

'Decarbonization of Indian Secondary Steel Sector: Role of International Climate Finance'

The second largest steel producer in the world, a significant share of India's steel production comes from its secondary steel sector- comprising of numerous Micro, Small, and Medium Enterprises (MSMEs). The secondary steel sector serves not only as an engine to drive the economy forward but also as a key component in achieving the country's decarbonization targets. However, the lack of adoption of energy efficient technologies for steel production coupled with insufficient and difficult access to finance has made the timely transition to cleaner and efficient technologies for the secondary steel sector extremely challenging. The adoption of low-carbon technologies for decarbonization requires significant financial support and involves a transitional shift on a wide scale. Given the difficulties of the secondary steel sector in having access to finance on such an abundant scale, it becomes vital to mobilize international climate finance to support their transition to low-carbon production pathways.

The Energy and Resources Institute (TERI), in association with DIW Berlin, is undertaking a study titled '**Decarbonization of Indian Secondary Steel Sector: Role of International Climate Finance**' to refine the understanding of the best-possible technologies available for adoption, the scope of international finance, and the technical, technological, financial, economic, and regulatory bottlenecks faced by the secondary steel sector in adopting low-carbon production pathways. As a part of the study, TERI organized a consultation workshop on June 13, 2023, in New Delhi, to present preliminary findings and enhance future recommendations through the report. The workshop was attended by several stakeholders from industrial associations, the financial sector, as well as service providers. Bringing together these diverse stakeholder groups, the workshop provided a platform to develop a mutual understanding of issues relating to the availability and access to finance, and to explore how appropriate financial instruments could be co-designed and implemented to address the current bottlenecks.

Several insightful takeaways came through the fruitful roundtable discussions. These included-

- There is a need to create adept policy systems which can assimilate international climate finance smoothly and disseminate them to the MSMEs at a low cost.

- A multi-prong approach would be needed. A taxonomy on 'green' and 'green steel' needs to be developed and the secondary steel sector needs to be further divided into sub-sectors, to determine their unique technological, financial, and technical support requirements.
- Mapping innovative financial instruments and incentivizing green transitioning along the pathway to decarbonization would be key.
- Not just capital costs, but also the cost of technical assistance and enabling low-carbon technologies for the sector need to be considered.
- No single financial instrument would address all the existing barriers. Thus, innovation and combination of financing instruments would be vital.
- There is a need to overcome regulatory barriers to access green power sources.
- The development of the right ecosystem with supportive policies is crucial. This would include focused development of digitization, dedicated institutions for green initiatives, and collaborative knowledge-sharing platforms for financiers and the industry.