PAPER I - INDIAN ECONOMY & INDIAN FINANCIAL SYSTEM

Module A: INDIAN ECONOMIC ARCHITECTURE

Chapter 10: Climate change, Sustainable Development Goals (SDGs)

Quick Revision

10.1 & 10.2: Climate Change and the Sustainable Development Goals (SDGs)

- **The Challenge of Climate Change:** Climate change refers to long-term shifts in temperature and weather patterns, primarily caused by human activities like burning fossil fuels. It leads to extreme weather events and threatens economic growth and human well-being. To limit global warming to 1.5°C, global emissions need to be cut by 45% by 2030.
- **The Global Response (SDGs):** In 2015, the United Nations General Assembly adopted the **Sustainable Development Goals (SDGs)**. This is a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.
- **The 17 Goals:** The framework consists of **17 goals and 169 targets** for the period 2016-2030. Key goals include No Poverty, Zero Hunger, Good Health, Quality Education, Clean Energy, and Climate Action.

10.4: India's Progress in SDGs and Climate Action

- **Overall Progress:**

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- **NITI Aayog** is the nodal agency in India for coordinating the implementation of the SDGs.
- According to the latest SDG India Index, the country's overall score has improved from 66 to **71**, showing significant progress. **Kerala** continues to be the top-ranking state.

- **India's Climate Action (SDG 13):**
  - At the UN's COP26 summit, India announced five key commitments, known as the **'Panchamrit'**, to combat climate change. The main targets include:
    1. Achieving **net-zero emissions by 2070**.
    2. Reaching **500 GW of non-fossil fuel energy capacity** by 2030.
    3. Fulfilling **50% of its energy requirements from renewable sources** by 2030.
    4. Reducing projected carbon emissions by **1 billion tonnes** by 2030.
    5. Reducing the carbon intensity of its economy by **45%** by 2030.
  - India has also launched a mass movement for **'LIFE' (Lifestyle for Environment)** to promote sustainable living.

Green Finance and the Role of Banks

- **Role of Banks:** The Indian banking industry has a crucial role in managing the financial risks posed by climate change and, more importantly, in **funding India's transition to a green economy**. The RBI has recently introduced frameworks for **Green Deposits** and climate-related financial risk disclosures.
- **Green Finance:** This refers to financial arrangements for projects that are environmentally sustainable. Examples include financing for renewable energy, clean transportation, and green buildings.

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- **Progress in India:**
    - The small renewable energy sector is included under **Priority Sector Lending (PSL)**.
    - The government's **FAME scheme** promotes the adoption of electric vehicles.
    - **Green bonds**, where proceeds are used exclusively for green projects, are a growing segment of the financial market.

10.5: Corporate Social Responsibility (CSR)

- **Concept:** CSR is a business model where companies integrate social and environmental concerns into their operations to have a positive impact on society.
- **Legal Framework in India:** India is one of the few countries where CSR is **mandatory**. Under **Section 135 of the Companies Act 2013**, companies of a certain size must spend at least **2% of their average net profits** of the last three years on specified CSR activities.
- **Connection to SDGs:** Many of the mandated CSR activities are directly aligned with the SDGs. For example, CSR spending on healthcare and sanitation contributes to SDG 3 (Good Health) and SDG 6 (Clean Water and Sanitation).
- **Non-Compliance:** Failure to comply with CSR provisions is now treated as a **"civil wrong"** and is subject to a penalty regime, rather than being a criminal offense.

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