

Mobilising Green Finance for Industry Transition

Date: 12 October 2020 (Monday) | Time: 4 pm to 5:30 pm (IST)

Chair:

Dr Ajay Mathur,
Director General, TERI

Speakers:

Prof Karsten Neuhoff,
Head - Department of Climate Policy,
DIW Berlin

Ms Madhulika Sharma,
Chief of Corporate Sustainability,
Tata Steel

Mr Prabodha Acharya,
Chief Sustainability Officer,
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Mr Hari Gadde,
Senior Climate Change Specialist,
Carbon Markets and Innovation,
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Founder and Managing Partner,
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Mr Will Hall,
Associate Fellow,
TERI



Background

Key issue for deliberation:

- Is there sufficient support, in the form of finance instruments and policy frameworks, to facilitate the green transition of the Indian steel and cement industries?
- What are the gaps that international climate finance can fill and the role it can play to help transition the iron and steel and cement industries to a lower carbon pathway?

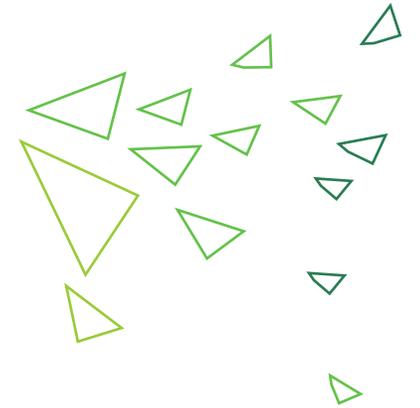
TERI's focus on Industry Transition which has included the recent studies:

- ***Transitioning India's Steel and Cement Industries to Low Carbon Pathways;*** and
- ***Towards a Low Carbon Steel Sector: Overview of the Changing Market, Technology, and Policy Context for Indian Steel***

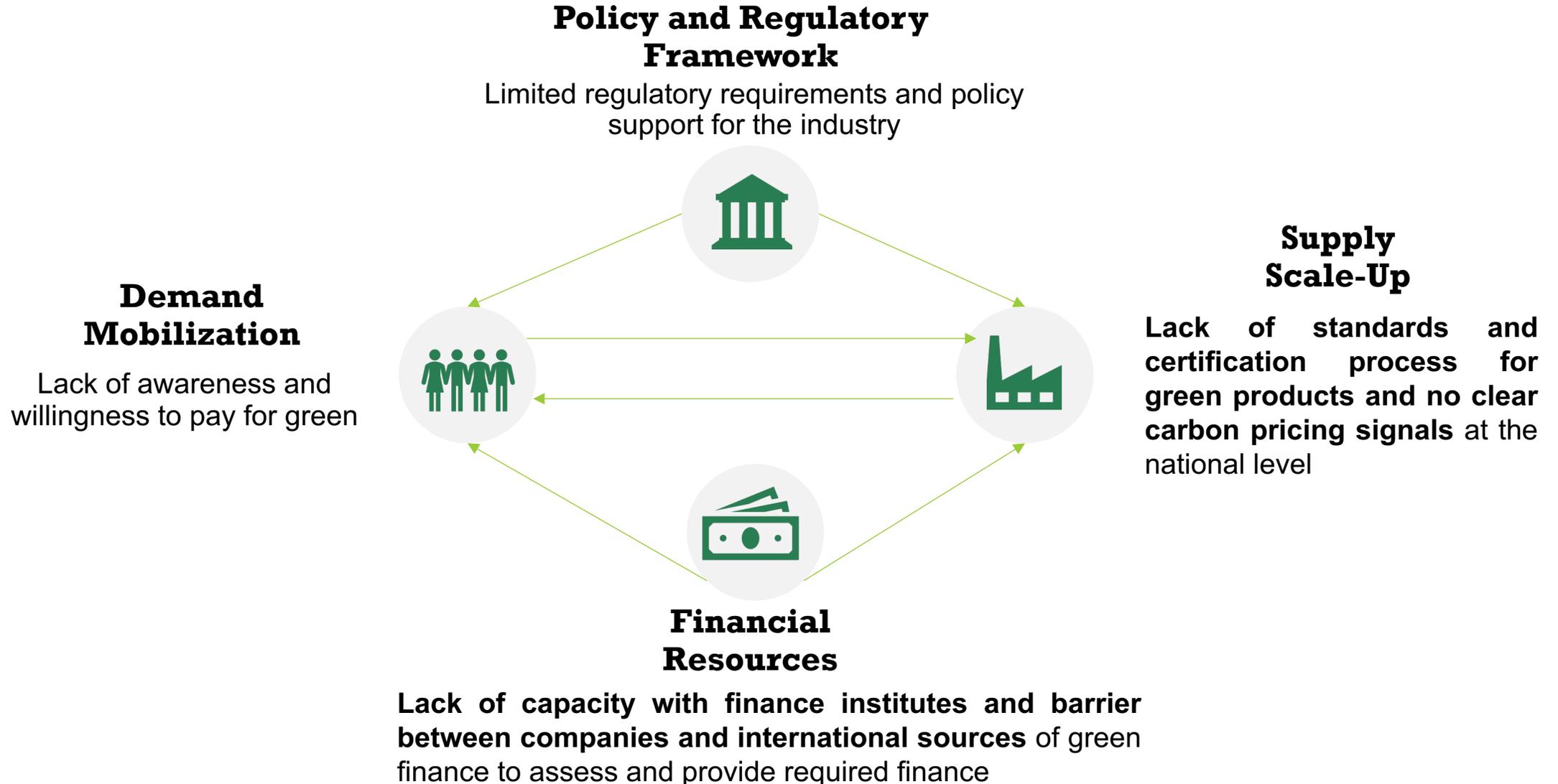
Transitioning India's Steel and Cement Sectors to Low Carbon Pathways

Published in July 2020

Key Learnings

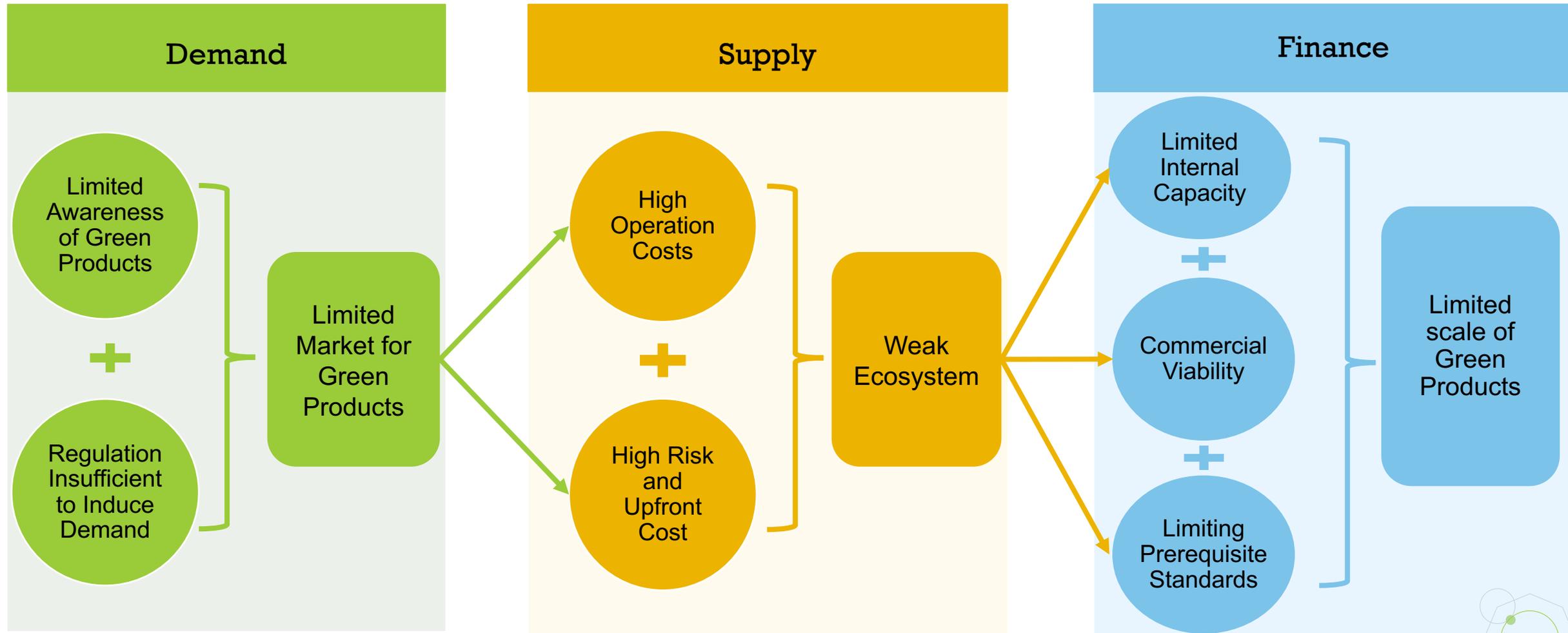


The Barriers



Inter-Relation between barriers

Lack of coherence in the existing policy and regulatory framework, from a climate perspective, has resulted in the creation of critical demand-side and supply-side gaps for the hard to abate industries.



Solutions

Strengthening the policy framework is a crucial enabler for signaling support for green products and greening the production process. Effective regulation can help spur a cycle of increased demand matched by increased supply of green products thereby also lowering the costs.

Demand Generation

Regulation and incentivization of greener products

Multi Industry Engagement

Public Procurement

Incentivizing Supply

Awareness building on strength and utility of greener counterparts

R&D support for Novel Technologies

Demonstration Projects

Mobilizing Finance

Lowering the costs of lending and increasing availability of finance in sectors which are not entirely tested

Blended Finance

Results Based Finance

Voluntary Carbon Markets

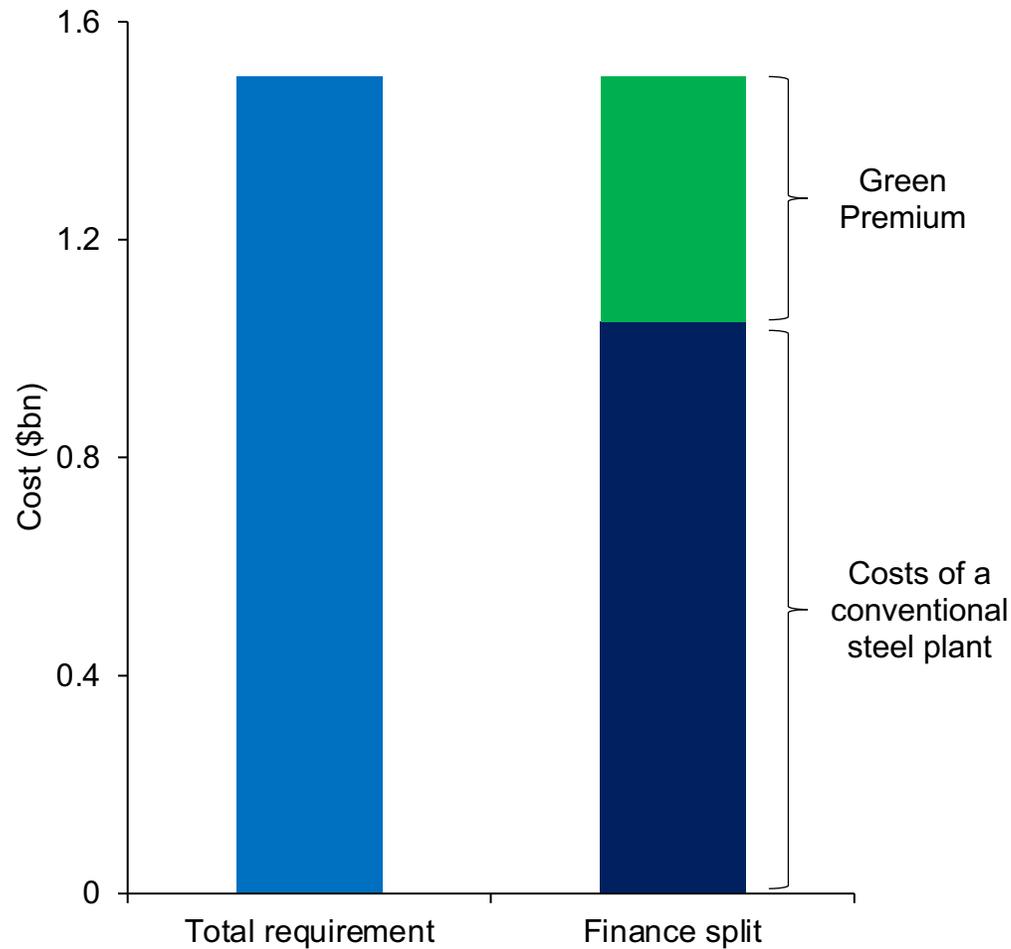
Transition Bonds

Example 1: Green product standards

- Active engagement in the establishment of green product standards to help create a market for premium, environmentally-friendly products
- In the steel sector, the ResponsibleSteel standard is being developed to create standards across a range of social and environmental principles
- Domestic standards such as GreenPro also provide an opportunity to develop standards meeting India-specific requirements
- Public body commitments to procuring under these standards can help rapidly achieve scale of procurement required to deliver cost reductions



Example 2: Demonstration projects



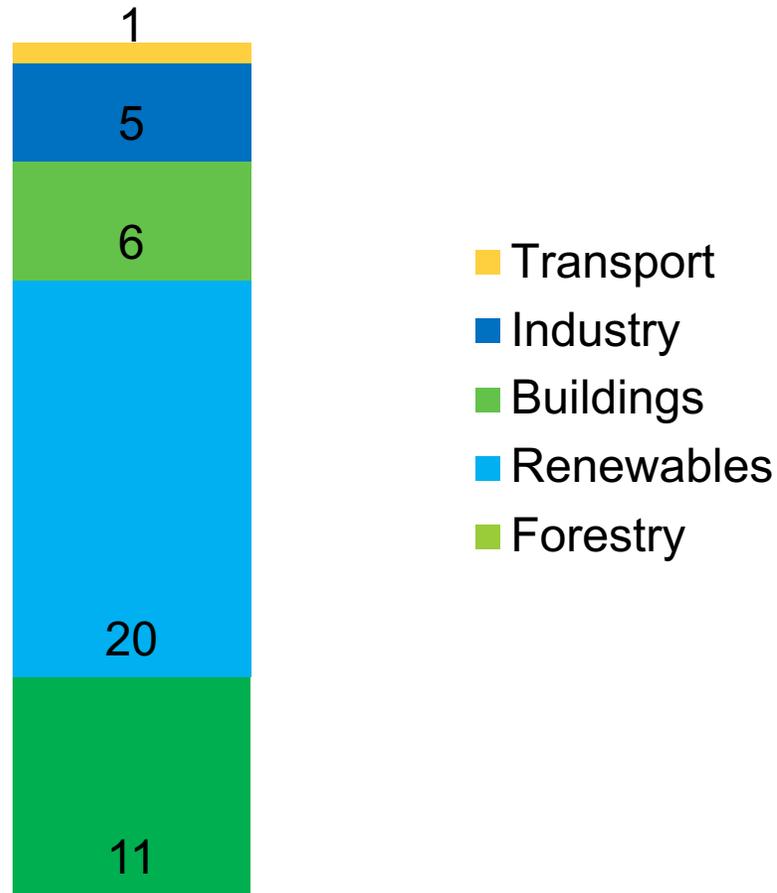
- To move forward activity on the supply-side, large and ambitious demonstration projects are needed to prove the viability of low carbon tech in the Indian context

E.g. Hydrogen Steel Plant

- A commercial-scale hydrogen demonstration plant would cost in the region of \$1-2bn, depending on set-up.
- It is estimated that steel from hydrogen direct reduction would cost around 20-30% more than steel from conventional sources.
- It could then be implied that 70% of the costs of a green steel plant (~\$1bn) are recoverable through the sale of steel at market rates.
- The remaining 30% (~\$0.5bn) is where attention is needed, either via grant funding or ongoing policy support (carbon pricing, regulations, standards).
- Need to establish consortia of steel companies, tech providers, financial institutions and government bodies to mobilise projects.

Example 3: Capacity building

Green Climate Fund Mitigation Project Portfolio



- The vast majority of climate finance is focused towards forestry and renewables projects
- Under the Green Climate Fund, nearly 75% of projects have been focused in these areas, with only 10% on industry segments – which have been largely energy efficiency
- As renewables projects become increasingly competitive, the focus of organisations such as GCF should switch to sectors where finance is not readily available
- It has taken +10yrs for financial institutions to build capacity to understand and invest with confidence in renewables projects
- A similar process is required for heavy industries where the understanding of potential projects, technology options, scale of costs, etc. is much less

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