

SUSTAINABILITY UPDATE



India Unveils Groundbreaking Climate Finance Taxonomy to Accelerate Green Capital Flows

May 21, 2025

Recent Update

India's Ministry of Finance has released a draft Climate Finance Taxonomy to mobilize \$2.5 trillion by 2030 for climate-aligned sectors. It classifies sustainable economic activities supporting India's targets: net zero by 2070, 45% emissions intensity reduction and 50% electric power from non-fossil sources by 2030.

It defines two categories: climate-supportive (direct emission cuts, adaptation, or R&D) and transition-supportive (efficiency or emission reduction in high-emitting sectors not yet ready for full decarbonization). The initial focus is on hard-to-abate, mitigation-adaptation and resilience sectors and aligns with international taxonomies from the EU, UK, Singapore, Hong Kong, Canada and Australia. Public comments are open until June 25, 2025.

 **Industrial Impacts**

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Industrial Impact

India's draft Climate Finance Taxonomy will steer investments toward climate-focused industries, promoting sustainable growth. It offers clear guidance for hard-to-abate sectors like iron, steel and cement to improve energy efficiency and reduce emissions. The taxonomy supports power, mobility and buildings sectors in adopting cleaner technologies, while boosting resilience in agriculture, food and water security.

By aligning with global taxonomies, India enhances access to international green capital and builds investor trust. This reduces greenwashing risks and encourages better ESG practices. The framework helps industries meet evolving regulations, drives innovation and supports long-term sustainability across key sectors.

 **4X4 Advisory's POV**

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4X4 ADVISORY'S POV

The introduction of a dedicated climate finance classification signals a transformative policy shift in India's sustainability journey. By offering a structured lens to evaluate green and transitional activities, it enables sharper capital deployment into sectors that are critical yet complex in their decarbonization pathways.

This move enhances transparency and strengthens India's credibility in the global sustainable finance landscape. It not only encourages accountability in environmental claims but also supports innovation, regulatory readiness and sectoral resilience—paving the way for a more inclusive and climate-resilient economy.

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