

STRATEGIC POLICY REPORT

2026

Activating India's Climate Finance Taxonomy

From Framework to Action



With support from



OCTOBER 2026

STRATEGIC POLICY REPORT

Activating India's Climate Finance Taxonomy

From Framework to Action

Translating India's draft Climate Finance Taxonomy from a classification document into a market instrument — through five non-legislative actions, sequenced under a 2+2 framework, executable within the current fiscal year.

A COLLABORATION Between

Ashoka Young India Fellowship and The Dialogue | October 2026

The Dialogue is a public policy think tank with a vision to drive a progressive narrative in India's policy discourse. Founded in 2017, we believe in facilitating well-researched policy debates at various levels to help develop a more informed citizenry, on areas around technology and development issues. The Dialogue has been ranked as the world's Top 10 think tanks to watch out for, by the Think Tank and Civil Societies Programme (TTCSP), University of Pennsylvania in their 2020 and 2021 rankings.

For more information

visit thedialogue.org.in

Suggested Citation

Amber, Komanduri, V. B., Sooraj, S., & Surya, V. (October, 2026) Strategic Policy Report: Activating India's Climate Finance Taxonomy: From Framework to Action. The Dialogue & Ashoka University.

Catalogue No.

TD/CSF/PR/1026/11

Publication

October, 2026

Disclaimer

The facts and information in this report may be reproduced only after giving due attribution to the authors and The Dialogue.®

Foreword

India's sustainable finance ecosystem has evolved considerably over the past decade. From the expansion of Environmental, Social and Governance (ESG) disclosures and green debt instruments to the emergence of transition finance frameworks and climate-focused policy initiatives, the foundations of a more structured sustainable finance architecture are steadily taking shape. As these foundations mature, the nature of the policy challenge is also changing. Increasingly, the question is no longer whether sustainable finance should play a role in India's development journey, but how institutions, markets, and regulatory frameworks can work together to direct capital towards activities that support both economic growth and environmental resilience.

Among the many developments in this space, the Department of Economic Affairs' Draft Framework for India's Climate Finance Taxonomy represents an important milestone. Taxonomies perform a deceptively simple function: they establish a common language for identifying and classifying sustainable economic activities. Yet international experience demonstrates that classification systems alone do not alter investment behaviour. Their effectiveness ultimately depends on the broader ecosystem in which they operate, including disclosure requirements, financial incentives, reporting standards, market adoption, and international interoperability. The transition from framework design to practical implementation is therefore likely to define the next phase of India's sustainable finance journey.

It is against this backdrop that this report makes its contribution. Rather than revisiting debates around taxonomy design, the authors focus on a question that is both timely and consequential: what institutional, regulatory, and market linkages are required for India's Climate Finance Taxonomy to influence capital allocation in practice? In doing so, they shift the conversation from architecture to application, examining how existing policy instruments and regulatory mechanisms might be leveraged to strengthen the taxonomy's role within India's evolving sustainable finance ecosystem.

The report is the outcome of a collaboration between The Dialogue and the Young India Fellowship at Ashoka University under the Fellowship's Experiential Learning Module. One of the most rewarding aspects of such engagements is the opportunity to bring together diverse perspectives in the examination of complex public policy questions. The authors come from varied academic, professional, and disciplinary backgrounds, yet have approached the subject with a shared commitment to rigorous inquiry and practical relevance. Their work reflects the value of interdisciplinary thinking in navigating challenges that sit at the intersection of finance, regulation, technology, sustainability, and economic development.

At The Dialogue, we have long believed that effective policy emerges not only from sound ideas, but from a careful consideration of how those ideas are implemented within real institutional environments. Sustainable finance is no exception. As India pursues its climate commitments while simultaneously seeking to sustain growth, expand energy access, strengthen industrial competitiveness, and support livelihoods, the design of financial frameworks will play an increasingly important role in shaping outcomes. This makes it essential that discussions around sustainable finance move beyond broad principles and engage more deeply with questions of execution, incentives, coordination, and institutional capacity.

This report does not seek to provide definitive answers to every challenge associated with climate finance in India, nor should it. Its value lies in asking important questions at an important moment. By exploring pathways through which the Climate Finance Taxonomy can be integrated into existing financial and regulatory systems, it contributes meaningfully to an emerging conversation on the future of sustainable finance in India.

We are pleased to support the publication of this report and hope it serves as a useful resource for policymakers, regulators, industry practitioners, researchers, and students interested in the continued evolution of India's sustainable finance landscape. More importantly, we hope it encourages further dialogue on the institutional pathways through which climate ambitions can be translated into measurable outcomes.

Ranjeet Rane

Partner | The Dialogue

About the authors

Amber holds a BA (Honours) in English from Jamia Millia Islamia University, Delhi, where she graduated with a Gold Medal. Her research interests lie at the intersection of technology governance, ethical AI, and digital transformation — an inquiry she has pursued through research assistantships at Jamia Millia Islamia, IIT Delhi, the University of Michigan, and MIT Media Lab. She has received offers of studentship from the University of Cambridge, the London School of Economics, and King's College London. Professionally, Amber works at Tata Consultancy Services as an Assistant Project Manager, having joined the organisation as a Technical Copywriter with TCS Interactive. She also received placement offers from the Centre for Internet & Society and the Internet Freedom Foundation. Her work is distinguished by its interdisciplinary approach to understanding how institutions navigate digital change responsibly.

Valli Bhargavi Komanduri holds a BPharm from the Birla Institute of Technology and Science, Pilani (Hyderabad campus), and an MA in Psychology from Indira Gandhi National Open University, New Delhi. She has worked across public health, education, marketing, and technology — most recently as an IT Consultant at Right Angle Solutions, Hyderabad, and previously as a Teach For India Fellow. Her professional and academic interests converge on questions of access, equity, and the design of community-driven systems for learning and wellbeing. Bhargavi brings to this research a grounded understanding of how policy intersects with lived realities at the grassroots, drawn from years of cross-sectoral fieldwork and her ongoing engagement with reforms in education and mental health.

Sooraj S holds a BA (Honours) in History from Ambedkar University, New Delhi, and has built a parallel career of considerable depth in theatre and performance. He serves as a Guest Artist at Adishakti Laboratory for Theatre Art Research, where he previously held a five-year residential artist position. His practice is defined by a sustained inquiry into the relationship between intellectual rigour and creative expression, and he has long advocated for pedagogical models that are flexible, collaborative, and attentive to diverse forms of knowledge. Within this research collaboration, Sooraj contributed both a humanistic historical lens and a practitioner's understanding of how institutional frameworks shape, and often constrain, lived ecosystems in India.

Surya V holds a BBA from Sree Amman Arts and Sciences College, Erode, and an MSW from Bharathidasan University, Tiruchirappalli, Tamil Nadu. He has worked as a Gandhi Fellow with the Piramal Foundation, where he was engaged in grassroots education and community development initiatives. The first in his family and village to earn a university degree, Surya brings both personal understanding and professional experience to questions of rural access, social mobility, and leadership in underserved communities. His contributions to this research reflect a practitioner's familiarity with the realities that national-level policy must ultimately reach.

Acknowledgements

This report is the product of a structured collaboration between the Young India Fellowship at Ashoka University and The Dialogue, undertaken as part of the Fellowship's Experiential Learning Module. The research, analysis, and policy recommendations contained herein reflect the collective effort of a team committed to contributing meaningfully to India's sustainable finance discourse.

The authors owe their deepest gratitude to **Ranjeet Rane**, Partner at The Dialogue, and **Kriti Singh**, Associate Director at The Dialogue, whose guidance anchored the intellectual direction of this project from its earliest stages. Their willingness to engage critically with successive drafts, and their insistence on analytical rigour, shaped the quality and character of this work in ways that are difficult to fully articulate.

At Ashoka University, the Experiential Learning Module team provided indispensable institutional support and academic oversight throughout the research process. The authors wish to thank **Srikant Sastry**, **Saman Waheed**, and **Naina Lahoti** for their consistent engagement, their responsiveness at every stage, and their investment in ensuring that the Fellowship's research commitments translate into substantive outputs.

The report benefited substantially from the expertise of four external reviewers who gave generously of their time and knowledge. **Ashish Chicksena**, ESG Advisor and former Head of ESG and Climate Action at Tata Capital, offered practitioner perspectives on how taxonomy frameworks interface with institutional lending decisions — perspectives that materially strengthened the report's recommendations on BRSR Core and PSL linkage. **Audumbar Chavan**, Senior Consultant for AI and DPI Services at Athena Infonomics and formerly of the RBI Innovation Hub, brought a deep understanding of India's regulatory architecture and provided pointed observations on implementation sequencing and data infrastructure. **Sumita Kale**, CEO and Senior Fellow at the Indicus Foundation, offered critical commentary on the report's treatment of Micro, Small and Medium Enterprise (MSME)-facing proxy methodologies and the broader macroeconomic framing of sustainable finance in the Indian context. The substantive improvements between the draft and final versions of this report owe much to their engagement. **Theres Thomas**, climate finance and carbon markets expert for her inputs on operationalising the recommendations of this report.

The authors are part of the **15th Cohort of the Young India Fellowship**, and are grateful to their fellow of the YIF '26 Cohort for the conversations, encouragement, and intellectual companionship that sustained this work. The collegiate environment of the Fellowship remains, in many respects, the silent collaborator on any project that emerges from it.

The authors also wish to record their appreciation for the support extended by **Karan Bhola**, Senior Director at the Young India Fellowship, and **Anushka Siddiqui**, Director at the Young India Fellowship, whose institutional backing made the conditions for this research possible.

Any errors of fact, interpretation, or omission that remain in this report are the sole responsibility of the authors.

Table of Contents

Executive Summary: At a Glance	ii
List of Abbreviations	iv
Key Acronyms and Defined Terms	iv
Methodology	viii
Introduction: The Climate Reality of the Indian Subcontinent	x
01 The Climate Finance Imperative	1
1.1 Why this moment is decisive	2
1.2 The Taxonomy as Policy Infrastructure	4
1.3 Scope, Intent, and Structure of this Report	4
02 The Financing Gap and Strategic Context	6
2.1 The Arithmetic of India's Climate Commitments	7
2.2 The International Capital Pool India Cannot Yet Access	8
2.3 Domestic Structural Constraints	8
03 The Taxonomy Architecture	11
3.1 Environmental Objectives	12
3.2 The Three-tier Classification System	12
3.3 Design Principles Embedded in the Framework	14
Five Actionable Recommendations	16
4.1 The Case for Mandatory Disclosure	17
4.2 The Regulatory Context: BRSR Core and India's Taxonomy	17
4.3 The Financial-Transmission Mechanism	18
4.4 Proposed Regulatory Amendment	19
4.5 Expected Market Effect	19
05 The 2+2 Implementation Roadmap	24
5.1 The Sequencing logic	25
5.2 Phase 1 — Urgent Actions (0–6 Months): Pilot and Position	25
5.3 Phase 2 — Structural Build-Out (12–24 Months): Institutionalise and Enforce	26
06 Comparative Lessons from Global Taxonomies	27
6.1 The European Union: Rigour without Proportionality	28
6.2 China: Domestic Credibility before International Interoperability	29
6.3 ASEAN and Indonesia: The Transition-washing Risk	29
6.4 South Africa: The Cost of Policy without Enforcement	29
6.5 Singapore-Asia: The Value of Explicit Interoperability Design	30
6.6 Colombia: The Proxy-indicator Pathway for Proportionality	30
6.7 The Implementation Risk Matrix in Comparative Perspective	30
07 Inclusion by Design — MSMEs and Indigenous Technology	32
7.1 The MSME Challenge in India's Climate Finance Architecture	33
7.2 Indigenous Technology: Where the Taxonomy Must Create Pull	35
08 Stakeholder Coordination Architecture	37
8.1 An Inter-Regulatory Coordination Committee	38
8.2 Coordination with State Governments and Sectoral Ministries	38
8.3 The role of multilateral and civil-society partners	38
09 Conclusion: From Classification to Capital	40
9.1 The Argument Restated	41
9.2 The Cost of Inaction	41
9.3 The Opportunity	41
9.4 The Next Twelve Months	42
ANNEXURE A	43

Executive Summary: At a Glance

The Activation Argument

India needs roughly US\$2.5 trillion in cumulative climate finance between 2015 and 2030 to meet its Nationally Determined Contributions (NDCs). The infrastructure for that mobilisation is being built. It is not yet switched on.

The Department of Economic Affairs (DEA)'s May 2025 Draft Framework for India's Climate Finance Taxonomy does almost everything a first draft should: tiered rather than binary, proportionality-conscious, with an explicit transition pathway and space for indigenous technology. The concern is not about what the draft says. It is about what no draft can do alone. Frameworks do not move capital. They move capital only when regulatory plumbing is in place: disclosure mandates, lending rules, screening criteria, and international recognition. India has the framework. The plumbing is largely missing.

The cost is denominated in capital that does not arrive. €5.8 trillion sits in Sustainable Finance Disclosure Regulation (SFDR)-regulated funds. These funds assess taxonomy alignment against the EU's own criteria, and because India's taxonomy has not been mapped against international reference frameworks such as the Multi-Jurisdiction Common Ground Taxonomy (M-CGT), every Indian instrument must be assessed case by case, typically with conservative results. The European Union (EU)'s Carbon Border Adjustment Mechanism has been fully operational since January 2026; embedded-carbon pricing on Indian exports of steel, cement, aluminium, fertilisers, and hydrogen now appears in landed price every quarter. The finance needed to cut those emissions depends on a credible, recognised taxonomy. The cost of an inactive taxonomy is no longer a strategic risk. It is a current one

Five Recommendations. Four Regulators. One Fiscal Year.

None of the five recommendations below requires legislation. All can be implemented within the current fiscal year.

Recommendation 1 - Securities and Exchange Board of India (SEBI): Mandate taxonomy-alignment disclosures in Business Responsibility and Sustainability Reporting (BRSR) Core. Require NIFTY 500 companies to report the taxonomy-aligned share of their capital expenditure (capex), operating expenditure (opex), and revenue. The European experience under the SFDR is instructive: mandatory classification on its own did not shift investor flows, which is why disclosure must be tied to standardised, assured financial metrics.

Recommendation 2 - Reserve Bank of India (RBI): Link the taxonomy to Priority Sector Lending (PSL). Amend the Master Directions so that 10 per cent of renewable energy and agriculture sub-targets within PSL are taxonomy-green within three years, with a 25-basis-point Marginal Standing Facility (MSF) concession for compliant lenders. This converts an existing regulatory lever into a direct cost-of-capital differential.

Recommendation 3 -Department of Economic Affairs (DEA) / Ministry of External Affairs (MEA): Use India's founding membership of the International Platform on Sustainable Finance (IPSF) to seek the mapping of India's taxonomy into the next iteration of the M-CGT. A published mapping against the EU, Chinese and Singapore-Asia taxonomies would give SFDR-regulated funds, sovereign wealth vehicles and pension funds a ready reference for assessing Indian instruments. The fiscal cost is negligible. The cost of delay accrues quarterly.

Recommendation 4 - Department of Economic Affairs (DEA): Constitute Sectoral Technical Committees (STCs) for renewable energy, green buildings, and electric vehicles. These three sectors already have the data infrastructure through the Bureau of Energy Efficiency (BEE), the Central Pollution Control Board (CPCB), and BRSR Core to develop quantitative Technical Screening Criteria (TSC) within twelve months, anchoring the taxonomy in technical credibility before scaling it to more complex sectors.

Recommendation 5 - DEA / Small Industries Development Bank of India (SIDBI): Commission a National Data Gap Assessment for Micro, Small and Medium Enterprises (MSME). Audit what India collects against what the taxonomy will require. The gap is the design space for proxy indicators. Without this audit, proportionality is a sentiment; with it, it becomes a workable reporting protocol.

The 2+2 Sequence

The recommendations sit within a 2+2 structure: two urgent actions in the first six months, followed by two structural interventions over the following twelve to twenty-four months. A renewable-energy classification pilot involving five to eight banks generates the empirical evidence, while the M-CGT application secures India's international position. The structural phase then formalises transition finance for hard-to-abate sectors and integrates the taxonomy into PSL and BRSR Core. Each recommendation responds to a documented failure. The EU imposed significant compliance costs on smaller firms; Recommendation 5 addresses that challenge. China achieved domestic scale but lost international legibility; Recommendation 3 responds. ASEAN's Amber tier became a parking mechanism because of loose definitions; Recommendation 4 introduces quantitative thresholds as the corrective. South Africa published its taxonomy without linking it to regulatory enforcement and watched the market ignore it; Recommendations 1 and 2 are designed to prevent the same outcome in India. The taxonomy does not need to be reinvented. It needs to be put to use

List of Abbreviations

Key Acronyms and Defined Terms

BEE	Bureau of Energy Efficiency	M-CGT	Multi-Jurisdiction Common Ground Taxonomy
BRSR	Business Responsibility and Sustainability Reporting	MEA	Ministry of External Affairs, Government of India
CAPM	Capital Asset Pricing Model	MoEFCC	Ministry of Environment, Forest and Climate Change
CBAM	Carbon Border Adjustment Mechanism (EU)	MSF	Marginal Standing Facility
		MSME	Micro, Small and Medium Enterprise
CPCB	Central Pollution Control Board	NABARD	National Bank for Agriculture and Rural Development
DEA	Department of Economic Affairs, Government of India	NDC	Nationally Determined Contribution
DNSH	Do No Significant Harm (principle)	PAT	Perform, Achieve and Trade Scheme
ESG	Environmental, Social and Governance	PLI	Production Linked Incentive
EU	European Union	PSL	Priority Sector Lending
GDP	Gross Domestic Product	RBI	Reserve Bank of India
GHG	Greenhouse Gas	M-CGT	Securities and Exchange Board of India
IFC	International Finance Corporation	MEA	Sustainable Finance Disclosure Regulation (EU)
IFSCA	International Financial Services Centres Authority	MoEFCC	Small Industries Development Bank of India
IPSF	International Platform on Sustainable Finance	MSF	Sectoral Technical Committee
KPI	Key Performance Indicator	MSME	Technical Screening Criteria
		NABARD	UN Framework Convention on Climate Change

Glossary of Key Terms

This glossary defines the principal technical and policy terms used in this report within the context of India's draft Climate Finance Taxonomy and the comparative international frameworks referenced.

Term	Definition
Adaptation Finance	Financial flows directed toward investments that reduce the climate vulnerability of a system, an asset, or a community. Distinguished from mitigation finance, which targets emissions reduction or avoidance. India's adaptation finance requirement is estimated by the Reserve Bank of India (RBI) at approximately US\$ 1.03 trillion cumulative through 2030.
BRSR Core	The narrower, third-party-assured subset of nine Environmental, Social and Governance (ESG) attributes within the broader BRSR framework. Mandatory for the top 150 listed entities by market capitalisation from FY24, with phased extension to the top 1,000 by FY27. The principal vehicle through which Recommendation 1 of this report would operate.
Capex Alignment	The percentage of a company's capex deployed into activities that satisfy taxonomy-aligned screening criteria. The most informative of the three disclosure metrics for assessing a forward-looking transition trajectory; central to the BRSR Core taxonomy schedule proposed in Recommendation 1.
Carbon Border Adjustment Mechanism (CBAM)	An EU policy instrument, fully operational since January 2026, imposing embedded-carbon pricing on imports of cement, iron and steel, aluminium, fertilisers, electricity, and hydrogen. Indian exporters in covered sectors face direct competitive pressure without comparable carbon pricing or recognised taxonomy alignment.
Multi-Jurisdiction Common Ground Taxonomy (M-CGT)	The M-CGT, originally a bilateral mapping exercise between the EU and Chinese sustainable-finance taxonomies developed under the International Platform on Sustainable Finance (IPSF), and now functioning as the de facto international interoperability standard.. Recommendation 3 calls for India to contribute its taxonomy to the IPSF's broader interoperability work.
Do No Significant Harm (DNSH)	A principle adopted across major taxonomies requiring that an activity contributing substantially to one environmental objective must not, in the same operation, cause significant harm to another. Operationalised through quantitative screening thresholds developed by Sectoral Technical Committees (STCs).
Greenium	The cost-of-capital advantage accruing to issuers whose instruments are recognised as taxonomy-aligned or otherwise green. Empirically observed in EU markets in the order of 10–30 basis points

		for highly-aligned issuers, although the magnitude varies substantially by sector and instrument.
Marginal Standing Facility (MSF)		The RBI's overnight liquidity-provision window for scheduled commercial banks, priced at a spread above the policy repo rate. Recommendation 2 proposes a 25-basis-point MSF concession for lenders meeting taxonomy-aligned PSL thresholds.
Nationally Determined Contributions (NDCs)		National-level commitments to emissions reduction and climate action communicated under the Paris Agreement. India's updated NDCs (2022) commit to a 45 per cent reduction in the emissions intensity of Gross Domestic Product (GDP) from 2005 levels by 2030, 50 per cent of installed power capacity from non-fossil sources by 2030, and net-zero emissions by 2070.
Priority Sector Lending (PSL)		The RBI's directed-credit framework requiring scheduled commercial banks to allocate 40 per cent of adjusted net bank credit towards designated priority categories, including agriculture, Micro, Small and Medium Enterprises (MSMEs), renewable energy, weaker-section housing, and education. Recommendation 2 proposes amending the PSL Master Directions to require taxonomy-green sub-allocation within renewable-energy and agriculture sub-targets.
Proxy Indicators		Simplified, readily-measurable indicators that serve as functional substitutes for analytically complex Technical Screening Criteria (TSC), particularly for MSMEs whose operational scale does not support the data infrastructure required for full TSC reporting. Colombia's eighteen sector-specific proxies are the leading international precedent. Recommendation 5 proposes a National Data Gap Assessment to identify an appropriate Indian indicator set.
Sectoral Technical Committee (STC)		An expert body constituted by the Department of Economic Affairs, Government of India (DEA), charged with developing quantitative TSC for a defined sector. Recommendation 4 calls for the immediate constitution of STCs for renewable energy, green buildings, and electric vehicles.
SFDR (Sustainable Finance Disclosure Regulation)		European Union (EU) Regulation 2019/2088, requiring sustainable finance disclosures by financial market participants and financial advisers. Articles 8 and 9 govern the classification of fund products by sustainability orientation. Approximately € 5.8 trillion in assets are regulated under SFDR.
Taxonomy-Green		Used in this report to denote activities, instruments, or loan exposures that satisfy the screening criteria for Tier 1 (Climate Supportive) under the Indian taxonomy framework. Distinguished from "transition-aligned", which satisfies the criteria for the Transition tier, and from "ESG-labelled", which is broader and not necessarily taxonomy-aligned.
Technical Screening Criteria (TSC)		The quantitative thresholds against which an economic activity is assessed for taxonomy alignment. Typically expressed as performance benchmarks (emissions intensity, energy efficiency,

	and water-use ratios) calibrated to sectoral baselines. The output of the STC process recommended in Recommendation 4.
Transition Activities / Transition Finance	Economic activities in hard-to-abate sectors with currently limited low-carbon alternatives but credible time-bound decarbonisation pathways. The framework's third tier is distinct from Tier 1 (Climate Supportive) and Tier 2 (Climate Supportive — Improving). In Phase 2, it would be subject to mandatory phase-out schedules and automatic declassification rules.
Transition-washing	The classification of business-as-usual investment in high-emitting sectors as transitional in the absence of measurable decarbonisation progress. Quantitative TSC and mandatory time-bound phase-out schedules, as proposed under Recommendation 4 in Phase-2, are designed to mitigate this risk.

Methodology

Research Design

This report is a policy analysis, not an empirical study. Its central claim, that India's Climate Finance Taxonomy requires an activation layer of regulatory, disclosure, and interoperability instruments to produce market effects, is a structural argument derived from comparative institutional evidence and regulatory logic. The methodology is calibrated accordingly: breadth and synthesis over statistical precision, with expert judgment serving as a check on inference rather than a source of findings.

Secondary Research

The analytical core rests on a systematic review across four source categories. *Regulatory and policy documents* form the primary evidentiary layer, including the DEA's Draft Taxonomy Framework for India's Climate Finance Taxonomy (May 2025), the EU Taxonomy Regulation and Delegated Acts, China's Green Bond Catalogue, the ASEAN and South Africa taxonomies, M-CGT technical reports, the Reserve Bank of India (RBI)'s PSL Master Directions, and the Securities and Exchange Board of India (SEBI)'s BRSR Core framework. *Quantitative and financial data* were drawn from United Nations Framework Convention on Climate Change (UNFCCC) finance tracking, Climate Policy Initiative (CPI) analyses, International Energy Agency (IEA) investment data, and Sustainable Finance Disclosure Regulation (SFDR, EU) fund classification databases. No proprietary datasets were used. *Comparative jurisdiction analysis* examined taxonomy implementation across the EU, China, ASEAN, South Africa, and Colombia, with Colombia's proxy-indicator methodology examined specifically for its MSME inclusion design. *Policy commentary* from the Organisation for Economic Co-operation and Development (OECD), the Institute for Energy Economics and Financial Analysis (IEEFA), the Council on Energy, Environment and Water (CEEW), the National Institute of Public Finance and Policy (NIPFP), and the Climate Bonds Initiative (CBI) provided contextual framing and cross-checks. Where sources conflicted, the report notes the divergence and relies on the more conservative estimate or the primary regulatory source.

Primary Engagement

Secondary analysis was supplemented by structured conversations with three subject-matter experts: Sumita Kale, financial and macroeconomist; Audumbar Chavan, development and public policy professional; and Ashish Chicksena, ESG and sustainability professional. Together, they represent the three institutional registers across which the report's recommendations are designed to operate: macroeconomic and financial system logic, public policy implementation, and ESG market practice.

The conversations were not designed to generate independent findings. Instead, they served three purposes: to stress-test recommendations against on-the-ground regulatory constraints; to identify implementation gaps that documentary analysis may not capture; and to assess whether the 2+2 sequencing logic reflects how institutional change actually occurs within the relevant ministries and regulators. The engagement was semi-structured and centred on draft recommendations rather than open-ended inquiry. Where a practitioner's perspective materially shaped a recommendation or its framing, the report notes this in the relevant section.

Analytical Framework

The comparative analysis follows a structured failure-mode logic. For each jurisdiction, the review asks three questions: what the framework was designed to achieve; where the gap between design intent and market effect emerged; and what structural feature produced that gap. Each of the five recommendations directly responds to a failure that another jurisdiction has already encountered.

Limitations

Three scope conditions bear stating. This report does not model climate finance flows or project capital mobilisation outcomes; the quantitative figures cited establish the scale of the challenge rather than validate the impact of the recommendations. Expert conversations, while substantive, were limited in number and skewed towards finance and policy practitioners; the analysis did not systematically incorporate the perspectives of MSME lending institutions or civil society. Finally, the regulatory landscape continued to evolve during the research period; the analysis reflects the documentary record as of the date of publication.

Methodological Note on Quantitative Claims

Several headline figures in the report are sensitive to the reporting period and the methodology used by the source institution. Three, in particular, merit explicit discussion.

The US\$2.5 trillion cumulative climate-finance estimate (2015–2030) originates in India's Economic Survey series and is corroborated by analyses from the Council on Energy, Environment and Water (CEEW) and the Observer Research Foundation (ORF). This literature presents it as an order-of-magnitude estimate; institution-by-institution decompositions vary by US\$ 0.2–0.4 trillion, depending on whether transition finance is treated as a separate envelope or embedded within mitigation. The report adopts the tripartite (mitigation adaptation, and transition) presentation in §2.1, consistent with the framing of the DEA's draft Framework.

The €5.8 trillion SFDR-regulated fund pool reflects the combined assets of Article 8 and Article 9 funds reported by Morningstar in late 2023 and early 2024. The figure is dynamic. By Q3 2025 the combined pool had grown beyond €6.5 trillion, with subsequent reclassifications under the proposed SFDR 2.0 expected to redistribute assets across categories. The report uses €5.8 trillion as a conservative reference point; the substantive policy argument remains unchanged for any value within the €5–7 trillion range.

India's Gross Expenditure on Research and Development (GERD) at 0.66 per cent of Gross Domestic Product (GDP) reflects the most recently published DST R&D Statistics figure for 2018–19 and 2019–20. The 2020–21 figure was 0.64 per cent; preliminary indications suggest a modest recovery to approximately 0.7 per cent over the post-pandemic period. The report uses 0.66 per cent as the most consistently cited reference point in comparable policy analyses. China's R&D intensity (cited as approximately 2.4 per cent) is drawn from the OECD MSTI 2022 release. The corresponding 2023 figure is approximately 2.55 per cent, with the comparison gap remaining essentially unchanged.

A note on terminology

Throughout this report, “the taxonomy” or “the framework” refers to the Draft Framework for India's Climate Finance Taxonomy released for public consultation by the DEA in May 2025. “Activation” refers to the regulatory and market linkages, disclosure mandates, lending incentives, and international interoperability that convert a taxonomy from a classification document into a market instrument.

Introduction: The Climate Reality of the Indian Subcontinent

Climate change is no longer a forecast for India. Long-term global warming is now estimated at between 1.34°C and 1.41°C above pre-industrial levels, and 2024 was the first calendar year to exceed 1.5°C; the consequences are visible in intensifying heat, disrupted monsoons, rising seas, and falling agricultural yields. They are the conditions under which the Indian economy already operates. Treating climate risk as a horizon problem is not a different risk model. It is an outdated one.

What is less often stated in policy terms is that this exposure is unevenly distributed, and the unevenness is structural. Climate risk falls hardest on economies with the greatest workforce exposure to climate-sensitive livelihoods, subsistence and rain-fed agriculture, coastal fisheries, outdoor informal labour, and the least fiscal space to absorb repeated shocks. The two characteristics travel together. With few exceptions, the economies most exposed to physical warming are also the least able to finance their own resilience.

India sits at that intersection. Over a billion people live in regions where summer temperatures already periodically exceed safe working thresholds; 2023 and 2024 ranked among the hottest years in the India Meteorological Department's record. The most exposed sectors are agriculture, construction, and energy-intensive manufacturing. They are also the largest employers and the source of the most vulnerable output. A disrupted monsoon is a macroeconomic event, not an agricultural one. A heat spell that pushes outdoor labour below safe productivity is a labour-supply shock with fiscal consequences that can extend several years.

The distributional problem compounds the physical one. India's adaptation finance requirement to build resilience in systems already under stress, rather than to decarbonise them, is approximately US\$1.03 trillion through 2030. Adaptation finance is structurally harder to mobilise through markets than mitigation finance: the returns are social rather than commercial, diffuse rather than project-specific, and long-dated rather than medium-term. A taxonomy calibrated only towards mitigation-linked green assets will leave adaptation as under-channelled after the framework as before it.

None of this is amenable to incremental adjustment. The scale of capital reallocation required across energy, industry, urban systems, and agriculture exceeds what public finance can supply on any credible projection. India's transition therefore rests on a working assumption: private capital, both domestic and international, must be mobilised at scale. That mobilisation runs through architecture, not aspiration: the disclosure regimes, pricing signals, lending incentives, and classification standards that make climate-aligned assets legible, comparable, and institutionally investable.

That architecture exists in India only in prototype form. The RBI's PSL framework steers credit towards clean energy. The SEBI's BRSR Core framework collects sustainability data from the largest listed firms. The DEA's Draft Framework for India's Climate Finance Taxonomy provides a credible classification spine. What is missing is the connective tissue that binds these instruments into a single market signal. Supplying that connective tissue is the task of this report. It is an urgent task, executable within the current fiscal year, whose deferral carries a cost measured in foregone capital that accrues every quarter of inaction.

CHAPTER

01

The Climate Finance Imperative

Understanding why the current decade will determine the success or failure of India's climate-finance ambitions.



India's climate commitments are among the most ambitious of any major economy. Whether they are met depends almost entirely on whether private capital can be mobilised at scale. At present, however, the infrastructure to do so does not yet exist in operational form.

"A taxonomy is among the simplest pieces of policy machinery: a list of things, together with the rules that determine what goes on it. The targets themselves are fairly standard across jurisdictions. What varies, and what matters, is the set of design choices built around them"

1.1 Why this moment is decisive

Three timelines are converging on India's climate finance architecture during the current fiscal year. They were not designed to converge. They have, all the same.

The first is physical. India's **Nationally Determined Contribution (NDC)** for 2031–2035, submitted in April 2026, sets three targets for 2035. First, reduce the emissions intensity of GDP by 47 per cent from 2005 levels. Second, achieve 60 per cent of cumulative installed power capacity from non-fossil sources. Third, create an additional carbon sink of 3.5 to 4.0 billion tonnes of CO₂ equivalent through forest and tree cover.¹ These build on the 2030 targets set in 2022 (45 per cent, 50 per cent, and 2.5–3 billion tonnes respectively). The 2070 net-zero target sits behind these intermediate commitments and is, in capital terms, contingent on them. Each intermediate commitment is, in capital terms, contingent on policy preference. It is contingent on the physics of capacity addition, grid integration, asset replacement, retirement, and rebuilding. Capital deployed within the window meets the target. Capital deployed after the window does not because intermediate targets cannot be achieved retrospectively.

The second is **international policy**. The European Union (EU)'s Carbon Border Adjustment Mechanism (CBAM) became fully operational in January 2026.² CBAM does what its name suggests, it applies an embedded-carbon price to imports into the EU of cement, iron and steel, aluminium, fertilisers, hydrogen, and electricity. The cost to Indian exporters is set by the embedded emissions of their goods and by any carbon price already paid in India. Taxonomy status does not reduce it, but credible, internationally legible transition finance is what will allow exporters to cut those emissions at the pace the EU price now rewards. Indian exporters now compete in European markets against counterparts whose taxonomies and disclosure regimes are recognised under SFDR.³ The asymmetry appears at the margin, in landed cost. Taxonomic invisibility used to be a future problem. As of January 2026, it is a current one, denominated in the rising cost of financing decarbonisation.

The third is **capital allocation**. Approximately €5.8 trillion sits in SFDR-regulated funds;⁴ several trillion more sits within comparable disclosure regimes in the UK, Singapore, and Japan. That capital is allocated against the finite universe of instruments that these regimes recognise as taxonomy-aligned. Allocation patterns established while that universe is still being defined tend to persist, because portfolio reweighting against settled benchmarks is incremental rather than stepwise. India's first-mover window, during which inclusion in that universe is still being negotiated rather than retrofitted, is, on the current trajectory, eighteen to twenty-four months wide.

The three timelines happen, by accident or otherwise, to be closing simultaneously. Each could perhaps be addressed independently. Their convergence is what makes activation, rather than continued drafting, the defining policy question.

THE DECISIVE CONVERGENCE *Physical decarbonisation timelines, trade-side carbon pricing, and global capital allocation cycles are now converging within the same eighteen-to-twenty-four-month window. The cost of operating without an activated taxonomy is denominated in foregone trade margin, foregone capital flows, and foregone emissions abatement, and it accrues quarterly.*

¹ Government of India. (2026). India's nationally determined contribution (2031–2035). *United Nations Framework Convention on Climate Change*

² European Parliament & Council of the European Union. (2023, May 10). *Regulation (EU) 2023/956 establishing a Carbon Border Adjustment Mechanism. Official Journal of the European Union, L 130.*

³ European Commission. (2025). *Regulation (EU) 2025/2083 amending Regulation (EU) 2023/956 — CBAM Omnibus simplification (in force October 20, 2025).*

⁴ European Parliament & Council of the European Union. (2019, December 9). *Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR). Official Journal of the European Union, L 317.*

⁵ Morningstar Sustainability. (2025). *SFDR Article 8 and Article 9 funds: Q4 2024 in review. Morningstar Manager Research.*



The Numbers that Frame the Argument



Four headline figures, taken together, define both the scale of the challenge and the asymmetry of the cost of inaction.

CUMULATIVE CLIMATE FINANCE NEED US\$2.5 trillion Required between 2015 and 2030 to meet India's NDC commitments. The majority remains to be mobilised, largely from private and international sources.

SFDR-REGULATED FUNDS POOL €5.8 trillion Global sustainable funds regulated under SFDR that are currently unable to classify Indian instruments as taxonomy-aligned.

ADAPTATION FINANCE REQUIREMENT US\$ 1.03 trillion Estimated cost of climate adaptation through 2030, distinct from mitigation finance. Requires dedicated classification infrastructure that the framework only partially specifies.

INDIGENOUS R&D CAPACITY 0.66 per cent of GDP India's gross expenditure on R&D, compared with China's 2.4 per cent and the OECD average of approximately 2.7 per cent.

Taken together, these four figures illustrate both the scale of the financing challenge and the asymmetry of the cost of inaction.^{5F6F7F8F9F10} A US\$2.5 trillion mobilisation requirement cannot be met through domestic public finance alone. It requires the mobilisation of private domestic capital and the unlocking of international capital flows. Both depend, in different ways, on activating the taxonomy.

1.2 The Taxonomy as Policy Infrastructure

A sustainable-finance taxonomy is a deceptively simple instrument. It is, at root, a classification system: a structured set of definitions for which economic activities count as environmentally sustainable, under what conditions, and against which thresholds. Its power, however, lies not in its classification logic but in what it is connected to. A taxonomy connected to disclosure mandates becomes a transparency instrument. One connected to lending rules becomes a credit-allocation instrument. One connected to international interoperability frameworks becomes a capital-attraction instrument. One connected to none of these is a glossary.

India's draft taxonomy, as released by the DEA in May 2025,^{10F11} is well designed. It articulates clear environmental objectives for mitigation, adaptation, and transition, alongside a tiered classification system that distinguishes Climate Supportive activities (Tier 1) from Transition Activities in hard-to-abate sectors with documented decarbonisation pathways. It embeds the Do No Significant Harm (DNSH) principle, anticipates proportionality for MSMEs, and explicitly favours indigenous technology. It is, in short, a thoughtful framework.

What it is not yet, and what this report addresses, is an activated framework. The connections between taxonomy classification and the apparatus of financial decision-making, including mandatory disclosure, lending incentives, international recognition, sectoral thresholds, and MSME inclusion, remain to be specified and operationalised. Each of the five recommendations in Section 4 establishes one such connection.

"A taxonomy connected to disclosure mandates becomes a transparency instrument. One connected to lending rules becomes a credit-allocation instrument. One connected to international interoperability frameworks becomes a capital-attraction instrument. One connected to none of these is a glossary."

— The Activation Argument

1.3 Scope, Intent, and Structure of this Report

This report is intentionally narrow in its claim. It does not attempt to redesign the taxonomy. The DEA's draft framework is, in its core architecture, sound, and the broader policy consultation already under way is the appropriate forum for refining its definitions and tier structures. Instead, this report specifies the activation layer: the regulatory linkages, market-pricing connections, international positioning, and data infrastructure required to convert the framework into a functioning instrument of capital allocation.

The report is organised around the logic of activation. Section 2 begins with the financing gap and the strategic context that make activation urgent. Section 3 then examines the draft taxonomy itself, focusing on its architecture and the design choices embedded within it. Building on that analysis, Section 4 presents five recommendations, which Section 5 organises into a 2+2 implementation sequence: two actions for the current fiscal year and two for the next. Section 6 stress-tests this sequence against the experience of six comparator jurisdictions. Sections 7 and 8 then address two questions that any activation effort must

⁶ Ministry of Finance, Government of India, Economic Survey 2023–24, Volume 1, Chapter on Climate Change and Sustainable Development.

⁷ Reserve Bank of India, Report on Currency and Finance 2022–23 — Towards a Greener, Cleaner India, Mumbai: RBI Department of Economic and Policy Research, 3 May 2023.

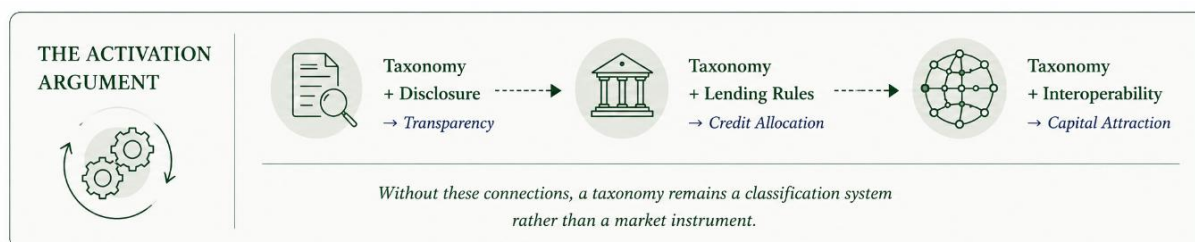
⁸ Morningstar Sustainability, SFDR Article 8 and Article 9 Funds: Q4 2024 in Review, Chicago: Morningstar Manager Research, 2025.

⁹ Department of Science and Technology, Government of India, Research and Development Statistics at a Glance 2022–23.

¹⁰ OECD, Main Science and Technology Indicators (MSTI) Database, Directorate for Science, Technology and Innovation, 2024.

¹¹ Press Information Bureau, Government of India, "DEA invites suggestions on Draft Framework of India's Climate Finance Taxonomy by 25 June 2025," PIB Release ID 2127562, 7 May 2025.

confront; the inclusion of MSMEs and indigenous technology, and the coordination of the stakeholders whose buy-in the taxonomy will require. Section 9 concludes.



CHAPTER

02

The Financing Gap and Strategic Context

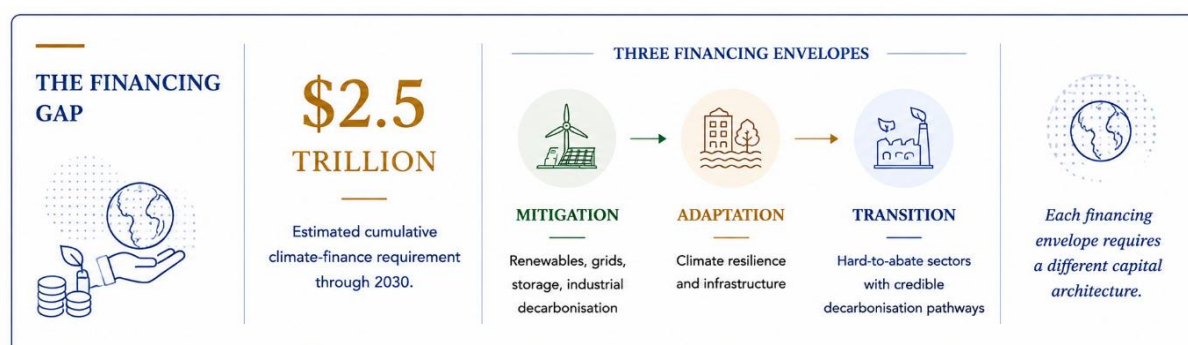
The activation question becomes operative only once the gap is sized correctly.



The activation question becomes operative only once the gap is properly sized. This section sets out three dimensions of that gap: the arithmetic of India's climate commitments, the international capital pool that India cannot yet access, and the domestic structural constraints that the taxonomy is intended, in part, to address.

2.1 The Arithmetic of India's Climate Commitments

India's climate-finance requirement, measured against its updated NDCs and the 2070 net-zero target, is large in absolute terms and analytically tractable in its decomposition. The cumulative requirement by 2030 is approximately US\$2.5 trillion.^{11F12F13} This estimate is consistent across the Economic Survey series, the CEEW's analysis,^{13F14} and corroborating work by the Observer Research Foundation (ORF). The estimate decomposes into three investment categories, each with materially different financing structures.



Mitigation is the largest component. It encompasses the energy transition itself: renewable energy, transmission and grid integration, storage, electric mobility, low-carbon industrial processes, and energy efficiency. The Central Electricity Authority (CEA)'s National Electricity Plan^{14F15} sets out the pathway to achieving 500 GW non-fossil capacity by 2030, while the Ministry of Power reported non-fossil-fuel installed capacity at 47.4 per cent of the total in February 2025.^{15F16} India crossed the 50 per cent non-fossil installed-capacity threshold in mid-2025, reaching roughly 250 GW of an installed base that has since exceeded 500 GW, five years ahead of the Paris-aligned 2030 commitment. That the physical transition is running ahead of schedule while the financial architecture needed to fund its more challenging next phase remains in prototype is precisely the asymmetry this report addresses. Mitigation is the most clearly quantified investment category; the Technical Screening Criteria (TSC) for mitigation activities are typically the most data-rich and least contentious.

The second is **adaptation**. The RBI's Report on Currency and Finance estimates the cumulative adaptation requirement at approximately ₹85.6 lakh crore (approximately US \$1.03 trillion) by 2030.^{16F17} Adaptation finance is structurally underfunded, both globally and in India. The Climate Policy Initiative (CPI)'s annual tracking of India's climate finance landscape confirms the scale of the gap.^{17F18} The draft taxonomy framework partially specifies adaptation classification, which is harder to operationalise than mitigation because adaptation outcomes are inherently location, climate, and timeframe specific.

The third category is **transition**. This is the investment envelope for capital deployed into hard-to-abate sectors, including iron and steel, cement, refining, fertilisers, and parts of the chemicals industry, where currently available low-carbon alternatives are technically or commercially limited but credible

¹² Ministry of Finance, Government of India, Economic Survey 2023–24, Volume 1, Chapter on Climate Change and Sustainable Development.

¹³ Council on Energy, Environment and Water, Investment Sizing for India's 2070 Net-Zero Target, CEEW Issue Brief, 2024.

¹⁴ Observer Research Foundation, Fiscal Federalism for Climate Action in India: Expectations from the 16th Finance Commission, ORF Occasional Paper, January 2026.

¹⁵ Central Electricity Authority, National Electricity Plan — Volume I (Generation), 2022–2032, Ministry of Power, 2023.

¹⁶ Ministry of Power, Power Sector at a Glance — February 2025, Government of India.

¹⁷ Reserve Bank of India, Report on Currency and Finance 2022–23 — Towards a Greener, Cleaner India, Mumbai: RBI Department of Economic and Policy Research, 3 May 2023.

¹⁸ Climate Policy Initiative, Landscape of Green Finance in India 2024, New Delhi: CPI India, 2024.

decarbonisation pathways exist. The CPR's political-economy analysis^{18F19} provides the institutional context. The transition envelope is also the most contested in international taxonomy practice because of the risk of “transition washing”: the indefinite parking of incumbent investment within the transition category without measurable decarbonisation progress.

2.2 The International Capital Pool India Cannot Yet Access

The principal international capital pool for sustainable investment is the €5.8 trillion regulated under the EU's SFDR, comprising Article 8 and Article 9 fund assets reported in late 2023 and early 2024.^{19F20} The figure has since grown beyond €6.5 trillion. This report uses €5.8 trillion as a conservative reference point, but the substantive policy argument remains unchanged for any value within the €5–7 trillion range. Comparable capital pools exist under disclosure regimes in the UK, Singapore, and Japan, while the United Nations Framework Convention on Climate Change (UNFCCC) Standing Committee on Finance tracks the broader global climate finance architecture.^{20F21}

Indian access to that capital is limited by the recognition of Indian-issued instruments as taxonomy-aligned within those regimes. The M-CGT, originally a bilateral mapping exercise between the EU Taxonomy and the People's Bank of China (PBOC) Green Bond Endorsed Project Catalogue, now functions as the de-facto international interoperability standard.^{21F22} India holds no formal position within it. As a result, SFDR-regulated funds cannot classify Indian green bonds, sustainability-linked loans, or transition finance instruments as taxonomy-aligned. Each instrument must be cross-walked manually, and the outcome is typically conservative. The International Finance Corporation (IFC)'s blended-finance work in India illustrates the structural cost of this analytical gap,^{22F23} while the CSEP's analysis of sustainable finance in emerging markets reaches similar conclusions.^{23F24}



The Asia Investor Group on Climate Change (AIGCC) argued for explicit M-CGT mappability in its public consultation response to the DEA framework.^{24F25} The Institute for Energy Economics and Financial Analysis (IEEFA) reached a similar conclusion from a different perspective:^{25F26} international interoperability is not optional for an emerging-market taxonomy that seeks to mobilise foreign capital.

2.3 Domestic Structural Constraints

Even setting international capital aside, the mobilisation of domestic capital towards climate-aligned investment is constrained by structural features of the Indian financial system that the taxonomy is intended, in part, to address.

¹⁹ Centre for Policy Research, The Political Economy of India's Energy Transition, Discussion Paper, 2024.

²⁰ Morningstar Sustainability, SFDR Article 8 and Article 9 Funds: Q4 2024 in Review, Chicago: Morningstar Manager Research, 2025.

²¹ UNFCCC Standing Committee on Finance, Sixth Biennial Assessment and Overview of Climate Finance Flows, Bonn: UNFCCC Secretariat, 2024.

²² International Platform on Sustainable Finance, Working Group on Taxonomies, Common Ground Taxonomy — Climate Change Mitigation, Instruction Report, IPSF Secretariat, 2022.

²³ International Finance Corporation, Blended Finance for Climate Investments in India, Washington, DC: World Bank Group / IFC, 2023.

²⁴ Centre for Social and Economic Progress, Sustainable Finance Architecture for Emerging Markets, CSEP Working Paper, 2024.

²⁵ Asia Investor Group on Climate Change, Public Consultation Response: India's Climate Finance Taxonomy, submitted to DEA, 24 June 2025.

²⁶ Institute for Energy Economics and Financial Analysis, "Building a climate finance ecosystem: India's draft taxonomy framework," IEEFA Commentary, May 2025.

Banking Concentration and PSL Design

India's commercial banking sector is dominated by public sector banks, which collectively hold roughly 60 per cent of system-wide deposits. The RBI's PSL framework requires 40 per cent of adjusted net bank credit to flow towards designated priority categories, including agriculture, MSMEs, renewable energy, and weaker-section housing.^{26F27} PSL has been broadly successful in directing credit toward renewable energy in particular. Renewable energy was added as an eligible PSL category in 2015, and the 2025 Master Directions broadened²⁸ eligible purposes, as the SBI Economic Research Department's sectoral analysis demonstrates.^{27F29} However, it does not currently distinguish between transition-credible and transition-washed lending. A loan that financing rooftop solar on an industrial unit is treated in the same way as a loan financing the unit's operations, regardless of energy intensity. Linking the taxonomy to PSL, as proposed in Recommendation 2, is the structural correction. The Indian Banks' Association (IBA)'s sustainability reporting guidelines provide the complementary industry perspective.^{28F30}

Capital Market Depth and the BRSR Pipeline

India's equity capital markets are deep but ESG-data-thin.^{29F31} The SEBI's BRSR framework, mandatory for the top 1,000 listed companies (by market capitalisation) as of FY23,^{30F32} and BRSR Core, the assured, narrower set of nine ESG attributes, mandatory for the top 150 from FY24 and expanding to the top 1,000 by FY27,^{31F33} are the principal vehicles for standardised ESG disclosure. The Industry Standards Forum methodology baseline^{32F34} establishes the assurance protocol. BRSR Core was a substantial step forward, but it does not yet require taxonomy-alignment disclosure. As a result, an institutional investor evaluating a NIFTY 500 company has access to assured energy intensity, water consumption, and emissions data, but cannot answer the question that most directly informs allocation: what fraction of the company's capital expenditure is taxonomy-aligned? Recommendation 1 closes precisely this gap.

R&D and the Indigenous Technology Constraint

India's gross expenditure on R&D, at approximately 0.66 per cent of GDP,^{33F35} is structurally below the level required to develop competitive indigenous green technologies at scale. China's R&D intensity is roughly 2.4 per cent; the OECD average is 2.7 per cent.^{34F36} The taxonomy cannot, by itself, resolve this gap. It is a downstream consequence of decisions about public R&D spending, university research funding, and industry-academia partnership architecture; NIPFP's fiscal architecture analysis sketches the upstream picture.^{35F37} But the taxonomy's design choices materially affect whether it inadvertently disadvantages indigenous solutions. Screening criteria calibrated only to imported-technology benchmarks (Chinese solar module efficiency, European green-hydrogen electrolyser performance) can effectively exclude domestic alternatives even where their lifecycle environmental profile is competitive. The constitution of Sectoral Technical Committees (STCs) with explicit mandates to incorporate indigenous-technology data, as proposed in Recommendation 4, is the structural safeguard.

²⁷ Reserve Bank of India, Master Directions — Priority Sector Lending (Directions), 2020 (Updated as on July 2024), RBI/FIDD/2020-21/72.

²⁸ Reserve Bank of India. (2026). *Master Directions – Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2025 (RBI/FIDD/2024-25/128; updated as on September 11, 2026)*.

²⁹ State Bank of India, Economic Research Department, PSL Revised Guidelines: A Win-Win Proposition, SBI Ecwrap, FY26.

³⁰ Indian Banks' Association, Sustainability Reporting Guidelines for Indian Banks (IBA SRG-2024), Mumbai: IBA, 2024.

³¹ Deloitte. (2024, August 15). *Indian investors value sustainability but struggle to access trustworthy data: Deloitte Moneycontrol*.

³² Securities and Exchange Board of India, Business Responsibility and Sustainability Reporting by Listed Entities, Circular SEBI/HO/CFD/CMD-2/P/CIR/2021/562, 10 May 2021.

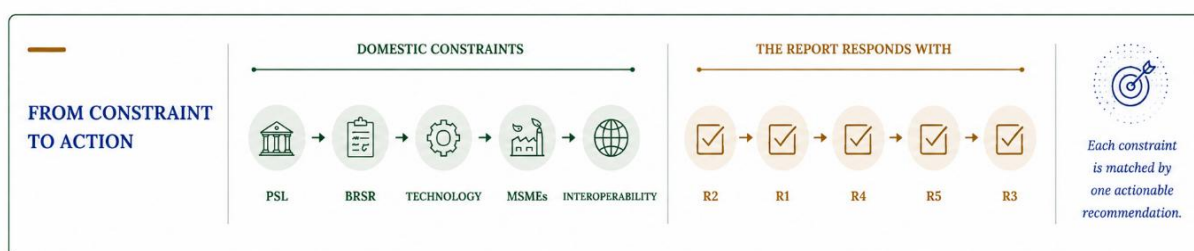
³³ Securities and Exchange Board of India, BRSR Core — Framework for Assurance and ESG Disclosures for Value Chain, Circular SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122, 12 July 2023.

³⁴ Securities and Exchange Board of India, Industry Standards on Reporting of BRSR Core, Circular dated 20 December 2024.

³⁵ Department of Science and Technology, Government of India, Research and Development Statistics at a Glance 2022–23.

³⁶ OECD, Main Science and Technology Indicators (MSTI) Database, Directorate for Science, Technology and Innovation, 2024.

³⁷ National Institute of Public Finance and Policy, Fiscal Architecture for India's Climate Commitments, NIPFP Working Paper, 2024.



The table below maps each domestic constraint to the recommendation that responds to it, demonstrating that the five recommendations are not a thematic miscellany but a coordinated response to a structurally identified set of constraints.

Domestic constraint	Manifestation	Recommendation addressing it
Undifferentiated PSL credit	Renewable-energy sub-target met without distinguishing transition-credibility from transition-washed lending.	R2: Link to the taxonomy to PSL with a 25-basis-point MSF concession.
BRSR without taxonomy-alignment disclosure	Investors cannot evaluate the forward-looking decarbonisation trajectory of listed companies.	R1: Mandatory taxonomy-alignment disclosure in BRSR Core.
Imported-technology screening bias	Indigenous solar, wind, hydrogen solutions risk exclusion from Tier 1 by default.	R4: Constitute STCs with indigenous technology data integrated into the TSC.
MSME compliance burden	Approximately 30 per cent of GDP is generated by a segment unable to absorb complex emissions reporting.	R5: Commission a National Data Gap Assessment and develop a proxy-indicator pathway.
International recognition gap	SFDR-regulated funds are analytically constrained from classifying Indian instruments as taxonomy-aligned.	R3: Secure observer status in the M-CGT.

Table 2.1 — Mapping domestic financing constraints to the report's five recommendations.

CHAPTER

03

The Taxonomy Architecture

Understanding the design principles, classifications, and institutional logic underpinning India's Climate Finance Taxonomy.



The five recommendations that follow operationalise a specific architecture. Understanding the architecture clarifies why each recommendation targets the lever it does and why their sequencing is not arbitrary.

3.1 Environmental Objectives

The Draft Framework for India's Climate Finance Taxonomy organises classification around three environmental objectives, mirroring the structural choice made by most second-generation taxonomies (Singapore-Asia,36F³⁸ ASEAN,37F³⁹ the EU's expanded framework38F⁴⁰), but with a distinctively Indian emphasis on transition.

Climate Change Mitigation

The first and most quantifiable objective. An economic activity contributes substantially to mitigation if it directly reduces or avoids greenhouse gas (GHG) emissions, or enables such reductions in another activity. The category is anchored in the energy transition (renewable energy, storage, efficient transmission, and low-carbon transport), but extends to industrial efficiency, sustainable agriculture, circular economy activities, and forestry. The TSC for mitigation activities are typically the most data-rich and least contentious. Emission factors, energy intensity, and lifecycle assessments are reasonably standardised across major sectors.

Climate Change Adaptation

The second objective is at once more important and more analytically complex. An activity contributes to adaptation if it reduces the climate vulnerability of a system, an asset, or a community. This is harder to operationalise than mitigation because adaptation outcomes are inherently location-, climate-, and timeframe-specific. A drainage upgrade in Mumbai is adaptive in one threat scenario and irrelevant in another. Over time, the taxonomy framework's adaptation classification will require sectoral guidance documents and threshold setting at a granularity that mitigation does not, a recognition that should inform the work of the STCs recommended in Section 4.

Transition

The third objective is, in many respects, India's distinctive contribution. Transition activities are economic activities in hard-to-abate sectors, including iron and steel, cement, refining, fertilisers, and parts of the chemicals industry, where currently available low-carbon alternatives are technically or commercially limited but credible, time-bound pathways to decarbonisation exist. The taxonomy's transition category is the policy mechanism through which India can mobilise capital towards decarbonisation in sectors where binary "green / not green" classification would either disqualify essential industrial capacity or, worse, allow business-as-usual investment to be relabelled green by default. The ICMA Climate Transition Finance Handbook39F⁴¹ sets the international convention against which the Indian transition tier will be assessed.

The risk associated with transition categories is well documented in international experience: vague definitions create the possibility of "transition washing", the indefinite parking of incumbent investment within the transition category without measurable decarbonisation progress. The structural counter to this risk, as Section 4 argues at greater length, is quantitative screening with mandatory phase-out schedules and automatic declassification for missed milestones.

3.2 The Three-tier Classification System

The framework groups economic activities into three tiers, each corresponding to a different relationship with environmental performance and carrying different implications for capital allocation.

Tier	Category	Description	Illustrative activities
Tier 1	Climate Supportive	Activities that directly reduce emissions and	Solar and wind generation, battery electric vehicle (BEV)

³⁸ Monetary Authority of Singapore, Singapore-Asia Taxonomy for Sustainable Finance, Singapore: MAS, December 2023 (updated December 2024).

³⁹ ASEAN Capital Markets Forum, Taxonomy Board, ASEAN Taxonomy for Sustainable Finance — Version 3, Jakarta: ACMF, 2024.

⁴⁰ European Parliament and Council, Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (EU Taxonomy Regulation), OJ L 198 (22 June 2020).

⁴¹ International Capital Market Association, Climate Transition Finance Handbook (4th edition), Zurich: ICMA, 2024.

		enhance resilience, with verifiable performance against quantitative thresholds.	manufacturing, green building construction (above defined performance thresholds), and energy storage.
Tier 2	Climate Supportive (Improving)	Activities that improve efficiency and reduce emissions intensity while continuing to produce some GHG emissions during operation.	Efficient industrial processes, fuel-switching investments in cement, hybrid mobility, and sustainable agriculture under the Perform, Achieve and Trade (PAT) scheme.
Transition	Transition Activities	Essential economic activities in hard-to-abate sectors with documented decarbonisation pathways and time-bound phase-out commitments.	Steel and cement decarbonisation pathways, refining transition investments, and certain fertiliser decarbonisation routes.

Table 3.1 — The three-tier classification structure of the draft framework.

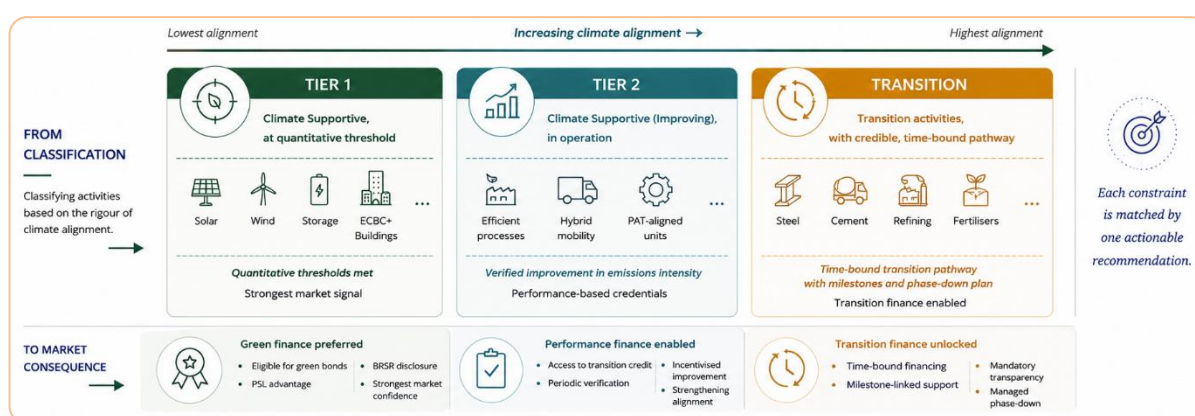
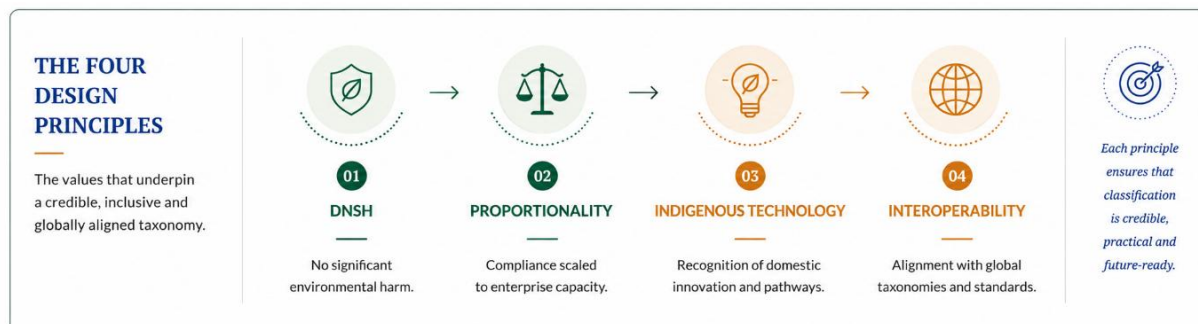


Figure 3.1 — The framework's rigour rests on conditionality: Tier 1 earned through quantitative thresholds, Tier 2 through verified intensity improvement, and Transition through a credible, time-bound pathway to decarbonisation.

The tier structure is consequential because each tier creates a different set of implications for investors, lenders, and the disclosure architecture. Tier 1 activities are eligible for the strongest market signals: green bond proceeds, dedicated PSL allocation, and preferential disclosure under BRSR. Tier 2 activities qualify for transition-credit treatment but require ongoing performance verification. Transition activities require the most rigorous safeguards: documented phase-out timelines, milestone-based reporting, and automatic declassification penalties for non-compliance. The recommendations in Section 4 are designed to give each tier its appropriate market consequence. Tier 1 receives a strong disclosure-driven price signal (R1) and credit advantage (R2), Transition receives the rigour of quantitative STCs (R4); and the entire architecture is gated by international interoperability (R3).

3.3 Design Principles Embedded in the Framework

Four design principles underpin the framework. They are not equally well-operationalised in the draft; the recommendations are calibrated to strengthen each.



Do No Significant Harm (DNSH)

An activity that contributes substantially to one environmental objective must not, in the same operation, cause significant harm to another. A solar farm that destroys ecologically critical habitat would, even if it generates clean electricity, fail the DNSH principle. This is a long-standing convention in international taxonomy practice, but its operationalisation depends on quantitative screening thresholds that the draft framework leaves to be developed by sector. Recommendation 4, the immediate constitution of STCs for renewable energy, green buildings, and electric vehicles, is the structural mechanism through which DNSH becomes a quantitative test rather than an aspirational principle.

Proportionality

The framework explicitly recognises that a one-size-fits-all classification standard would impose disproportionate compliance costs on smaller enterprises. Indian MSMEs account for approximately 30 per cent of GDP, around 45 per cent of exports, and more than 110 million jobs across approximately 63 million enterprises.^{40F42} They cannot absorb the data-collection and verification cost of complex emissions reporting. The principle of proportionality requires the taxonomy to provide simplified, evidence-equivalent pathways for smaller enterprises. Colombia's approach, eighteen sector-specific proxy indicators derived from data that banks already collect during routine credit assessments, is the most pragmatic precedent.^{41F43 42F44} Recommendation 5 is the precondition for India to design its own variant: a National Data Gap Assessment that maps proposed TSC requirements against existing data infrastructure {Bureau of Energy Efficiency (BEE) reporting, Central Pollution Control Board (CPCB) filings, BRSR data, Small Industries Development Bank of India (SIDBI) credit assessments} to identify the precise points at which proxy substitution is both necessary and feasible.

Indigenous technology focus

The framework's preamble explicitly favours locally developed solutions across power generation (bifacial solar, floating solar, 5.2 MW wind turbines, green hydrogen electrolyzers), mobility {hydrogen fuel-cell vehicles (FCVs), agricultural ethanol, ammonia-fuelled shipping}, and agriculture (drip irrigation, solar pumps, and Nano Urea). This emphasis is consistent with the broader policy framework of Atmanirbhar Bharat and the Production Linked Incentive (PLI) schemes already in place for solar modules, advanced chemistry cell batteries, and other clean technology segments. The taxonomy can reinforce this orientation in two ways: by ensuring that screening criteria are calibrated to indigenous performance benchmarks, rather than solely to imported-technology benchmarks, and by creating financing pull-through linkage to PSL and rate-concession mechanisms. Recommendations 2 and 4 together form this layer.

Interoperability

India's taxonomy can be designed to be domestically optimal but internationally illegible. If it is, it forecloses access to the international capital pool described in Section 2. International interoperability is not merely

⁴² Ministry of Micro, Small and Medium Enterprises, Government of India, Annual Report 2023–24; corroborating data from PIB Release ID 2142170 (4 July 2025).

⁴³ Ministerio de Hacienda y Crédito Público, Gobierno de Colombia, with Superintendencia Financiera de Colombia, Taxonomía Verde de Colombia, External Circular 005 of 2022; implementation tools published 2024–25.

⁴⁴ Climate Bonds Initiative, Metrix Finanzas, Ambire Global, "First of its kind: Colombia leads globally in Green Taxonomy implementation tools," CBI Blog, June 2024.

diplomatic positioning. It is a technical property: the degree to which Indian taxonomy classifications can be mapped, with limited additional analytical work, onto the EU, Singapore-Asia, and Chinese frameworks through the M-CGT.^{43F}⁴⁵ Recommendation 3, securing observer status in the M-CGT, is the formal mechanism through which this interoperability is established. The OECD methodology for taxonomy comparison provides the analytical scaffolding.^{44F}⁴⁶

⁴⁵ International Platform on Sustainable Finance, Working Group on Taxonomies, Common Ground Taxonomy — Climate Change Mitigation, Instruction Report, IPSF Secretariat, 2022.

⁴⁶ OECD, Mapping Climate-Related Metrics in the Financial Sector, OECD Business and Finance Outlook series, Paris: OECD Publishing, 2023.

CHAPTER

04

Five Actionable Recommendations

Five regulatory interventions
to transform the taxonomy
from a framework into a
market instrument.



RECOMMENDATION 1 · SEBI

Mandate Taxonomy Disclosure in SEBI BRSR Core

ANCHOR	INSTRUMENT	TIMELINE
SEBI	BRSR Core Circular amendment	FY26 phase-in: NIFTY 250 → 500

Listed companies in the NIFTY 500 should be required to disclose, in their BRSR Core filings, the taxonomy-alignment percentage of three financial metrics: **Capex, Opex, and revenue**. This disclosure is the single most important market-pricing connection to which the taxonomy can be linked. Without it, the taxonomy remains an academic classification with no transmission mechanism into equity or debt pricing.

4.1 The Case for Mandatory Disclosure

The fundamental purpose of taxonomy disclosure is not administrative compliance. It is the correction of a market failure, the information asymmetry around what counts, in measurable terms, as “green” finance. Where this asymmetry persists, capital allocation toward sustainable activities is suppressed, voluntary green claims proliferate without verification, and the cost-of-capital advantage that should accrue to genuinely transition-aligned companies fails to materialise. Mandatory, standardised, third-party-assured disclosure is the corrective.

The European experience under SFDR is instructive in three specific ways:

1. Mandatory disclosure generates the market signal that voluntary frameworks cannot.

The EU established SFDR as part of its Financing Sustainable Growth Action Plan to encourage investment in sustainable projects, standardise the reporting of sustainability characteristics, and prevent greenwashing⁴⁷. Earlier voluntary frameworks, including the ICMA Green Bond Principles and various sustainability-linked initiatives, did not achieve the same level of standardisation. At its introduction, approximately 7% of funds were classified as Article 9, 57 per cent as Article 8, and 35 per cent as Article 6, creating a mandatory, market-wide classification that voluntary frameworks had not achieved.⁴⁸

2. Standardisation is the prerequisite for comparability.

A central objective of SFDR is to promote transparency in how financial market participants integrate sustainability risks and impacts into investment decisions, thereby helping mitigate greenwashing and support informed investor decision-making. Once regulators specify the denominator and numerator uniformly, cross-company comparison becomes automatic. However, research has found that even after SFDR classification, there was no meaningful effect on mutual fund flows across a wide range of specifications, investors did not reallocate capital toward funds newly labelled as sustainable. This underscores that classification alone is insufficient; it must be paired with standardised, assured financial metric disclosure, which is precisely what this recommendation proposes.

3. Disclosure is anti-greenwashing infrastructure.

SEBI has introduced stringent disclosure requirements for issuers of green debt securities, including continuous monitoring, the prohibition of fund utilisation for non-green purposes, and restrictions on misleading labels. These measures reflect the principle that qualitative green claims must be supported by verifiable data.

4.2 The Regulatory Context: BRSR Core and India's Taxonomy

SEBI's mandatory requirement for publicly listed companies to undertake either an assessment or assurance of their BRSR Core disclosures is being implemented through a phased glide path. It currently

⁴⁷ Landytech. “SFDR Article 6, 8 and 9 Products Explained.” May 2022. <https://www.landytech.com/blog/sfdr-article-6-8-and-9-products-explained>

⁴⁸ Allcott, H. et al. “The Limited Effects of Regulating Greenwashing: Evidence from Europe's Sustainable Finance Disclosure Regulation.” CEPR VoxEU, 2026. <https://cepr.org/voxeu/columns/limited-effects-regulating-greenwashing-evidence-europes-sustainable-finance>

applies to the top 500 listed companies for FY 2025–26, and will be extended to the top 1,000 from FY 2026–27 onwards.^{49F}

India has not yet issued or adopted a comprehensive domestic taxonomy for sustainable activities akin to the EU Taxonomy. However, regulators have indicated that a green taxonomy is under development. SEBI's circular of 6 February 2023 requires issuers of green debt securities are required to disclose details of any taxonomies, green standards, or certifications referenced, together with their alignment.^{48F}

On the taxonomy side, in pursuant of the Union Budget 2024–25 announcement, the DEA, MoF, invited expert and public comments on a Draft Climate Finance Taxonomy. Finance Minister Nirmala Sitharaman stated: "We will develop a taxonomy for climate finance for enhancing the availability of capital for climate adaptation and mitigation."^{49F} In May 2025, the DEA released the first draft of India's Climate Finance Taxonomy for public consultation, aiming to facilitate approximately US\$250 billion per year in finance for climate-friendly technologies and activities to support India's 2030 and 2070 net-zero climate targets.^{50F}

4.3 The Financial-Transmission Mechanism

The disclosure of taxonomy-alignment percentages allows the formal integration of sustainability information into the cost of capital. In the standard Capital Asset Pricing Model (CAPM) formulation, the cost of equity (K_e) is a function of the risk-free rate, the equity risk premium, and the company-specific systematic risk parameter (β). Mandatory taxonomy data permits a more granular assessment of β , particularly its transition-risk component. A company with high Capex alignment is, *ceteris paribus*, demonstrably more insulated against the policy and physical-risks associated with the climate transition and therefore carries a lower transition-risk premium. Without standardised data, the "greenium", the cost-of-capital advantage accruing to transition-aligned issuers, remains anecdotal. With it, the greenium becomes a measurable parameter.

This mechanism is empirically grounded:

- Studies using large matched samples of green and conventional bonds find that green bond yields are, on average, 15–20 basis points lower than those of conventional bonds in both primary and secondary markets, confirming the existence of a greenium.^{51F}
- The broader literature identifies a fragmented but expanding body of evidence on the greenium, with the premium typically ranging between 1 and 63 basis points. Concerns remain about greenwashing, inconsistent reporting standards, and limited transparency, prompting calls for enhanced third-party certification and greater convergence of reporting frameworks.^{52F}
- Research on euro-area green bonds finds that credibility matters at both the bond and issuer levels. Green bonds with external review carry a statistically significant greenium of 5.3 basis points, while green bonds issued by demonstrably green firms trade at even larger economically and statistically significant premiums.^{53F} The range commonly cited (10–30 basis points for highly-aligned issuers in EU markets) is consequential in aggregate, particularly over the long-duration capital-expenditure horizons typical of energy-transition assets.

⁴⁹ Slaughter and May. "ESG in APAC 2025 — India Chapter."

<https://www.slaughterandmay.com/services/practices/environmental-social-and-governance/esg-in-apac-2025/india/>

⁵⁰ Slaughter and May / Insights. "ESG in APAC 2024 — India Chapter." <https://insights.slaughterandmay.com/esg-in-apac-2024-india/index.html>

⁵¹ Press Information Bureau, Government of India. "Department of Economic Affairs Invites Comments on Draft Framework of India's Climate Finance Taxonomy." May 2025.

<https://www.pib.gov.in/PressReleaseFramePage.aspx?PRID=2127562>

⁵² Grantham Research Institute / CETEx. "Seven Lessons for India's Climate Finance Taxonomy." September 2025.

⁵³ Kapraun, J. et al. "Drivers of Green Bond Issuance and New Evidence on the Greenium." *Eurasian Economic Review*, 2021. <https://link.springer.com/article/10.1007/s40822-020-00165-y>

⁵⁴ MDPI / International Journal of Financial Studies. "Sustainable Finance, Green Bonds and Financial Performance — A Literature Review." 2025. <https://www.mdpi.com/2227-7072/13/4/233>

⁵⁵ European Central Bank Working Paper No. 2728. "Pricing of Green Bonds: Drivers and Dynamics of the Greenium." <https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2728~7baba8097e.en.pdf>

4.4 Proposed Regulatory Amendment

SEBI is recommended to amend the BRSR Core framework to include a “Taxonomy Alignment Schedule” with the following operative features:

- **Mandatory third-party assurance** — SEBI has clarified that the assurance provider need not be a Chartered Accountant and that assurance of BRSR Core is profession-agnostic, while reiterating overarching principles on conflict of interest. The Institute of Chartered Accountants of India (ICAI) has issued Standards on Sustainability Assurance Engagements (SSAE 3000 and SSAE 3410), which govern assurance engagements relating to sustainability information including BRSR.^{54F}⁵⁶ The alignment percentages should be assured by an independent reviewer against guidelines published by SEBI in consultation with ICAI and the Institute of Internal Auditors India (IIA India).
- **Standardised denominators** — To prevent methodological manipulation, the denominators for each of the three metrics should be specified by SEBI (total reported Capex; total reported Opex, excluding cost of goods sold under the specified treatment; and total reported revenue, net of inter-segment eliminations), consistent with existing BRSR Core Key Performance Indicator (KPI) definitions.
- **Phased rollout** — The existing BRSR Core implementation calendar already applies mandatory assurance to the top 500 listed companies from FY 2025–26, with extension to the top 1,000 from FY 2026–27. The taxonomy alignment schedule should follow the same glide path: NIFTY 250 in FY26 and the full NIFTY 500 in FY27.
- **Sectoral guidance** — India’s Draft Climate Finance Taxonomy, released by DEA in May 2025, outlines the objectives, design principles, and classification of activities contributing to climate mitigation and adaptation.^{55F}⁵⁷ SEBI should publish, in coordination with the DEA, sector-specific guidance specifying how taxonomy alignment should be computed in sectors with material complexity, with financial services, conglomerates, and multi-product manufacturers.

4.5 Expected Market Effect

India’s climate taxonomy is expected to roll out in phases from 2025 to 2027, with gradual integration into banking guidelines, ESG ratings, investor mandates, and public disclosure systems. This will create a growing need to build technical expertise across lenders, auditors, and ESG consultants.^{56F}⁵⁸ Within twelve to eighteen months of the first reporting cycle under an amended BRSR Core, three observable effects can reasonably be expected:

- A measurable spread differential in the secondary equity and bond markets between high- and low-alignment issuers within the same sector;
- The emergence of taxonomy-screened domestic ESG funds and indices that use BRSR Core data as their underlying screen; and
- A measurable increase in foreign portfolio flows into the high-alignment tier, particularly from European and Singaporean asset managers whose mandates require taxonomy data as an analytical input.

⁵⁶ Uniqus. “BRSR Core — Framework for Assurance and ESG Disclosures for Value Chain.” <https://uniqus.com/brsr-core-aug-2023/>

⁵⁷ AIGCC. “India’s Climate Finance Taxonomy — Public Consultation Response.” July 2025. https://aigcc.net/wp-content/uploads/2025/07/Public-Consultation-response_India-Taxonomy_050625.pdf

⁵⁸ Evacad. “From Brussels to Bharat: Why India’s Green Taxonomy Could Be a Gamechanger for Sustainable Finance.” February 2026. <https://www.evacad.com/blog/from-brussels-to-bharat-why-indias-green-taxonomy-could-be-a-gamechanger-for-sustainable-finance>

RECOMMENDATION 2 · RBI

Link the Taxonomy to the PSL Framework

ANCHOR	INSTRUMENT	TIMELINE
RBI	PSL Master Directions amendment + 25 basis point MSF concession	3-year phase-in

The RBI's PSL Master Directions⁵⁹ should be amended so that, within three years, **10 per cent of the renewable-energy and agriculture sub-targets** under PSL are taxonomy-green, that is, demonstrably aligned with the Tier 1 (Climate Supportive) classification once the STCs (R4) have published quantitative TSC. Compliant lenders should receive a **25-basis-point concession** on the MSF rate. Combined with R1's disclosure mandate, this converts an existing regulatory lever into a direct cost-of-capital differential for taxonomy-aligned lending.

Why PSL, and Why a Rate Concession

Two design choices distinguish this recommendation from a purely exhortatory "green PSL" ambition. First, PSL is the principal directed-credit mechanism in the Indian banking system. It is already mandatory at 40 per cent of adjusted net bank credit, and the renewable energy sub-target was operationalised in 2015. The SBI's Economic Research Department has analysed the scope for modification in detail.⁵⁸ Working through PSL leverages an existing institutional architecture rather than building a new one. Second, the 25-basis-point MSF concession converts the credit instruction into a price signal. Lenders that meet the taxonomy-green threshold within their renewable-energy and agriculture sub-targets receive a measurable cost-of-funds advantage, transmitting the taxonomy's classification logic directly into competitive credit pricing.

Operative phasing

The recommendation should be phased in over three years, allowing time for the STCs (R4) to publish TSC and for compliant lending pipelines to develop:

- **Year 1:** RBI publishes a circular signalling its intent and the methodology for taxonomy-green identification within PSL sub-targets. Lenders begin classifying existing renewable energy and agriculture loan books on a non-binding basis.
- **Year 2:** Mandatory reporting of taxonomy-green share within sub-targets begins. The 10 per cent threshold becomes a soft target with no penalty for shortfall but with transparent disclosure.
- **Year 3:** The 10 per cent threshold becomes binding. Compliant lenders qualify for the 25 bps MSF concession, while non-compliant lenders disclose the gap and a corrective trajectory.

Why this is Non-disruptive in Absolute Terms

The 10 per cent sub-allocation applies only to two sub-targets, renewable energy and agriculture, and in both cases the existing pipeline already contains a substantial taxonomy-green share once Tier-1 TSC are applied. Renewable energy lending is, by construction, highly aligned, and a meaningful share of agricultural lending finances irrigation, drip systems, solar pumps, and precision agriculture technologies that align with the framework's indigenous technology preferences. The IBA's Sustainability Reporting Guidelines for Indian Banks⁵⁹ indicate that industry self-reported alignment is consistent with this assessment. The recommendation, in other words, formalises a market reality rather than imposing one.

The MSF Concession as the Price-signal Lever

The 25 bps MSF concession is intentionally modest. Larger concessions would invite gaming through loan-book reclassification rather than incremental taxonomy-aligned lending. A 25 bps is sufficient, under standard CAPM-derived spread assumptions, to provide a material competitive advantage to compliant lenders without distorting bank-level liquidity decisions. It is also calibrated to be revenue-neutral over the

⁵⁹ Reserve Bank of India, Master Directions — Priority Sector Lending (Directions), 2020 (Updated as on July 2024), RBI/FIDD/2020-21/72.

⁶⁰ State Bank of India, Economic Research Department, PSL Revised Guidelines: A Win-Win Proposition, SBI Ecwrap, FY26.

⁶¹ Indian Banks' Association, Sustainability Reporting Guidelines for Indian Banks (IBA SRG-2024), Mumbai: IBA, 2024.

cycle: the cost to the central bank of the concession is offset by the disclosure-driven reduction in transition risk across the aligned portfolio.

RECOMMENDATION 3 · DEA / MEA

Seek Inclusion in the M-CGT

ANCHOR	INSTRUMENT	TIMELINE
DEA + MEA	Filing through the International Platform on Sustainable Finance (IPSF)	0–3 months

The DEA, in coordination with the MEA, should use India's existing membership of the IPSF, of which India was a founding member in 2019, to propose that India's taxonomy be mapped in the next iteration of the M-CGT. The IPSF's work on taxonomy comparison is the relevant forum. The request requires no legislation, and the M-CGT's 2024 expansion to include the Singapore-Asia Taxonomy shows that new jurisdictions can be added.

The Pathway

India already participates in the IPSF as a founding member, and the IPSF taxonomy working group is open to all members. The practical sequence is therefore to finalise the anchor-sector technical screening criteria (R4) and proxy-indicator architecture (R5), then contribute India's taxonomy to the IPSF's ongoing taxonomy stock-taking exercise and pursue interoperability mapping with jurisdictions that continue such work, including Singapore, China and ASEAN.

The Fiscal Cost: Essentially Nil

The application package, technical drafting, and diplomatic engagement can be undertaken within the existing budgets of the DEA and the MEA. The marginal cost is staff time; the marginal benefit is recognition of Indian-issued instruments by the €5.8 trillion SFDR-regulated fund pool, accruing with every quarter the observer status remains in place.

WHY THIS MATTERS NOW

Each quarter outside the M-CGT process is a quarter in which the next iteration of the international standard is shaped without reference to India's circumstances. The cost is structural exclusion that compounds quietly. The application is the single most cost-effective intervention available to the Government of India within the climate-finance architecture.

RECOMMENDATION 4 · DEA

Constitute STCs for Three Anchor Sectors

ANCHOR	INSTRUMENT	TIMELINE
DEA	STC constitution + 12-month mandate to publish TSC	Constitute within 90 days

The DEA should, within ninety days, constitute three STCs for renewable energy, green buildings, and electric vehicles, each with an explicit twelve-month mandate to publish quantitative TSC. The choice of these three sectors is not arbitrary; it reflects an assessment of which sectors are data-ready and politically and technically suited to early threshold-setting.

Why these Three Sectors First

Renewable energy. The Ministry of New and Renewable Energy (MNRE) maintains comprehensive capacity, tariff, and performance data;⁶² the Central Electricity Authority's National Electricity Plan⁶³ sets the trajectory; and the BRSR Core data spine provides assured operating emissions data at the listed-company level. TSC can be established within months on a defensible empirical foundation.

Green buildings. The Energy Conservation Building Code (ECBC), the Indian Green Building Council (IGBC) and Green Rating for Integrated Habitat Assessment (GRIHA) certification registries, and the BEE's PAT-

⁶² Ministry of New and Renewable Energy, Annual Report 2023–24, Government of India, 2024.

⁶³ Central Electricity Authority, National Electricity Plan — Volume I (Generation), 2022–2032, Ministry of Power, 2023.

reporting^{66F64} collectively provide the data infrastructure for energy-intensity TSC at the building-typology level. The principal design choice is the calibration of indigenous-material and passive-cooling pathways against imported-technology benchmarks.

Electric vehicles. The Faster Adoption and Manufacturing of Electric Vehicles (FAME II) scheme, the PLI scheme for advanced chemistry cells, and the Central Motor Vehicles Rules (CMVR)-defined EV categories provide a comparatively well-defined regulatory and data perimeter. TSC can be structured around vehicle category, battery chemistry, lifecycle emissions, and end-of-life management.

The Structural Counter to Transition-washing

The choice of sectors is also strategic in another sense. By demonstrating, in three high-visibility sectors, that India's taxonomy operates on quantitative thresholds with mandatory verification, the framework establishes the procedural template that can then be applied to the more analytically complex transition sectors (steel, cement, and refining). The principal failure mode in international taxonomy experience, the proliferation of vague Amber-tier or Transition-tier definitions in the absence of quantitative thresholds, observed in ASEAN^{67F65} and in OJK's Indonesian framework^{68F66} has occurred precisely in jurisdictions where the sequencing was reversed (vague transition definitions published first, quantitative criteria deferred). India's taxonomy can avoid this trap by publishing quantitative TSC in the three data-ready sectors first and, then, with that procedural credibility established, applying the same template to transition sectors.

Indigenous-technology integration

Each STC should be constituted with an explicit terms-of-reference clause requiring screening criteria to incorporate indigenous-technology performance data. In renewable energy, this means ensuring that domestic module efficiency benchmarks (rather than only Tier 1 imported-module benchmarks) are incorporated into the TSC. In green buildings, it means ensuring that locally-developed materials and design vernaculars (passive cooling, lime-based mortars where appropriate, regionally-calibrated thermal mass) are not inadvertently penalised. In EVs, it means ensuring that the TSC accommodates indigenous battery chemistries (including LFP variants now produced in India) and the realities of the domestic charging infrastructure rollout.

RECOMMENDATION 5 · DEA / SIDBI

Commission a National Data Gap Assessment for MSME Inclusion

ANCHOR	INSTRUMENT	TIMELINE
DEA + SIDBI	Commissioned study with multilateral partner	Concurrent with R4 — 9-month report

The taxonomy's proportionality ambition, particularly for MSMEs, which account for approximately 30 per cent of GDP, 45 per cent of exports, and more than 110 million jobs,^{69F67} will remain aspirational without a systematic audit of where TSC requirements outpace available data. The DEA, in coordination with SIDBI^{70F68} and an appropriate multilateral technical partner {the IFC},^{71F69} the Asian Development Bank (ADB), or the IPSF Technical Working Group}, should commission a National Data Gap Assessment with narrow and operational terms of reference.

The Mandate of the Assessment

The assessment should map the data requirements implied by the proposed TSC for each sector against the data infrastructure that already exists in India:

- **BEE filings:** energy consumption, energy intensity, and PAT data for designated consumers.

⁶⁴ Bureau of Energy Efficiency, Perform, Achieve and Trade (PAT) Scheme — Cycle Performance Reports (Cycles I–VII), Ministry of Power, 2024.

⁶⁵ ASEAN Capital Markets Forum, Taxonomy Board, ASEAN Taxonomy for Sustainable Finance — Version 3, Jakarta: ACMF, 2024.

⁶⁶ Otoritas Jasa Keuangan (Indonesia FSA), Indonesia Taxonomy for Sustainable Finance (TKBI), Jakarta: OJK, 2024.

⁶⁷ Ministry of Micro, Small and Medium Enterprises, Government of India, Annual Report 2023–24; corroborating data from PIB Release ID 2142170 (4 July 2025).

⁶⁸ Small Industries Development Bank of India, MSME Pulse — Quarterly Lending Trends Reports, Lucknow: SIDBI, 2024.

⁶⁹ International Finance Corporation, "Small Business, Big Impact: Empowering Women SMEs for Success," 2024.

- **CPCB filings:** environmental-clearance documentation, ambient air quality data, and the sectoral emissions inventories.
- **BRSR Core:** assured ESG data for the top 1,000 listed companies (FY27 expansion).
- **SIDBI / National Bank for Agriculture and Rural Development (NABARD) credit-assessment data:** routine information already collected during MSME and rural lending decisions.
- **GST and turnover data:** the structural fiscal dataset that, with appropriate privacy protections, can serve as a denominator for many proxy indicators.

For each TSC requirement, the assessment should identify whether: (i) the data exist at the required granularity and can be used directly; (ii) the data exist but require adaptation, aggregation, or cross-walking; or (iii) the data do not exist and a proxy indicator must be designed.

The Colombia precedent

The Colombian green taxonomy, published in 2022, developed 18 sector-specific proxy indicators along these lines.^{72F70} Each proxy was calibrated against data that Colombian banks already collected during routine credit assessment, thereby achieving taxonomy compliance for MSMEs without imposing additional reporting burdens. The CBI's implementation review^{73F71} confirms that the Colombian indicator architecture covers the transport, water, and land-use sectors. The Philippines' traffic-light system^{74F72} and Indonesia's binary decision-tree model^{75F73} demonstrate the same broader principle: simplification need not sacrifice rigour, provided the simplified pathway is itself technically grounded.

For India, a comparable proxy-indicator architecture might include, and these are illustrative rather than prescriptive, diesel-consumption ratios for transport-aligned MSME loans, energy-cost-to-revenue ratios for industrial-efficiency lending, irrigation-source declarations for sustainable-agriculture lending, and certified material-sourcing declarations for circular economy enterprises. The point is that each proxy should be defensible because it correlates with the underlying environmental outcome that the TSC is intended to capture, while remaining measurable from data that do not require new collection infrastructure.

Why the Assessment must be Commissioned now, in parallel with R4

The temptation will be to sequence the data-gap assessment *after* the STC process has produced TSC. This sequencing is mistaken. Conducting the assessment in parallel ensures that the TSC are calibrated, from the outset, against the data infrastructure that already exists, rather than being calibrated to an ideal state and then retrofitted to feasibility. NABARD's own climate-risk strategic framework^{76F74} makes the same case from the rural credit perspective. Parallel commissioning also compresses the overall timeline: by the time the STCs publish TSC at the twelve-month mark, the proxy-indicator architecture for MSME pathways will already be specified.

A COORDINATED READING

Recommendations 1 and 2 supply, respectively, the equity-side disclosure signal and the credit-side incentive structure. Recommendations 4 and 5 supply the technical credibility, quantitative TSC for anchor sectors, and proxy infrastructure for MSMEs. Recommendation 3 supplies the international interoperability that makes the entire architecture legible to global capital. None of the five works as a standalone intervention; together, they constitute the activation layer of India's taxonomy.



⁷⁰ Ministerio de Hacienda y Crédito Público, Gobierno de Colombia, with Superintendencia Financiera de Colombia, Taxonomía Verde de Colombia, External Circular 005 of 2022; implementation tools published 2024–25.

⁷¹ Climate Bonds Initiative, Metrix Finanzas, Ambire Global, "First of its kind: Colombia leads globally in Green Taxonomy implementation tools," CBI Blog, June 2024.

⁷² Bangko Sentral ng Pilipinas, Philippine Sustainable Finance Taxonomy Guidelines, BSP Circular No. 1187, 2024.

⁷³ Otoritas Jasa Keuangan (Indonesia FSA), Indonesia Taxonomy for Sustainable Finance (TKBI), Jakarta: OJK, 2024.

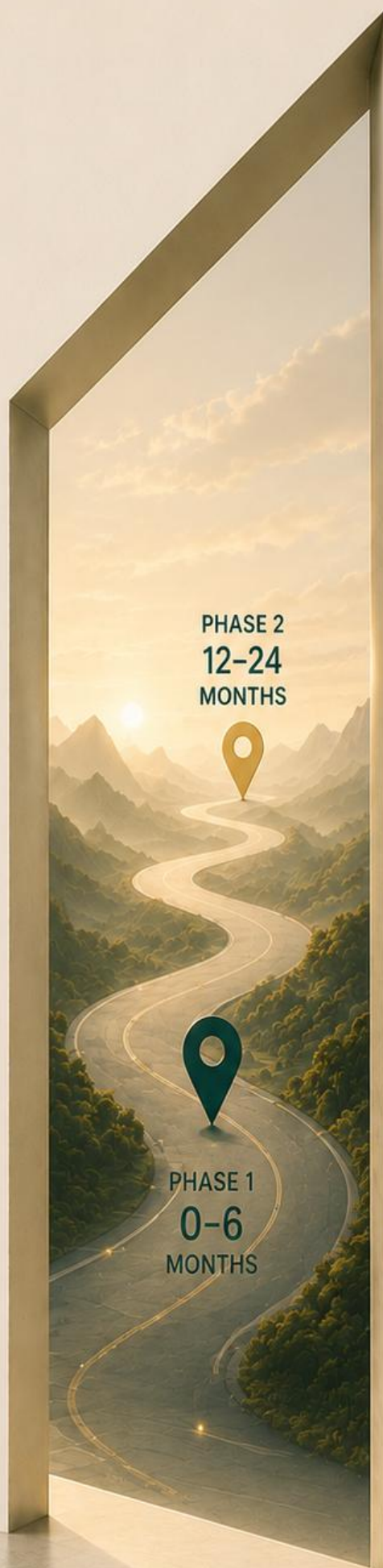
⁷⁴ National Bank for Agriculture and Rural Development, Climate Risk and Sustainability — Strategic Framework, Mumbai: NABARD, 2023.

CHAPTER

05

The 2+2 Implementation Roadmap

A sequenced pathway
for activation, adoption,
and institutionalisation.



The five recommendations do not operate as a flat list. They are sequenced under a 2+2 logic: two urgent actions within six months that generate evidence and international credibility, followed by two structural builds over 12 to 24 months that institutionalise the taxonomy's market consequences.

5.1 The Sequencing logic

Order matters here in a way it does not always matter in policy bundles. Two of the five recommendations have to come first, not because they are more important, but because the others quietly depend on what they produce. The renewable-energy classification pilot embedded in R4, jointly commissioned by the DEA and the RBI with five to eight participating banks applying provisional Tier 1 criteria to live loan books, is one. India's inclusion in the M-CGT (R3) is the other. Everything else in the roadmap builds downstream of these two.

The reason is operational rather than philosophical. Quantitative thresholds are durable only when they have been tested against actual portfolios; thresholds set theoretically tend to require revision the first time they encounter real-world data, and revising them after publication carries a credibility cost the framework cannot afford. The pilot exists to absorb that first revision before publication, not after. A transition-finance architecture built without international recognition is built for a recognition that has not yet arrived; it must then be retrofitted, which is the failure mode several previous taxonomies are still recovering from. Both urgencies, in other words, are about avoiding work that would otherwise have to be done twice.

The structural piece Phase 2 has two halves. The first formalises the transition-finance architecture across all priority sectors, drawing on the STCs that R4 has by then validated. The second integrates the taxonomy directly into the operational instruments of SEBI and the RBI: BRSR Core fields under R1, PSL sub-targets, and the MSF concession under R2. These steps can be taken credibly only once the data audit (R5) has identified where proxy indicators can substitute for full TSC, and once observer status has confirmed that what India publishes will be recognised in Brussels and Beijing.

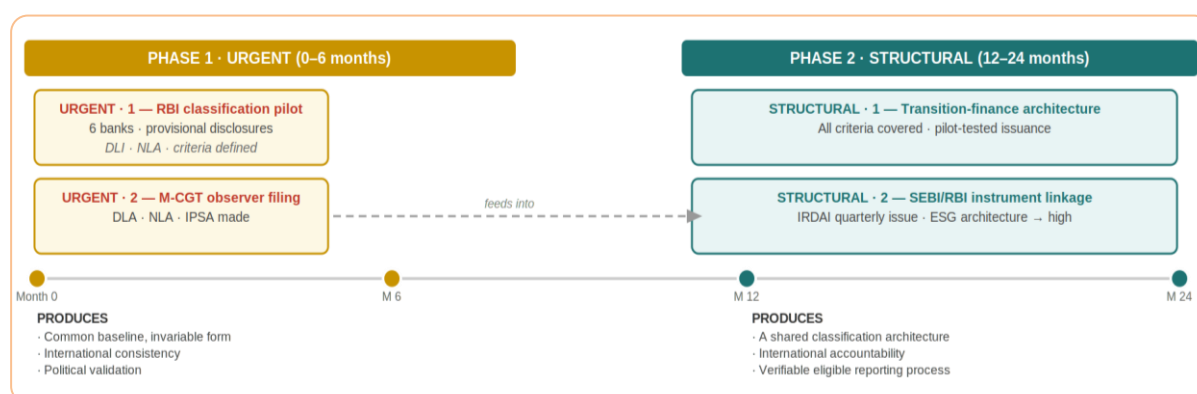


Figure 5.1 — Phase 1 buys the evidence and the international seat. Phase 2 spends both to build the apparatus that turns classification into capital allocation. The dependency runs one way: compress or skip Phase 1, and Phase 2 becomes either not credible or unworkable.

5.2 Phase 1 – Urgent Actions (0–6 Months): Pilot and Position

PHASE 1 · PRIORITY 1 · 0–6 MONTHS

Renewable Energy Classification Pilot

Lead: DEA and RBI (joint commissioning)

Participating institutions: 5–8 banks selected to ensure a mix of public sector, private sector, and renewable energy-NBFC representation.

Participating banks apply the provisional Tier 1 criteria (developed by an interim technical group, drawing on the framework's published indicative criteria) to their existing renewable energy loan books. The pilot produces three deliverables: (i) a portfolio-level alignment percentage, broken down by technology and project size; (ii) an exception report identifying loan profiles that do not classify cleanly under the

provisional criteria; and (iii) a set of empirically grounded recommendations for the STC (R4) on threshold calibration.

Why this matters now: *The pilot stress-tests the classification criteria on real portfolios before they become binding. It is the structural counter to the post-publication paralysis observed in South Africa's experience and during the early stages of implementation in the EU.*

PHASE 1 · PRIORITY 2 · 0–3 MONTHS

M-CGT Mapping Request

Lead: DEA, in coordination with the MEA · **Channel:** The International Platform on Sustainable Finance (IPSF), which serves as the convening body for the M-CGT.

The submission should include the published Draft Framework, an operationalisation roadmap (essentially the contents of this report), and a technical mappability self-assessment against the EU Taxonomy and the existing M-CGT mitigation criteria. The aim is to have India's taxonomy reflected in the IPSF's ongoing taxonomy stock-taking exercise within this phase

Why this matters now: *Governance and interoperability are prerequisites for everything that follows in international capital mobilisation. Each quarter that India's taxonomy remains unmapped is a quarter in which Indian instruments continue to be assessed case by case against SFDR-aligned benchmarks.*

5.3 Phase 2 – Structural Build-Out (12–24 Months): Institutionalise and Enforce

PHASE 2 · PRIORITY 3 · 12–18 MONTHS

Formalise the Transition-Finance Architecture

Lead: DEA, with sector-specific STCs (extending the R4 model to steel, cement, refining, and fertilisers).

The transition finance architecture must specify, for each hard-to-abate sector: (i) the quantitative entry thresholds (what level of emissions intensity qualifies an asset as transition aligned); (ii) the time-bound phase-out commitments (the trajectory of emissions intensity reduction required to retain the classification); and (iii) the milestone-based reporting and automatic declassification rules that prevent the indefinite parking of business-as-usual investment in the transition category.

The pilot evidence from Phase 1 informs the calibration of these thresholds, ensuring they are grounded in actual portfolio behaviour rather than theoretical modelling. The work also draws directly on the indigenous technology data integrated into the anchor-sector TSC under R4.

PHASE 2 · PRIORITY 4 · 18–24 MONTHS

Integrate the Taxonomy Into SEBI and RBI Instruments

Lead: SEBI (BRSR Core fields under R1); RBI (PSL sub-targets and the MSF concession under R2).

This is the structural step at which the activation layer becomes binding. SEBI publishes the BRSR Core circular amendment introducing the Taxonomy Alignment Schedule. The RBI publishes the PSL Master Directions amendment introducing the 10 per cent taxonomy-green threshold and the 25-bps MSF concession. Both circulars are technically straightforward at this stage because the TSC have been validated (R4), the proxy-indicator architecture has been specified (R5), and international interoperability has been secured (R3). What would, in the absence of those preconditions, have been a high-risk regulatory step becomes, with them in place, a routine operational amendment.

CHAPTER

06

Comparative Lessons from Global Taxonomies

What international experience reveals about implementation, interoperability, and market adoption.



India arrives later than the major emerging markets. That is, in this section's argument, an asset rather than a liability. The first generation of taxonomies has already been tested. Each has paid for a specific lesson; and the recommendations in this report are calibrated against those lessons

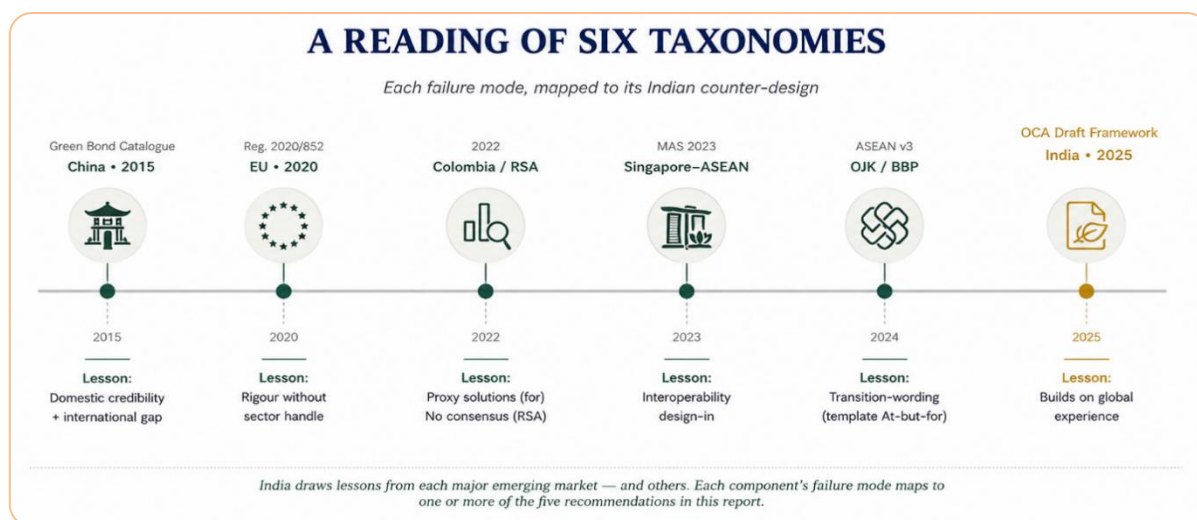


Figure 6.0 — India arrives later than the major emerging markets and inherits a documented set of lessons: domestic credibility without international reach (China), rigour without a sectoral handle (EU), proxy solutions without consensus (Colombia/South Africa (RSA)), interoperability designed in too late (Singapore/ASEAN), and transition wording left unresolved (ASEAN v3). Each failure mode has a corresponding design response.

6.1 The European Union: Rigour without Proportionality

The EU Taxonomy Regulation, adopted in 2020,⁷⁵ is, in many respects, the global benchmark. Its TSC are comprehensive across mitigation and adaptation. The legal architecture (Article 8 of the Taxonomy Regulation, supplemented by SFDR for fund-level disclosure)⁷⁶ creates strong enforcement linkages; while the Delegated Acts published between 2021 and 2023 specify thresholds at a granularity that few comparable frameworks have achieved.

The EU's principal failure mode, however, is well-documented: the framework imposes a substantial compliance burden on smaller enterprises and on companies whose business activities span multiple sectoral classifications. Empirical assessment of the first reporting cycles found that mid-cap and smaller listed companies were spending disproportionate shares of their compliance resources on taxonomy reporting, in some cases without commensurate access to the green-finance instruments the framework was intended to facilitate.⁷⁹ The complexity also created what some commentators have termed “compliance deserts”: segments of the SME and mid-market financial ecosystem in which the analytical cost of taxonomy alignment exceeded the available capital benefit, leading lenders and borrowers alike to opt out of the framework.⁸⁰

India's response, in this report: Recommendation 5 commissions, *in parallel* with TSC development, the National Data Gap Assessment that will identify proxy-indicator pathways for MSMEs. The principle is that proportionality must be designed in from the outset, not retrofitted after publication.

⁷⁵ European Parliament and Council, Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (EU Taxonomy Regulation), OJ L 198 (22 June 2020).

⁷⁶ European Parliament and Council, Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), OJ L 317 (9 December 2019).

⁷⁷ Allcott, H. et al. “The Limited Effects of Regulating Greenwashing: Evidence from Europe's Sustainable Finance Disclosure Regulation.” CEPR VoxEU, 2026. <https://cepr.org/voxeu/columns/limited-effects-regulating-greenwashing-evidence-europes-sustainable-finance>

⁷⁸ Landytech. “SFDR Article 6, 8 and 9 Products Explained.” May 2022. <https://www.landytech.com/blog/sfdr-article-6-8-and-9-products-explained>

6.2 China: Domestic Credibility before International Interoperability

The People's Bank of China (PBoC) Green Bond Endorsed Project Catalogue,^{81F79} in successive iterations from 2015 onwards, established China's leadership in green finance taxonomy at a time when no comparable framework existed elsewhere at scale. The initial iterations included clean coal as an eligible green activity, a domestically defensible choice in the context of China's energy mix at the time, but one that proved costly internationally as European and other taxonomies converged on a more restrictive definition. Clean coal was eventually excluded in the 2021 update, but the delay created a perception in international markets that Chinese green finance instruments were domestically credible but internationally divergent, a perception that the M-CGT exercise was, in part, designed to address.

India's response: Recommendation 3, contributing India's taxonomy to the IPSF's interoperability work, is the structural safeguard. India's framework is being designed in dialogue with international interoperability frameworks, rather than being retrofitted to them after divergence.

6.3 ASEAN and Indonesia: The Transition-washing Risk

The ASEAN Taxonomy, currently in its third version,^{82F80} introduced a "traffic light" system (green, amber, and red) that explicitly accommodates transition pathways through the Amber tier. Indonesia's domestic taxonomy follows a similar logic.^{83F81} The conceptual design is sound: emerging economies with substantial coal use and high-emitting industrial bases need a taxonomy that accommodates transition without requiring a binary green/not-green classification. The challenge in implementation has been that the Amber-tier definitions in both frameworks remain sufficiently qualitative for activities to be classified as transitional indefinitely, without measurable decarbonisation progress.

Empirical reviews of early classification decisions under both frameworks have found instances of activities labelled as transitional whose underlying decarbonisation pathway was either undefined or unmonitored. The result has been a credibility gap, particularly in the eyes of international investors, between the formal classification status of certain assets and their substantive contribution to the climate transition.

India's response: Recommendation 4's quantitative TSC for anchor sectors, coupled in Phase 2 with mandatory time-bound phase-out schedules and automatic declassification rules for transition sectors, provide the structural counter to this failure mode. India's transition tier will not be a parking category; it will be a measured trajectory.

6.4 South Africa: The Cost of Policy without Enforcement

South Africa published its Green Finance Taxonomy in 2022.^{84F82} The framework was, in technical terms, well-designed: tiered classification, sector-specific TSC, and alignment with the EU's mitigation criteria. Three years on, however, the framework's market effect has been modest. The principal reason is structural: the taxonomy was published without binding enforcement linkages to the National Treasury, the South African Reserve Bank (SARB), or the Financial Sector Conduct Authority (FSCA). As a result, mandatory disclosure obligations were not specified, lending incentives were not introduced, and the taxonomy remained, in effect, a guidance document.

The South African experience illustrates, more clearly than any other comparator, the activation problem this report addresses. A well-designed framework, in the absence of regulatory linkages, is inert.

India's response: Recommendations 1 (BRSR Core) and 2 (PSL) provide the explicit enforcement linkages. They are the mechanisms through which the Indian taxonomy will avoid replicating the South African outcome.

⁷⁹ People's Bank of China, China Securities Regulatory Commission, and National Development and Reform Commission, Green Bond Endorsed Project Catalogue (2021 Edition).

⁸⁰ ASEAN Capital Markets Forum, Taxonomy Board, ASEAN Taxonomy for Sustainable Finance — Version 3, Jakarta: ACMF, 2024.

⁸¹ Otoritas Jasa Keuangan (Indonesia FSA), Indonesia Taxonomy for Sustainable Finance (TKBI), Jakarta: OJK, 2024.

⁸² National Treasury, Republic of South Africa, South African Green Finance Taxonomy — First Edition, Pretoria: National Treasury, 1 April 2022.

6.5 Singapore-Asia: The Value of Explicit Interoperability Design

The Singapore-Asia Taxonomy, published by the Monetary Authority of Singapore (MAS) in 2023 and updated in 2024,⁸³ was designed from the outset with explicit M-CGT mappability. Its tier structure (green, amber, and red) is closer to the ASEAN convention than to the EU's binary approach, but its TSC are sufficiently specific to permit cross-walking. The framework also takes a notable structural choice: it explicitly addresses the phase-out of coal as a transition pathway, with quantitative criteria specifying when coal-fired generation can be classified as transitional (early plant retirement under defined emission-intensity trajectories) and when it cannot.

The Singaporean experience demonstrates two lessons. The first is that designing for interoperability from the outset is substantially less costly than retrofitting after publication. The second is that quantitative criteria for transition activities, including those addressing the most politically sensitive incumbent assets, are technically achievable, provided there is a willingness to specify them.

India's response: The combined effect of Recommendations 3 (M-CGT positioning) and 4 (anchor-sector TSC, followed by transition-sector TSC in Phase 2) replicates the Singaporean design logic.

6.6 Colombia: The Proxy-indicator Pathway for Proportionality

Colombia's Green Taxonomy, published in 2022,⁸⁴ is the leading precedent for proportionality in the practical operationalisation of MSME inclusion. The framework's core innovation was the development of eighteen sector-specific proxy indicators, each calibrated against data that Colombian banks already collected during routine credit assessment. The result was MSME access to taxonomy-compliant green credit without requiring borrower to undertake bespoke emissions reporting. The CBI's implementation review⁸⁵ confirms that the architecture has been operationalised across the transport, water, and land-use sectors. The Philippines' traffic-light system⁸⁶ and Indonesia's binary decision-tree model offer related variants of the same simplification logic.

India's response: Recommendation 5, the National Data Gap Assessment, is the precondition for an Indian variant of this approach. It is not a prescription that India should adopt the Colombian indicators wholesale, but rather that it should develop its own indicator set, calibrated against Indian data infrastructure (BEE, CPCB, BRSR, and SIDBI), through a comparable analytical exercise.

6.7 The Implementation Risk Matrix in Comparative Perspective

Challenge	International experience	India's structural response
Data gaps	Inconsistent KPIs in EU and South African reporting hindered comparability and analytical use.	Invest in standardised data collection and proxy indicators early; use BRSR Core as the structural data spine; commission R5 in parallel with R4.
Interoperability	Variations in Amber and transition definitions across ASEAN frameworks delayed foreign investor allocation.	Align with M-CGT for sectors seeking international capital; secure observer status under R3 within 90 days.
Regulatory enforcement gap	Taxonomies published without enforcement linkage (notably South Africa) have stalled at the policy layer.	Embed the taxonomy directly into the RBI Master Directions (R2) and SEBI BRSR Core (R1).
Transition washing	Vague transition definitions in the Indonesian and ASEAN frameworks have permitted	Quantitative TSC for transition sectors with mandatory time-bound phase-out schedules and automatic declassification on missed milestones.

⁸³ Monetary Authority of Singapore, Singapore-Asia Taxonomy for Sustainable Finance, Singapore: MAS, December 2023 (updated December 2024).

⁸⁴ Ministerio de Hacienda y Crédito Público, Gobierno de Colombia, with Superintendencia Financiera de Colombia, Taxonomía Verde de Colombia, External Circular 005 of 2022; implementation tools published 2024–25.

⁸⁵ Climate Bonds Initiative, Metrix Finanzas, Ambire Global, "First of its kind: Colombia leads globally in Green Taxonomy implementation tools," CBI Blog, June 2024.

⁸⁶ Bangko Sentral ng Pilipinas, Philippine Sustainable Finance Taxonomy Guidelines, BSP Circular No. 1187, 2024.

	indefinite classification of incumbent assets.	
SME compliance burden	The EU framework imposed disproportionate cost on SMEs and mid-caps, creating compliance deserts.	Colombia-style proxy-indicator architecture, scoped under R5; SIDBI-NABARD MSME pilot.
Indigenous-technology disadvantage	Taxonomies calibrated to imported-technology benchmarks risk inadvertently penalising domestic alternatives.	STC terms-of-reference (R4) should require the explicit incorporation of indigenous technology performance data.

Table 6.1 — Implementation challenges and India's structural responses, drawn from comparative experience.

CHAPTER

07

Inclusion by Design — MSMEs and Indigenous Technology

Building a taxonomy that works not only for large institutions, but for India's broader economic ecosystem.

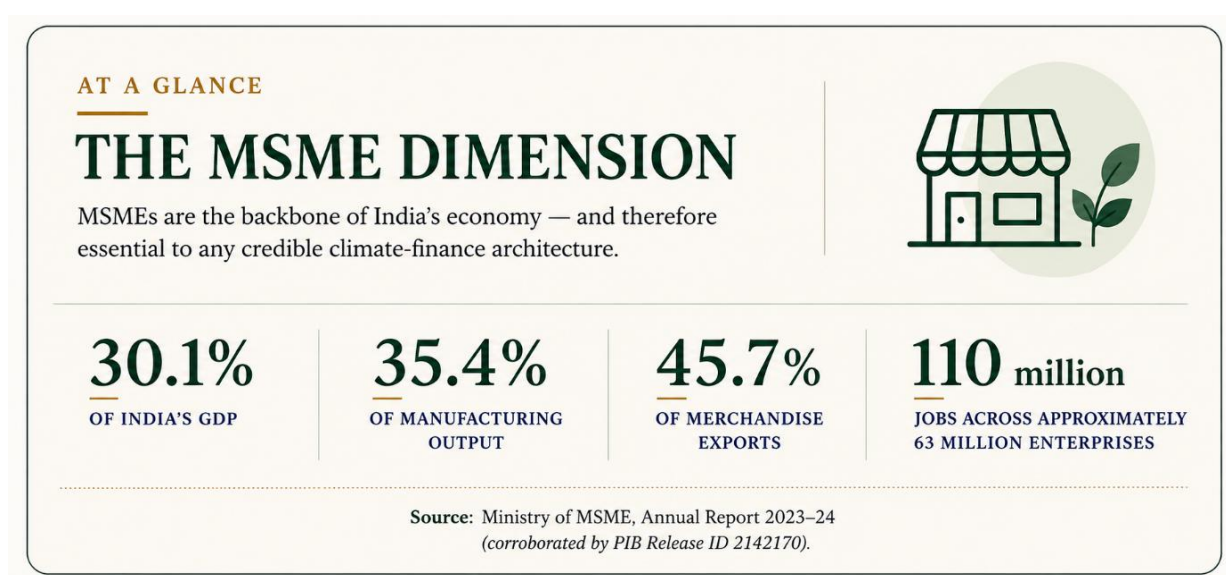


Generic taxonomy frameworks tend to obscure two structural realities of the Indian financial and industrial landscape: the compliance burden on MSMEs, and the strategic imperative to support indigenous technology rather than defaulting to imported solutions.

7.1 The MSME Challenge in India's Climate Finance Architecture

India's MSMEs are not a peripheral feature of the climate finance question. They are central to it. The MSME sector accounts for approximately **30 per cent of GDP, 45 per cent of merchandise exports, and more than 110 million jobs across approximately 63 million enterprises**.^{89F87} The IFC's analysis of MSME-sector dynamics^{90F88} corroborates these figures. Climate transition without their inclusion is not a partial transition; it is an incomplete one.

The challenge is that most MSMEs cannot absorb the compliance burden of the complex emissions reporting that taxonomy alignment, in its standard form, requires. The data collection apparatus (energy meters, emission factors, and lifecycle assessments) and the analytical capability (qualified ESG personnel and third-party assurance) that listed mid-cap and large-cap entities can mobilise are simply not available at scale across the MSME ecosystem. The cost of imposing them, even if technically feasible, would be prohibitive in a sector whose median enterprise turnover does not support such overheads.



The structural choice facing the taxonomy is therefore stark. Either the framework is designed with explicit MSME pathways, proxy indicators, simplified decision trees, and traffic-light classifications calibrated against data MSMEs already report through tax filings or routine credit assessments, or it functions, in practice, as a large-enterprise instrument. The capital flows directed towards MSMEs (which are substantial: priority-sector lending to MSMEs alone exceeded ₹16 lakh crore in FY24) would, in the latter case, remain outside the green finance architecture entirely. The opportunity to align MSME credit growth with climate transition would be foreclosed.

The Proxy-Indicator Solution

The principle underlying proxy indicators is straightforward. For any taxonomy threshold expressed in environmentally precise terms, such as “embedded emissions per tonne of cement below 0.65 tCO₂”, “energy intensity below 100 kWh/m²/year”, or “water reuse above 60 per cent of total intake”, there typically exists a more easily measurable correlate that is highly predictive of compliance with the underlying

⁸⁷ Ministry of Micro, Small and Medium Enterprises, Government of India, Annual Report 2023–24; corroborating data from PIB Release ID 2142170 (4 July 2025).

⁸⁸ International Finance Corporation, “Small Business, Big Impact: Empowering Women SMEs for Success,” 2024.

threshold. Where the correlation is sufficiently strong and the correlate is data that the enterprise (or its lender) already collects for unrelated purposes, the correlate can serve as a proxy for the threshold itself.

The Colombian taxonomy's 18 sector-specific proxies^{91F}⁸⁹,^{92F}⁹⁰ are the most developed precedent. Examples include water-source declarations for sustainable irrigation lending (the irrigation-source category, declared at the time of agricultural loan application is highly predictive of water-use efficiency); diesel-consumption ratios for transport-sector lending (a decline in diesel consumption per unit of revenue, reportable from operational invoicing, correlates with electrified or more efficient operations); waste-to-revenue ratios for circular economy enterprises; and certified-material-sourcing declarations for sustainable manufacturing.

An Illustrative Indian Proxy-Indicator Architecture

The specific proxy indicators appropriate to the Indian context will be defined by the National Data Gap Assessment recommended in R5. The illustrations below are intended to convey the analytical character of the exercise, not to pre-empt its findings. They draw on existing data infrastructure across BEE,^{93F}⁹¹ CPCB,^{94F}⁹² SIDBI,^{95F}⁹³ and NABARD^{96F}⁹⁴.

Sector	TSC Threshold (illustrative)	Candidate Proxy Indicator	Underlying Data Source
Sustainable agriculture (smallholders)	Water-use intensity below the sectoral benchmark	Drip / sprinkler irrigation declaration; PMKSY enrolment	Loan-application data; PMKSY records
MSME industrial efficiency	Energy intensity below the sectoral benchmark	Energy-cost-to-turover ratio, year-on-year	GST returns; balance sheet data
Sustainable transport (logistics MSMEs)	Tailpipe emissions per tonne-km below the threshold	Diesel-cost-to-revenue ratio; BS-VI fleet share	Operational invoicing; vehicle registration data
Circular economy	Recycled-content share above the threshold	Certified material-sourcing declarations; BIS standards	Procurement data; BIS certification
Green-building MSME contractors	ECBC-Plus performance	IGBC/GRIHA project-level certification	Existing certification registries

Table 7.1 — Illustrative proxy-indicator architecture for MSME inclusion. Final indicators to be defined through the National Data Gap Assessment (R5).

The crucial design feature is that none of these proxy indicators requires the MSME borrower to undertake bespoke environmental measurement. Each draw on data already collected for fiscal, regulatory, or operational reasons. The cost of compliance, accordingly, is close to zero, and proportionality is achieved without sacrificing rigour.

⁸⁹ Ministerio de Hacienda y Crédito Público, Gobierno de Colombia, with Superintendencia Financiera de Colombia, Taxonomía Verde de Colombia, External Circular 005 of 2022; implementation tools published 2024–25.

⁹⁰ Climate Bonds Initiative, Metrix Finanzas, Ambire Global, “First of its kind: Colombia leads globally in Green Taxonomy implementation tools,” CBI Blog, June 2024.

⁹¹ Bureau of Energy Efficiency, Perform, Achieve and Trade (PAT) Scheme — Cycle Performance Reports (Cycles I–VII), Ministry of Power, 2024.

⁹² Central Pollution Control Board, Sectoral Emissions Inventories and Environmental Compliance Reporting, MoEFCC, 2024.

⁹³ Small Industries Development Bank of India, MSME Pulse — Quarterly Lending Trends Reports, Lucknow: SIDBI, 2024.

⁹⁴ National Bank for Agriculture and Rural Development, Climate Risk and Sustainability — Strategic Framework, Mumbai: NABARD, 2023.

THE MSME LENS ON ALL FIVE RECOMMENDATIONS

Each of the five recommendations has an MSME dimension. R1 (BRSR Core) does not directly bind MSMEs, but the data it generates becomes the comparative spine for proxy-indicator calibration. R2 (PSL) is the direct credit-flow mechanism, with MSME-aligned lending forming a major component of the agriculture and MSME sub-targets. R3 (M-CGT) determines whether MSME-financed export credit can access international green finance pricing. R4 (STCs) sets the benchmarks against which proxy indicators are calibrated. R5 (the National Data Gap Assessment) is the explicit MSME pathway. The recommendations are integrated, rather than additive, on this dimension.

7.2 Indigenous Technology: Where the Taxonomy Must Create Pull

The framework's preamble explicitly favours locally developed solutions across power generation, mobility, and agriculture. This is a strategic choice, consistent with the broader Atmanirbhar Bharat agenda and the PLI schemes already operative for solar photovoltaic (PV) modules, advanced chemistry cell batteries, electrolyzers, and other clean technology segments. The taxonomy can either reinforce that orientation through its design or, if calibrated narrowly to imported technology benchmarks, inadvertently undercut it.

The Structural Barriers

Three barriers shape the indigenous technology landscape and define the constraints within which the taxonomy must operate.

- **Cost competitiveness.** Indian solar modules continue to face a cost differential relative to Chinese equivalents. The gap has narrowed under the PLI scheme but persists in the order of 15 to 25 per cent depending on cell technology and module specification. Comparable differentials apply across other clean technology segments. The taxonomy cannot resolve cost competitiveness directly, but its design choices can avoid amplifying the disadvantage.
- **R&D intensity.** India's gross expenditure on research and development (R&D), at approximately 0.66 per cent of GDP,⁹⁵ remains structurally below the level required for indigenous frontier technology development at scale. The figure has improved modestly over the past decade but remains far below China's 2.4 per cent and the OECD average of approximately 2.7 per cent.⁹⁶ The taxonomy is downstream of this constraint, but financing-side incentives (R2's PSL linkage and the proposed rate concession) create demand-pull that can support the commercial scaling of R&D outputs.
- **Critical minerals supply chain.** India remains substantially import dependent for the critical minerals (lithium, cobalt, nickel, and rare earth elements) that underpin advanced clean technology manufacturing. The Critical Mineral Mission and the recently expanded auctioning of mineral blocks have begun to address this. The taxonomy can, through its mineral-extraction TSC, reinforce these efforts by treating lifecycle-assured indigenous critical mineral production favourably without compromising DNSH safeguards.

The Taxonomy's Calibration Choices

Within these constraints, the taxonomy can support indigenous technology in three specific ways: by ensuring that TSC are calibrated to indigenous performance benchmarks rather than solely to imported-technology references; by creating financing pull through PSL linkage and rate concessions that disproportionately benefit aligned domestic manufacturers; and by ensuring the National Data Gap Assessment captures the indigenous-technology pipeline so that MSMEs deploying domestic clean technology solutions are not analytically penalised. Sustainable Futures Collaborative's analysis of India's NDC trajectory frames the broader policy logic.

⁹⁵ Department of Science and Technology, Government of India, Research and Development Statistics at a Glance 2022–23.

⁹⁶ OECD, Main Science and Technology Indicators (MSTI) Database, Directorate for Science, Technology and Innovation, 2024.

Recommendations 2 and 4 together carry the operational weight here. The G20 Sustainable Finance Roadmap⁹⁷ and Sustainable Futures Collaborative's NDC analysis^{100F}⁹⁸ together frame the broader policy logic within which the indigenous-technology orientation sits.

AT A GLANCE

TECHNOLOGY NEUTRAL. INDIA POSITIVE.

The taxonomy should **evaluate environmental performance rather than prescribe specific technologies.**

At the same time, the framework recognises India's strategic objective of strengthening domestic innovation and manufacturing capacity through its **explicit support for indigenous technologies.**





DESIGN PRINCIPLE

*Technology neutrality ensures environmental credibility.
Indigenous innovation strengthens long-term economic resilience.*

A well-designed taxonomy can advance both objectives simultaneously.

⁹⁷ G20 Sustainable Finance Working Group, G20 Sustainable Finance Roadmap and 2023 Synthesis Report, 2023.

⁹⁸ Sustainable Futures Collaborative, "India's Second NDC: Revisiting the Intensity of Climate Ambition," Working Paper, March 2026.

CHAPTER

08

Stakeholder Coordination Architecture

Aligning regulators, financial institutions, industry, and government around a shared implementation agenda.



The activation layer of the taxonomy is institutionally distributed: the SEBI for disclosure, the RBI for credit, the DEA for framework ownership, and the MEA for international engagement. Effective implementation requires coordination across these institutions, not as a constraint, but as a design feature.

8.1 An Inter-Regulatory Coordination Committee

The implementation of the five recommendations requires sustained inter-regulatory coordination, not at the level of broad policy alignment (which already exists) but at the level of operational sequencing and methodological consistency. The proposal is that the DEA convene an Inter-Regulatory Coordination Committee on Sustainable Finance Taxonomy, with the following composition and remit:

- **Chair:** Secretary, DEA (or a designated Additional Secretary).
- **Members:** Deputy Governor (Financial Markets), RBI; Whole-Time Member or Executive Director with responsibility for sustainable finance, SEBI; Joint Secretary (Multilateral Institutions), MEA; Additional Secretary, Ministry of Environment, Forest and Climate Change (MoEFCC); Chairperson, International Financial Services Centres Authority (IFSCA); CMD, or a designated representative, SIDBI and NABARD; Executive Director (ED), or a designated representative, BEE.
- **Cadence:** Quarterly formal meetings; supported by monthly working-group meetings at the senior-officer level.
- **Mandate:** Track implementation of the five recommendations against the 2+2 timeline; resolve methodological inconsistencies across RBI, SEBI, and DEA guidance; review STC outputs; receive and respond to the National Data Gap Assessment findings; and report annually to the Finance Minister and the Prime Minister's Economic Advisory Council (PM-EAC).

8.2 Coordination with State Governments and Sectoral Ministries

The taxonomy is national in design, but its implementation effects are mediated through the states, particularly in sectors where states retain primary regulatory authority, building codes, local-area distribution licensing, agricultural-input subsidies, urban planning, and water management. The MoEFCC, the Ministry of New and Renewable Energy (MNRE), the Ministry of Steel, the Ministry of Heavy Industries, and the Ministry of Housing and Urban Affairs (MoHUA) each have material sectoral interests. The coordination architecture should therefore extend, in clearly defined ways, beyond the four central financial policy anchors:

- State-level participation in the STC processes for green buildings (where state-level adoption of the ECBC remains uneven) and EVs (where state EV policies vary substantially in their incentive structures).
- Consultation with sectoral ministries on the transition finance architecture (Phase 2), particularly for steel, cement, and refining, where the Ministry of Steel and the Ministry of Heavy Industries have significant policy responsibilities.

Regular engagement with the IFSCA,^{101F99} given its role in regulating the Gujarat International Finance Tec-City International Financial Services Centre (GIFT IFSC) and the substantial volume of green bond and sustainable finance issuance routed through that jurisdiction.

8.3 The role of multilateral and civil-society partners

The recommendations in this report do not depend, for their core implementation, on multilateral or civil society partnership. They are designed to be executed through India's existing regulatory and institutional capacity. However, three categories of external partner can materially accelerate implementation if engaged in appropriate roles:

⁹⁹ International Financial Services Centres Authority, Sustainable Finance Framework — Consultation Paper, Gandhinagar: IFSCA, 2024.

Multilateral technical partners — the IFC,^{102F100} the ADB, the World Bank, and the IPSF Technical Working Group^{103F101} can provide methodological support for the National Data Gap Assessment (R5), the constitution of STCs (R4) and the technical drafting of India's IPSF interoperability submission (R3). Engagement should be on a peer-collaboration basis, rather than on terms that make implementation contingent on external timelines.

Indian academic and civil-society institutions — The CEEW, the CPR, the CSEP, the ORF, the NIPFP, the IFMR, and comparable centres of climate finance research should be represented on the STCs and on the Inter-Regulatory Coordination Committee's Expert Advisory Panel. The evidentiary credibility of the framework depends on the engagement of these institutions.

Industry bodies — The FICCI, the CII, the ASSOCHAM, the Indian Banks' Association (IBA), the Association of Mutual Funds in India (AMFI), and the Confederation of Indian Industry Climate Change Council should be consulted at defined points in the implementation calendar, with a clear understanding that consultation constitutes procedural input rather than policy negotiation.

¹⁰⁰ International Finance Corporation, Blended Finance for Climate Investments in India, Washington, DC: World Bank Group / IFC, 2023.

¹⁰¹ International Platform on Sustainable Finance, Working Group on Taxonomies, Common Ground Taxonomy — Climate Change Mitigation, Instruction Report, IPSF Secretariat, 2022.

CHAPTER

09

Conclusion

From Classification to Capital.



India has built the taxonomy. The five recommendations in this report are the mechanism by which it becomes a market instrument rather than a policy document. None requires legislation. All are executable within this fiscal year.

9.1 The Argument Restated

The argument has been deliberately narrow. The DEA has done the difficult intellectual work. The framework that emerged from the May 2025 consultation is, on its own terms, well-judged: tiered rather than binary, alert to proportionality, explicit on transition, and deliberate about indigenous technology. None of that is in dispute. What is missing is everything that sits one layer below the framework: the disclosure rule, the credit rule, the international seat, the technical thresholds, and the data inventory. Without that lower layer, classification cannot become allocation. The framework is built. The activation layer is not.

The five recommendations constitute that activation layer in operational form. The SEBI mandates a taxonomy-alignment field in BRSR Core. The RBI links PSL to the framework through a 25-basis-point MSF concession for compliant lenders. The DEA, together with the MEA, contributes India's taxonomy to the IPSF's interoperability work and publishes a comparison against the EU Taxonomy. The DEA constitutes STCs for renewable energy, green buildings, and EVs within ninety days. Finally, the DEA, together with SIDBI, commissions the National Data Gap Assessment that determines the practical terms on which MSMEs are included within the framework rather than excluded from it. None of these actions requires Parliament. All require decisions.

The 2+2 sequencing is not a stylistic choice. It recognises that two of the five recommendations must come first because the others depend on what they produce. The pilot tests thresholds before publication. The observer application secures the audience for what is published. The structural elements, the formal transition finance architecture, and the instrument-level integration into RBI and SEBI mechanisms, depend on both. The sequence is the work.

9.2 The Cost of Inaction

The risk to the taxonomy is not error. The framework is good. The risk is drift: a sound document slowly metabolising into the policy archive while the international capital cycle around it sets without reference to India. The cost of that drift has become quantifiable in a way it was not when this conversation began two years ago. Each quarter outside the M-CGT process is a quarter of structural exclusion from the €5.8 trillion SFDR-regulated pool. Each BRSR cycle without a taxonomy field is a cycle in which Indian companies are benchmarked using metrics designed elsewhere. Each PSL disbursement without a taxonomy filter is, in aggregate, hundreds of crores of "green" lending whose climate alignment is genuinely unknown.

None of these is a crisis on the day. None of them becomes a headline. They compound, quietly over the 18 to 24-month window during which the international capital allocation patterns of the late 2020s are being formed. By the time the cumulative effect becomes visible in the data, those patterns will already have been established, and a taxonomy introduced into them will enter an already settled landscape.

9.3 The Opportunity

India arrives last among the major emerging economies, which is to say it arrives with everyone else's homework available. The first generation of taxonomies, those of the EU, China, ASEAN, South Africa, Singapore, and Colombia, has already been tested. Each has paid for a specific lesson. The Indian framework, once activated, can become the first major emerging-economy taxonomy to combine four elements within a single architecture: quantitative rigour in the anchor sectors, proportionality through proxy infrastructure for MSMEs, explicit transition finance design with milestone-based phase-out, and interoperability with the M-CGT, built through the IPSF.

None of those four elements is novel in isolation. Each already exists in another framework. Their combination is the distinctive opportunity. Equally important is the timing: being able to assemble that architecture while the current cycle shaping global capital allocation is still underway, rather than afterwards. The five recommendations, implemented in the proposed sequence, provide the means.

"The question for the current fiscal year is not whether to act. It is in what order. The 2+2 sequence is the answer."

9.4 The Next Twelve Months

The full implementation horizon is 24 months. The operational window is much shorter. The decisions that determine whether the taxonomy becomes operational or remains inert will be taken over the next 12 months. The renewable-energy pilot is either commissioned by Q2 of FY26 or it is not. India's taxonomy is either submitted to the IPSF's ongoing stock-taking exercise while it is under way or it is not. The STCs are either constituted within 90 days or the threshold-setting timeline slips by at least a year. The National Data Gap Assessment is either commissioned in parallel with the STC process or only afterwards. A sequential approach would mean that MSME proportionality arrives, if at all, as a retrofit rather than as a design feature.

Each of those four decisions appears modest in isolation. Taken together over the next 12 months, they determine the difference between an activated taxonomy and a well-drafted one. The framework is in place. The recommendations are specified. The sequence is clear. What remains is the part of policymaking that no document can accomplish on behalf of those responsible for implementation: moving from intention to instrument, in time, in sequence, and on the record.

CLOSING ARGUMENT

India has built the taxonomy. The five recommendations in this report are the mechanism by which it becomes a market instrument rather than a policy document. None requires legislation. All are executable inside this fiscal year. The question before policymakers is not whether to act. It is in what order. The answer is in front of us.

ANNEXURE A

References & Source Map

A reference annexure to India's Sustainable Finance Taxonomy — A Strategic Framework and Implementation Roadmap.

Amber · Bhargavi · Surya · Sooraj | *The Dialogue* · YIF Fellows Cohort 26 | April 2026

This annexure consolidates the primary and secondary sources informing the report. The body of the report uses inline footnoted citations (numbered sequentially as they first appear); this annexure groups the same sources by category to aid retrieval. Each entry ends with a section pointer in square brackets — e.g. [§2.1] — indicating where in the body the source supports a specific claim. Government circulars and primary regulations are identified by their issuing reference number in addition to any URL, so each can be retrieved from the issuing regulator's archive even if a hyperlink lapses.

Government of India — primary policy documents

1. Department of Economic Affairs, Ministry of Finance, Government of India. *Draft Framework of India's Climate Finance Taxonomy*. Public consultation document, released 7 May 2025. New Delhi: DEA. Press Information Bureau Release ID 2127562. <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2025/may/doc202557551101.pdf>. [The framework referenced throughout the report; see in particular §3 and §4.]
2. Government of India. *India's Updated First Nationally Determined Contribution under the Paris Agreement (2021–2030)*. Submitted to the UNFCCC Secretariat, August 2022. Cabinet approval communicated via Press Information Bureau Release ID 1847812 (3 August 2022). [§1.1 — the 45 % emissions-intensity, 50 % non-fossil capacity, and 2.5–3 GtCO₂e carbon-sink commitments.]
3. Ministry of Finance, Government of India. *Union Budget 2024–25, Speech of the Finance Minister*. Paragraph 104, announcement of the Climate Finance Taxonomy. New Delhi: Ministry of Finance, July 2024. [§1.2 — origin of the DEA mandate.]
4. Ministry of Finance, Government of India. *Economic Survey 2023–24*. Volume 1, Chapter on Climate Change and Sustainable Development. New Delhi: Department of Economic Affairs. <https://www.indiabudget.gov.in/economicsurvey/>. [§1.1, §2.1 — the USD 2.5 trillion cumulative climate-finance estimate to 2030.]
5. Reserve Bank of India. *Report on Currency and Finance 2022–23 — Towards a Greener, Cleaner India*. Mumbai: RBI Department of Economic and Policy Research, 3 May 2023. [§1.1, §2.1 — the cumulative adaptation-finance estimate of approximately INR 85.6 lakh crore (≈ USD 1.03 trillion) by 2030.]
6. Reserve Bank of India. *Master Directions — Priority Sector Lending (Directions), 2020 (Updated as on July 2024)*. RBI/FIDD/2020-21/72, Master Direction FIDD.CO.Plan.BC.5/04.09.01/2020-21. [§4 R2 — the regulatory instrument that Recommendation 2 proposes to amend.]
7. Securities and Exchange Board of India. *Business Responsibility and Sustainability Reporting by Listed Entities*. Circular SEBI/HO/CFD/CMD-2/P/CIR/2021/562, 10 May 2021. [§2.3 — origin of the BRSR framework, mandatory for the top 1,000 listed entities from FY23.]
8. Securities and Exchange Board of India. *BRSR Core — Framework for Assurance and ESG Disclosures for Value Chain*. Circular SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122, 12 July 2023. [§2.3, §4 R1 — the assurance glide path: top 150 from FY24, top 250 from FY25, top 500 from FY26, top 1,000 from FY27.]
9. Securities and Exchange Board of India. *Industry Standards on Reporting of BRSR Core*. Circular dated 20 December 2024, developed by the Industry Standards Forum (ASSOCHAM, FICCI, CII). [§4 R1 — the methodology baseline against which the proposed taxonomy-alignment schedule would be added.]
10. Ministry of Micro, Small and Medium Enterprises, Government of India. *Annual Report 2023–24*. New Delhi: M/o MSME. Corroborating data from PIB Release ID 2142170 (4 July 2025). [§7.1 — MSMEs at 30.1 % of GDP, 35.4 % of manufacturing, 45.7 % of exports, ≈ 110 million jobs across ≈ 63 million enterprises.]

11. Department of Science and Technology, Government of India. *Research and Development Statistics at a Glance 2022–23*. [§1.1, §2.3, §7.2 — India's GERD at 0.66 % of GDP (2018–19, 2019–20) and 0.64 % (2020–21).]

12. Press Information Bureau, Government of India. *DEA invites suggestions on Draft Framework of India's Climate Finance Taxonomy by 25 June 2025*. PIB Release ID 2127562, 7 May 2025. [§1.2 — date and nature of the DEA public consultation.]

International frameworks & comparative taxonomies

13. European Parliament and Council of the European Union. *Regulation (EU) 2019/2088 — Sustainable Finance Disclosure Regulation (SFDR)*. OJ L 317, 9 December 2019, pp. 1–16. [§1.1, §2.2, §6.1 — the SFDR architecture.]

14. European Parliament and Council of the European Union. *Regulation (EU) 2020/852 — EU Taxonomy Regulation*. OJ L 198, 22 June 2020, pp. 13–43. [§6.1 — the EU comparator for the activation argument.]

15. European Parliament and Council of the European Union. *Regulation (EU) 2023/956 — Carbon Border Adjustment Mechanism*. OJ L 130, 16 May 2023. EUR-Lex CELEX:32023R0956. [§1.1 — instrument operative in its definitive regime from 1 January 2026.]

16. European Commission. *Regulation (EU) 2025/2083 amending Regulation (EU) 2023/956 — CBAM Omnibus simplification*. Adopted October 2025. [§1.1 — confirms the 1 January 2026 definitive-regime start date.]

17. International Platform on Sustainable Finance, Working Group on Taxonomies. *Common Ground Taxonomy — Climate Change Mitigation, Instruction Report*. Brussels and Beijing: IPSF Secretariat, 2022. [§4 R3, §6.2 — the originating M-CGT exercise.]

18. Monetary Authority of Singapore. *Singapore-Asia Taxonomy for Sustainable Finance*. Singapore: MAS, December 2023, with first update December 2024. [§6.5 — the comparator on explicit M-CGT mappability.]

19. ASEAN Capital Markets Forum, Taxonomy Board. *ASEAN Taxonomy for Sustainable Finance — Version 3*. Jakarta: ACMF, 2024. [§6.3 — the traffic-light tier structure cited as the transition-washing risk case.]

20. Ministerio de Hacienda y Crédito Público, Gobierno de Colombia, with Superintendencia Financiera de Colombia. *Taxonomía Verde de Colombia*. Bogotá: Ministry of Finance and Public Credit, 2022. External Circular 005 of 2022. [§3.3, §6.6, §7.1 — the leading international precedent for proxy-indicator design.]

21. People's Bank of China, China Securities Regulatory Commission, and National Development and Reform Commission. *Green Bond Endorsed Project Catalogue (2021 Edition)*. Beijing: PBoC, 2021. [§6.2 — successor to the 2015 Catalogue; clean-coal exclusion finalised in this edition.]

22. National Treasury, Republic of South Africa. *South African Green Finance Taxonomy — First Edition*. Pretoria: National Treasury, 1 April 2022. [§6.4 — the principal comparator for the cost of taxonomy publication without enforcement linkage.]

23. Otoritas Jasa Keuangan (Indonesia FSA). *Indonesia Taxonomy for Sustainable Finance (TKBI)*. Jakarta: OJK, 2024. [§6.3 — the binary decision-tree variant in the proportionality discussion.]

24. Bangko Sentral ng Pilipinas. *Philippine Sustainable Finance Taxonomy Guidelines*. BSP Circular No. 1187. Manila: BSP, 2024. [§6.6, §7.1 — traffic-light system cited alongside Colombia and Indonesia.]

Multilateral & technical reference materials

25. OECD. *Mapping Climate-Related Metrics in the Financial Sector*. OECD Business and Finance Outlook series. Paris: OECD Publishing, 2023. [§6 — methodology for taxonomic comparison.]

26. OECD. *Main Science and Technology Indicators (MSTI) Database*. Directorate for Science, Technology and Innovation, 2024. [§1.1, §2.3, §7.2 — OECD R&D-intensity average of 2.7 %; China at $\approx$ 2.4–2.55 %.]

27. International Capital Market Association. *Climate Transition Finance Handbook*, 4th edition. Zurich: ICMA, 2024. [§4 R4, §5.3 — criteria for time-bound transition disclosure.]

28. Climate Bonds Initiative. *Sustainable Debt Global State of the Market 2023*. London: CBI, 2024. [§4 R3 — global green-bond issuance against which Indian instruments are benchmarked.]
29. Climate Bonds Initiative, Metrix Finanzas, and Ambire Global. *First of its kind: Colombia leads globally in Green Taxonomy implementation tools*. CBI Blog, June 2024. [§6.6 — confirms the 18-proxy architecture.]
30. International Finance Corporation. *Blended Finance for Climate Investments in India*. Washington, DC: World Bank Group / IFC, 2023. [§2.2 — multilateral financing architecture.]
31. International Finance Corporation. *Small Business, Big Impact: Empowering Women SMEs for Success*. 2024. [§7.1 — corroboration of the MSME-sector statistics.]
32. Morningstar Sustainalytics. *SFDR Article 8 and Article 9 Funds: Q4 2024 in Review*. Chicago: Morningstar Manager Research, 2025. [§1.1, §2.2 — the EUR 5.8 trillion figure for combined Article 8 and Article 9 fund assets at the period referenced; figures vary quarterly and have since exceeded EUR 6.5 trillion.]
33. UNFCCC Standing Committee on Finance. *Sixth Biennial Assessment and Overview of Climate Finance Flows*. Bonn: UNFCCC Secretariat, 2024. [§2.1 — international climate-finance flow data.]
34. G20 Sustainable Finance Working Group. *G20 Sustainable Finance Roadmap and 2023 Synthesis Report*, 2023. [§8.1 — the international standard-setting context for India's M-CGT positioning.]

Indian research & analytical sources

35. Bhapta, K., J. P. Martinez, A. Yusuf, R. Kohli, and J. Feyertag. *Seven Lessons for India's Climate Finance Taxonomy*. CETEx and Grantham Research Institute, LSE, September 2025. [§6 — the comparator-jurisdiction lessons synthesis on which Section 6 builds.]
36. Council on Energy, Environment and Water. *Investment Sizing for India's 2070 Net-Zero Target*. CEEW Issue Brief, 2024. [§1.1, §2.1 — corroboration of the cumulative climate-finance requirement.]
37. Climate Policy Initiative. *Landscape of Green Finance in India 2024*. New Delhi: CPI India, 2024. [§2.1 — domestic climate-finance tracking.]
38. Observer Research Foundation. *Fiscal Federalism for Climate Action in India: Expectations from the 16th Finance Commission*. ORF Occasional Paper, January 2026. [§2.1 — corroborates the cumulative requirement and adaptation gap.]
39. Asia Investor Group on Climate Change. *Public Consultation Response: India's Climate Finance Taxonomy*. Submitted to DEA, 24 June 2025. Sydney: AIGCC. [§3 — institutional-investor perspective on the framework's structure.]
40. Institute for Energy Economics and Financial Analysis. *Building a climate finance ecosystem: India's draft taxonomy framework*. IEEFA Commentary, May 2025. [§3 — analytical perspective on the framework's design principles.]
41. State Bank of India, Economic Research Department. *PSL Revised Guidelines: A Win-Win Proposition*. SBI Ecowrap, FY26. [§4 R2 — sectoral analysis of the PSL framework and its modification space.]
42. Sustainable Futures Collaborative. *India's Second NDC: Revisiting the Intensity of Climate Ambition*. Working paper, March 2026. [§1.1 — analytical context for India's NDC trajectory.]
43. Centre for Policy Research. *The Political Economy of India's Energy Transition*. Discussion Paper, 2024. [§2.1 — political-economy framing of hard-to-abate sectors.]
44. Centre for Social and Economic Progress. *Sustainable Finance Architecture for Emerging Markets*. CSEP Working Paper, 2024. [§2.2 — emerging-market sustainable-finance context.]
45. National Institute of Public Finance and Policy. *Fiscal Architecture for India's Climate Commitments*. NIPFP Working Paper, 2024. [§2.1 — fiscal-architecture background.]

Sectoral & regulatory references

- 46.** Bureau of Energy Efficiency. *Perform, Achieve and Trade (PAT) Scheme — Cycle Performance Reports (Cycles I–VII)*. Ministry of Power, 2024. [§3.2, §4 R5 — the PAT data infrastructure referenced in the Data Gap Assessment.]
- 47.** Central Electricity Authority. *National Electricity Plan — Volume I (Generation), 2022–2032*. Ministry of Power, 2023. [§2.1 — the 500 GW non-fossil capacity target and transmission build-out.]
- 48.** Ministry of New and Renewable Energy. *Annual Report 2023–24*. Government of India, 2024. [§2.1, §4 R4 — renewable-energy capacity and tariff data.]
- 49.** Ministry of Power. *Power Sector at a Glance — February 2025*. [§2.1 — non-fossil-fuel installed capacity (47.4 % of total as of February 2025).]
- 50.** Central Pollution Control Board. *Sectoral Emissions Inventories and Environmental Compliance Reporting*. MoEFCC, 2024. [§4 R5 — environmental data infrastructure.]
- 51.** Small Industries Development Bank of India. *MSME Pulse — Quarterly Lending Trends Reports*. Lucknow: SIDBI, 2024. [§4 R5, §7.1 — MSME credit-assessment data infrastructure.]
- 52.** National Bank for Agriculture and Rural Development. *Climate Risk and Sustainability — Strategic Framework*. Mumbai: NABARD, 2023. [§4 R5, §7.1 — rural credit infrastructure.]
- 53.** International Financial Services Centres Authority. *Sustainable Finance Framework — Consultation Paper*. Gandhinagar: IFSCA, 2024. [§8.3 — GIFT IFSC sustainable-finance architecture.]
- 54.** Indian Banks' Association. *Sustainability Reporting Guidelines for Indian Banks (IBA SRG-2024)*. Mumbai: IBA, 2024. [§4 R2, §8.4 — banking-industry consultation framework.]



thedialogue.org.in



LinkedIn | The Dialogue



X | The Dialogue



Whatsapp | The Dialogue



Instagram | The Dialogue