

Economic survey puts focus back on climate finance, notes progress in India's forest cover

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Emphasising that climate change-related financial risks pose both 'micro and macro-prudential concerns', the Economic Survey presented by the Finance Ministry on Monday said the RBI had in May last year set up a new unit called 'sustainable finance group' within its department of regulation to effectively counter risks, and for leading the regulatory initiatives in the areas of sustainable finance and climate risk.

Dedicating a separate chapter to climate change, the Economic Survey further highlighted the need to include sustainable development in policy planning. While it lauded the initiatives and progress made by India, the Survey also noted the pace of investment in net-zero emission planning.

At the COP26 climate summit in November, PM Modi said India would reduce its projected total carbon emissions by 1 billion tonnes by the end of the decade. He also raised the target for installed capacity of renewable energy to 500 GW by 2030 from the previous 450 GW goal.

Other countries' timeline for net-zero emissions:

- 2050: US, UK, Japan, EU
- 2060: Saudi Arabia, China, Russia
- 2070: India

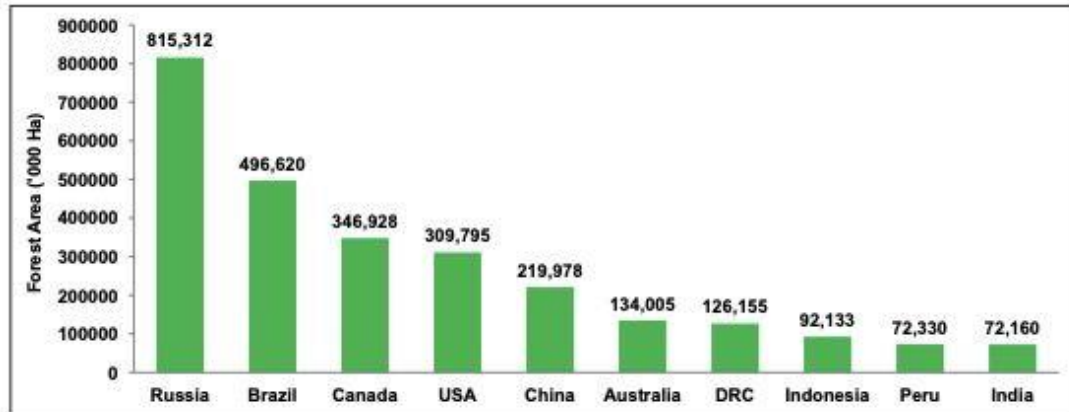
India has achieved 24% reduction of emissions till 2016, as per the third Biennial Update Reports (BUR) submitted to the United Nations Framework Convention on Climate Change (UNFCCC) in 2021. Backing Kalra, Sanjay Palve, Senior Managing Director, Essar Capital Ltd also added that 'sustainability and a boost to the Green and Renewable energy sector should also be a prime focus for this year's Union Budget'.

"The Union Budget should place an emphasis on long-term policy stability to encourage investment in the renewable energy sector. The government should reduce customs duties on renewable energy equipment and increase fund allocation under the Production Linked Incentive (PLI) to increase domestic manufacturing capabilities. This will boost manufacturing of clean energy equipment such as solar panels, electrolyzers, batteries, and wind turbines, which will boost the green hydrogen space," said Sanjay Palve.

India's forest cover

India has been making significant strides in increasing its forest area, ranking third globally in net gain in forest area during the decade (2010-20), the survey said, adding that going forward, there is a need to improve the forest and tree cover.

Figure 6: Top Ten Countries by Forest Area in 2020



Source: India State of Forest Report 2021

Note: DRC: Democratic Republic of the Congo

Much of India's increase in forest cover during 2011-21 is attributed to the enhancement in very dense forest cover, which rose by approximately 20% during the period. Open forest cover also improved by 7% during the period, it said. "Going forward, there is need to further improve forest and tree cover. Social forestry could also play a significant role in this regard", the survey said.