

UPSC Civil Services Examination

UPSC Notes [GS-II]

Topic: Green Finance- Role of Green Finance

Green Finance is a term which refers to financial investments for those projects that support sustainable development. Green investments include investments in biodiversity protection, water sanitation, industrial pollution control, energy efficiency, climate change adaptation, renewable energies, etc. Green finance comprises of financing of public green policies, etc.

The terms 'green finance', 'sustainable finance', 'climate finance' is implicitly known as an eclipsing territory of matters on environmental, social, economic and governance.



Green Finance is an important topic for the [IAS Exam](#) and is included under the GS-II section of the [UPSC Syllabus](#).

What is Climate Finance?

Climate Finance can be defined as the emerging form of green finance which is available for various projects in the developing countries. It is one of the growing sectors in the field of international development and environmental finance. Climate Finance also helps in reducing emissions or for adapting to climate changes. This can be achieved either by increasing the revenues that are available to both public and private development projects namely: tariff support, carbon finance. It can also be achieved through the improvement of project capital structure, for example by reducing the costs of debt and equity.

The Governments of the world have taken an initiative for Climate Finance under the Paris Agreement on climate change. The initiative is to raise an amount of \$100 billion per year by the end of 2020 from both the public and private sources.

Role of Green Finance

Green finance is responsible for the financing of both public and private green investments along with the preparatory and capital costs. Some of the major roles of Green Finance are as follows:

1. To provide financing for environmental goods and services such as water management or protection of biodiversity and landscapes.
2. To prevent, minimize and compensate the damages to the environment and to the climate.
3. To provide financing of public policies which will encourage the implementation of environmental and environmental-damage mitigation or adaptation projects and initiatives.

Green Investments majorly includes the following areas:

- waste processing and recycling
- biodiversity protection
- climate change adaptation
- renewable energies
- energy efficiency
- water sanitation
- industrial pollution control
- other climate change mitigation

Green Finance is an important topic in the General Studies Paper-II of the UPSC exam. Questions can be asked from this topic in both the IAS prelims as well as the IAS mains exams. Candidates preparing for the [UPSC 2020](#) should keep a track of the latest [current affairs](#) topics related to any economic development in the country.