobilisation continued thereafter. These precedents support separate windows for institutional design, operational launch and the first binding investor commitments (Government of India 2015; NIIF 2017; House of Commons Library 2017).
8. Strengthening BRSR and proposed BRSR 2.0 reform	SEBI, with the Reserve Bank of India, Insurance Regulatory and Development Authority of India, Pension Fund Regulatory and Development Authority and other relevant regulators for their respective regulated sectors.	Publish an indicator-level mapping of BRSR against ISSB S1 and S2 and a sequenced adoption pathway; develop the proposed BRSR Lite framework; and finalise the digital iXBRL architecture and phased-assurance roadmap.	6–18 months for mapping, framework design and the regulatory roadmap; phased implementation thereafter.	SEBI introduced BRSR in May 2021 and BRSR Core in July 2023. The sequence supports a six-to-eighteen-month design and roadmap period, followed by phased implementation (SEBI 2021, 2023a).

Workstream	Proposed coordinating and supporting institutions	Priority decisions and outputs	Indicative target window from formal commencement	Timing rationale and reference point
9. MSME and value-chain readiness	SEBI, with DEA for taxonomy interfaces and with industry bodies, banks, non-banking financial companies, MSMEs and large value-chain anchors for implementation.	Pilot and deploy simplified emissions indicators, evidence templates, self-assessment tools, sectoral checklists, lender guidance, digital reporting support and capacity-building programmes before any mandatory expansion of value-chain reporting.	12-36 months, conditional on prior development and pilot testing of BRSR Lite and the associated MSME tools.	SEBI's phased introduction and subsequent revision of value-chain reporting requirements support developing simplified tools, pilot capacity and implementation assistance before wider mandatory coverage (SEBI 2023a, 2025).
10. Enterprise transition plans and implementation	Relevant sector ministries and regulators, supported by industry bodies, financial institutions and participating enterprises.	Develop proportionate guidance for company transition plans linking targets, capital expenditure, sectoral pathways and measurable implementation outcomes; pilot the framework in priority high-emitting and trade-exposed sectors, including sectors materially affected by CBAM; and use verified results to inform subsequent taxonomy, disclosure, carbon-market and financing decisions.	12-36 months for guidance, sector pilots and initial implementation; progressive expansion thereafter.	Transition-plan guidance depends on the prior availability of sector pathways, taxonomy criteria, reliable disclosure data and suitable financing tools. The window allows guidance and pilots to be completed in priority sectors before wider application.
11. Monitoring and outcomes	The coordinating body designated under Workstream 1. Pending that designation, the monitoring owner remains to be formally assigned.	Publish an annual public assessment of implementation against this Matrix, covering taxonomy rollout; CCTS coverage, liquidity and market development; legally appropriable public proceeds; GFI capital mobilisation and financing-cost effects for supported transactions and portfolios; disclosure and assurance coverage; enterprise implementation; emissions outcomes; and adaptation and resilience outcomes.	Monitoring body designated within 0-6 months; reporting annually thereafter.	The first six months allow responsibility, indicators and the reporting format to be established. Annual reporting thereafter aligns implementation monitoring with normal public planning and performance-review cycles.

Table 3: Phased Implementation Pathway

Phase	Principal workstreams	Completion evidence
Phase I: Institutional design and rule-setting (0–12 months)	Designate the coordinating mechanism; finalise taxonomy governance and the first sectoral annexures; publish the post-2026–27 CCTS target trajectory and certificate-balance methodology; specify the carbon-market operating and PAT-transition pathways; complete the GFI white paper, operating plan and legal-structuring work; and publish the BRSR-ISSB mapping and regulatory roadmap.	Coordinating responsibilities formally recorded; methodologies, governance frameworks and regulatory pathways published; principal legal and data dependencies identified; implementation owners and next milestones disclosed.
Phase II: Operational launch and pilots (12–24 months)	Operationalise priority registry, MRV and market-surveillance interfaces; prepare GFI fund and instrument documentation, pipeline and anchor commitments; pilot BRSR Lite and MSME tools; commence selected enterprise-transition and value-chain pilots; and develop the first implementation datasets.	Registry and reporting interfaces tested; GFI launch documentation and prospective anchor commitments in place; pilot tools issued; participating sectors and enterprises identified; baseline implementation indicators published.
Phase III: Scaling, capital mobilisation and review (24–36 months and thereafter)	Progress towards the GFI's first binding investor commitments; expand successful taxonomy, reporting and transition-plan pilots; consider wider value-chain coverage where MSME tools and assurance capacity are ready; and conduct the annual review of the implementation matrix.	GFI capital commitments and mobilisation results disclosed; successful pilots expanded; annual public implementation assessment issued; delays, legal dependencies and revised milestones reported transparently.

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Appendix

Key definitions

The following section provides definitions of key terms used in this report:

- **Sustainable activity:** An economic activity that directly contributes to environmental or climate objectives, supports social well-being, and aligns with the criteria of the Climate Finance Taxonomy. It reduces harm to the environment and society while generating economic value.
- **Transition activity:** An activity in a high-emitting sector that is not fully green yet but is on a credible path to lower emissions. Transition activities facilitate decarbonisation (e.g., improving energy efficiency or co-firing green fuels) and will qualify only if they adhere to defined improvement pathways and do not lock in unsustainable practices.
- **Taxonomy:** A classification system that defines which investments or activities are considered sustainable (and which are transitional) according to clear criteria. A taxonomy provides a common language for green finance by listing eligible project categories and performance standards, thereby reducing ambiguity for investors and issuers.
- **Reporting standard:** A framework specifying how companies must disclose sustainability information. It defines the metrics, formats, and scope of what needs to be reported. For example, SEBI's Business Responsibility and Sustainability Report (BRSR) is India's mandated reporting standard for ESG performance.
- **Minimum safeguards:** Basic social and governance standards that must be met for any activity to be considered sustainable or transitional. These safeguards (e.g., compliance with labour laws, human rights, anti-corruption norms) ensure that "green" projects do not violate fundamental responsible business practices. They are the do-no-harm floor for eligibility in the taxonomy.
- **Do No Significant Harm (DNSH):** A principle that a sustainable activity should not significantly undermine other environmental or social objectives. Even if an activity makes a positive contribution to one goal (say, climate mitigation), it fails DNSH if it causes serious harm to another (for instance, destroying biodiversity or livelihoods). DNSH criteria in the taxonomy screen out activities with major cross-cutting negative impacts.
- **Assurance (limited vs. reasonable):** Levels of third-party verification for reported information. Limited assurance involves an auditor reviewing data for plausibility (providing moderate confidence, phrased as "nothing has come to the auditor's attention that

causes concern”). Reasonable assurance is a higher level, akin to a full audit, where the auditor provides positive confirmation that the data is free of material misstatement. Sustainability reports often start with limited assurance on select metrics and may scale up to reasonable assurance over time for critical disclosures.

- **Digital tagging (iXBRL):** The use of electronic tags in a reporting format like inline XBRL to make data machine-readable. Digital tagging means each reported data point (e.g., a company’s CO₂ emissions or water usage) is embedded with a standardised code. This enables automated data extraction and analysis, allowing regulators and investors to easily aggregate and compare sustainability information across companies.
- **Corporate transition plan:** A company’s strategic roadmap for how it will shift its business model to align with climate goals (such as achieving net-zero emissions by a target year). It typically includes interim targets (for 2030, 2035, etc.), planned actions to reduce greenhouse gas emissions or other environmental impacts, capital expenditure plans for green projects, and governance measures to drive the transition. Essentially, it is the “how” and “when” of a company’s climate commitments, integrated into its business strategy.
- **Core vs. sector metrics:** In sustainability reporting, core metrics are a set of key performance indicators that all companies report, regardless of sector (providing comparability on common ESG aspects, e.g., total GHG emissions, water consumption, diversity figures). Sector metrics are additional disclosures relevant only to specific industries or activities (for example, thermal power plants reporting emissions per kWh, or banks reporting green lending as a percentage of their portfolio). Core metrics enable economy-wide baselining and benchmarking, while sector-specific metrics capture nuances of particular sectors.
- **Interoperability:** The ability of different systems or frameworks to work together seamlessly. In this context, interoperability refers to aligning India’s taxonomy and reporting standards with international ones so that definitions and data can be compared or cross-recognised. High interoperability means an investor in London or Singapore can trust that an Indian “green bond” or disclosure is roughly equivalent to those defined elsewhere, facilitating cross-border capital flows. It avoids siloed standards, reducing friction for global investment into India’s sustainable projects.
- **Transition Finance:** Financing for activities that are not green today but help high-emission sectors transition toward net-zero. It often involves supporting companies in carbon-intensive industries (e.g. steel, cement, aviation, power) to implement decarbonisation plans. Credible transition finance frameworks insist on science-based targets and interim milestones. For example, Japan’s 2021 Climate Transition Finance Guidelines require that a borrower/issuer’s transition strategy include mid- and long-term GHG reduction targets aligned with Paris Agreement goals, with progress measured via KPIs. Transition finance may take the form of “transition bonds/loans” or sustainability-linked instruments tied to emissions KPIs.

- **Carbon market:** A regulated market mechanism that creates a price for greenhouse-gas emissions or emissions reductions. In India's context, this includes the Carbon Credit Trading Scheme, under which obligated entities are assigned emissions-intensity targets and may receive or purchase Carbon Credit Certificates depending on their verified performance.
- **Baseline-and-credit system:** A carbon-market design in which covered entities are assigned a performance benchmark or emissions-intensity baseline. Entities that perform better than the baseline may receive Carbon Credit Certificates, while entities that underperform must purchase Carbon Credit Certificates or otherwise meet their obligations under the applicable rules. Unremedied non-compliance may give rise to environmental compensation; this is distinct from the private value of certificate trading. This approach differs from cap-and-trade because it does not immediately impose an absolute cap on total sectoral emissions.
- **Carbon Credit Certificate (CCC):** A tradable certificate issued under the Carbon Credit Trading Scheme in accordance with applicable rules and verified performance or mitigation outcomes. In the compliance mechanism, a CCC may represent over-achievement against an applicable greenhouse-gas-emission-intensity target.
- **Measurement, Reporting, and Verification (MRV):** The system through which covered entities measure emissions or emissions intensity, report performance in a standardised form, and have the information verified by an accredited or authorised entity. Robust MRV is essential for carbon-market integrity, credible disclosure and reliable certificate issuance.
- **Carbon Border Adjustment Mechanism (CBAM):** A border mechanism that applies a carbon cost to imports of specified carbon-intensive goods based on embedded emissions and the treatment of any recognised carbon price effectively paid in the country of origin. The recognition and deduction of a domestic carbon cost depend on the applicable CBAM rules, product coverage, evidence and verification requirements.
- **Certificate-trading value:** The value transferred between market participants when Carbon Credit Certificates are bought and sold. It creates a compliance cost and a carbon-price signal but does not constitute government revenue unless a separate public charge, auction, tax or fiscal mechanism captures that value.
- **Public carbon proceeds:** Revenue received by a public authority through a legally established mechanism connected to carbon pricing or non-compliance, such as allowance auctioning, a levy, a cess, environmental compensation or explicit budgetary appropriation. Only legally appropriable public proceeds can be earmarked or transferred to a GFI or another public climate-investment vehicle.
- **Climate-supportive activity:** An activity, project, measure, or technology that contributes to climate mitigation or adaptation by avoiding greenhouse gas emissions, reducing emission intensity, deploying adaptation solutions that reduce climate-related risk, or supporting research and development directed at these goals (Ministry of Finance 2025).

- **Adaptation and resilience activity:** An activity that enhances the capacity of people, assets, ecosystems, or value chains to anticipate, absorb, and recover from climate-related hazards. Examples include early warning systems, climate-resilient agriculture and irrigation, water management, and infrastructure designed for higher flood, heat, or storm tolerance (Ministry of Finance 2025).
- **Enabling activity or service:** For the purposes of this Report, this refers to a professional, technical, or data service that supports the identification, evaluation, verification, or scale-up of taxonomy-eligible activities. This includes evaluation, auditing, and certification of green projects, climate data and emissions-factor systems, and information and communication services for greenhouse-gas accounting.
- **Technical Screening Criteria (TSC):** Sector-specific qualitative or quantitative criteria that determine when an activity meets the taxonomy's eligibility thresholds. In India's framework, technical screening criteria are to be developed through sectoral annexures and updated over time (Ministry of Finance 2025).
- **Taxonomy schedule:** A periodically reviewed list of activities, projects, and measures, organised by sector and category, that gives operational effect to the taxonomy framework. The schedule is intended to be a living document that can be updated as technologies, pathways, and sectoral coverage evolve (Ministry of Finance 2025).
- **Project-level eligibility:** Application of taxonomy criteria to a specific activity, project, asset, or capital expenditure programme rather than to the entire entity that owns it. Project-level eligibility allows targeted financing of taxonomy-aligned undertakings within otherwise diversified companies.
- **Company-level eligibility:** Application of taxonomy criteria at the level of the issuer or borrower as a whole. Company-level treatment is appropriate where the company is substantially aligned with taxonomy-eligible activities, with detailed criteria to be developed separately.



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